

# Real Estate in Japan 2016



# Code of Conduct

## The Real Estate Companies Association of Japan

### — Creating New Value for the Economy and Society —

Japan's declining population, falling birthrate and aging society are all having major impacts on our economy and society. New issues such as increasing internationalization and global environmental problems also need to be addressed.

In this context, Japan's real estate industry has a social responsibility to create new value to contribute to the economy and society. It is expected to supply high-quality buildings and housing, and help make people's daily lives—whether at home, work, or play—more comfortable and affluent. As a cornerstone of domestic demand, the industry should also help drive national economic growth.

Based on this mission, members of the Real Estate Companies Association of Japan pursue their activities in accordance with the principles below.

#### 1. Creating Attractive Cities

Members will help create safe, stable, comfortable and appealing cities; renew urban areas through forming quality housing stock and advanced business infrastructure; create dynamic environments rich in amenities; and work to maintain and enhance their value from both a hard and soft perspective so that they may be passed down to the future generations as high-quality assets.

#### 2. Customer-Focused Activities and Management

The provision of "Customer First" management is best served by supporting the lifestyle pursuits of customers in meeting their ever diversifying and increasingly unique needs with an enhanced selection of products and services, and also in providing accurate information while maintaining high ethical standards and acquiring greater expertise.

#### 3. Environmental Harmony

Members will work sustainably in order to integrate economic and environmental goals and create harmony through the realization of low-carbon cities. Members will also implement business in a manner that considers global and local environments through energy conservation, waste reduction and increased recycling.

#### 4. International Perspective

In addition to opening the Japanese real estate market internationally, members will strive to make Japanese cities globally appealing through developing first-class cities and regions that will attract international talent, capital and information.

#### 5. Rigorous Compliance

Members shall conduct fair business activities based on corporate social responsibility, ensure rigorous compliance by respecting consumer protection laws, eliminate anti-social forces and strive to act in an enlightened manner with respect to human rights issues.

Please refer to the list of Member Companies: <http://www.fdk.or.jp/en/member.html>

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# INTRODUCTION

## Real Estate in Japan 2016

The real estate industry plays a major role in the creation and development of living and urban environments such as housing and office buildings, which are the foundation of residents' lives and corporate activities. It supports Japan's economic growth through the supply of high-quality houses and condominiums, the revitalization of cities and regions, the development, management, and operation of office buildings and commercial facilities, real estate securitization, and other business.

According to the Annual Report on National Accounts, the real estate industry represents over 10% of Japan's gross domestic product (GDP). In addition, according to the 2014 Financial Statistics of Corporations, the real estate industry is characterized by high productivity per capita compared to other industries, with the added value per employee being ¥18.06 million (vs. ¥7.05 million for all industries), indicating that it occupies a vital position within Japan's economy.





With Japan's social structure undergoing sweeping changes as the nation's falling birth-rate, aging society, and declining population advance, in order to ensure the end of deflation and achieve sustained economic growth and an affluent lifestyle, it is essential to strengthen the international competitiveness of leading cities and drive the national economy while also encouraging investment in housing, which is a pillar of domestic demand, and forming high-quality housing stock.

In order to strengthen the international competitiveness of leading cities and enable Japan's top cities, such as Tokyo, to surpass their international rivals, it is important to promote urban renewal projects more than ever and move forward with appealing urban planning that will attract talent, capital, companies, and information from around the world.

What's more, it is necessary to contribute to resolving issues facing Japan such as the falling birthrate, aging of society, and declining working-age population through urban planning, creation of pleasant living and working environments for people of all kinds, and development of cities where multiple generations can live in comfort, with the aim of achieving a society suited to diverse lifestyles—a dynamic civil society (Dynamic Engagement of All Japanese Citizens).

With the aim of achieving a high standard of home living, it is necessary to promote a supply of housing that accommodates needs which are diversifying based on demographic and lifestyle changes as well as forming high-quality, sustainable housing stock by replacing aging condominiums and the like.

In addition, initiatives relating to disaster prevention and the environment continue to be a

key issue. It is important to work on safe, stable urban planning in terms of both facilities and services while also aiming to improve the environmental performance of cities and housing and contributing to sustainable, eco-friendly urban planning.

