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## CEO Insight: Japan says goodbye to the home office - and that's good

*The return of workers to offices acts as an additional pillar of support for the already resilient real estate market in Japan.*

Japan and Germany differ in terms of working from home: The proportion of employees who work at home at least some of the time was still around 25% in Germany in December 2022, according to [data from Statista](#). In Japan, this rate was only 15% even at the height of the pandemic. According to a study by the Ifo Institute, home office use among full-time employees in Germany has [leveled](#) off at an average of 1.4 days per week after the pandemic, and in the U.S. it is as high as 1.6 days. In Japan, the figure is said to be 1.1 days. Reliable data is not available. However, the crowded commuter trains to the metropolises suggest that most employees in Japan are working in the office as before.

The difference is having an impact on the real estate markets. In Germany, many companies are hesitant to lease space or are downsizing their offices. In Frankfurt, for example, there were only three leases for over 5,000 square meters in [the first quarter of 2023](#). Only demand for prime locations remained high. Meanwhile, office vacancy rates in major Japanese cities [fell](#) year-on-year. Many companies are taking advantage of the end of the pandemic to move into more modern buildings or to [make](#) their offices more spacious. Usable space is not being significantly reduced.

This development is stabilizing rental and real estate prices in the office sector at a high level. At the same time, the return of office workers to city centers is having a positive impact on the housing market. Rents are rising and vacancy rates are falling, as shown by [Savills data](#) for Tokyo. Once again, Japan's real estate market is proving to be crisis-proof compared to the situation of other big markets.

Many employees in Japan have voluntarily returned to the office. Working at home was not really convenient for them. Especially in the big cities, the apartments are relatively small, so the office space often must be set up and dismantled daily. Japanese companies also rely heavily on teamwork, video conferencing quickly reaches its limits. Working in open-plan offices, where the boss sits with all employees, including trainees, and holds many conversations and telephone calls coram publico, is considered an essential practical part of training and development.

Many executives in Japan gained the insight during the Corona period that shared office work promotes creativity and increases productivity. They therefore largely abolished work from home as a permanent situation. The best ideas come from chatting at the desk, in the hallway, in the coffee kitchen, or in the cafeteria over lunch. Some great services and products may never be born if these encounters outside the conference routine do not exist.

In Germany, meanwhile, many employees seem to cling to their desks at home. Many bosses don't dare bring these people back into the office. Why is that? With the end of the pandemic, the most important reason for work from home no longer applies. One explanation is the spread of a new work mentality. Trends such as "quiet quitting" and "slow living" point to this.

I find that my contacts in Germany are much less likely to be in the office than in Japan and are not always easy to reach. But if talks take place later or under difficult circumstances, then agreements and decisions also are taken later and less thoroughly – with all the economic consequences.

In particular older employees without management responsibility seem to prefer working from home. As a result, junior staff in companies miss out on valuable learning experience, as newcomers witness fewer role models in action in the workplace. There is also anecdotal evidence that working from home throws a spanner in the works. For example, small errors may not be found and sorted out as quickly on call or through the short official channels.

Work from home is justified under certain circumstances, such as when someone wants to concentrate on a project in isolation or has to care for a sick child. But it should be the exception rather than the rule. Most Japanese companies act according to this maxim in the knowledge of the major challenges that currently have to be mastered. And that's good because the bottom line is that this development is positive for Japan's economy, teamwork, and the real estate market.

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