As the context in which Japan exists continues to undergo a major transformation, the role that the real estate industry is expected to play is growing ever larger.



# THE REAL ESTATE INDUSTRY TODAY

## DEVELOPMENT

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### What is development?

Real estate development is the creation and adding of real estate value by developing and preparing the infrastructure on obtained land or constructing housing or business facilities on land.

Earnings are realized by selling, subdividing or leasing developed real estate.

### Development Work

The flow of the development process begins with studying and understanding the size and form of the candidate development site, confirming related city planning, the status of infrastructure preparation and the concentration of various facilities.

A business plan containing the development concept, construction plan and business income and expenditures is then proposed based on these findings.

After the land is acquired, more specific construction design is carried out and following the acquisition of development and construction permits the actual construction will begin and continue until completion.

### Promoting Urban Regeneration Business

Urban development of real estate is closely related to the Urban Planning Law, Urban Redevelopment Law, Land Rezoning Law, Building Standard Law and other laws related to the development, construction and design of cities. The Act on Special Measures Concerning Urban Reconstruction was enacted in 2002, creating a new framework for special urban planning cases, financial support, etc. In addition, in 2011, the government designated Urban Renaissance Urgent Redevelopment Areas and selected International Strategic Comprehensive Special Zones with the aim of enhancing cities' international competitiveness and promoting urban renewal.

Furthermore, the Act on National Strategic Special Zones was enacted in 2013, based on the objective of promoting the formation of international economic activity hubs. In 2014, six zones were designated in the first phase (Tokyo area, Kansai area, Niigata City, Yabu City in Hyogo Prefecture, Fukuoka Prefecture, and Okinawa Prefecture), while in 2015, additional zones (Semboku City in Akita Prefecture, Sendai City, and Aichi Prefecture) were designated in the second phase.

### Upgrading of Fund Procurement in Development

Traditionally, securitization tended to focus on already operating real estate. However, securitization is now also being used in development projects (development-type securitization) to meet the need to diversify capital sources and such as a means to spread risk in fund procurement.

The use of development-type securitization enables the developer to procure funds based on a valuation primarily of the development project's return and limits the debt-burden risk by utilizing non-recourse loans without being impacted by the developer's own financial condition and limitations on fund raising. Recently, there have been cases of development-type securitization being utilized at urban redevelopment projects in regional cities.

## For-Sale Property Business

The housing subdivision (for-sale property business) consists of many steps including procurement of the lot, marketing to customer needs and market conditions, product planning, construction designing, advertising and sales. In recent years, diverse unique products have been planned and sold to meet the diversification of needs related to lifestyle and housing among purchasers.

## Condominium Supply Trends

Since 1981, the number of for-sale condominiums supplied to the market has exceeded the number of stand-alone houses with a proactive supply continuing in recent years centering on large metropolitan areas. Meanwhile, though the actual supply of stand-alone houses is decreasing due to the slowdown of large-scale new town developments and the like, the emergence of properties such as smart town properties with distinctive features can be seen.

## Establishment of Laws for Consumer Protection

The following are some of the laws regarding the for-sale housing business. The purpose of these laws is to improve consumer protection and the quality of buildings.

### [Building Lots and Buildings Transaction Business Law]

A broker's license under the Building Lots and Buildings Transaction Business Law is essential to be able to conduct for-sale housing business. In order to protect the purchaser and secure fair transactions, the law establishes regulations regarding the practices of the for-sale business that include restrictions on the timing for starting advertisements and concluding contracts, the requirement to explain material matters, the handling of deposits, etc.

### [Housing Quality Assurance Act]

This law created a system for indicating housing performance and enhanced the defect liability system concerning new houses.

### [Law to Secure Execution of Defect Warranty for Specific Housing]

This law made measures to secure resources utilizing insurance and deposits mandatory in order to ensure that parties such as the sellers of residences can effectively implement defect warranty.

## FOR-SALE TRANSACTIONS

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### What is for-sale property?

For-sale property requires work involving the development and sale of land, stand-alone housing, condominiums and other housing..

# LEASING 賃貸 賃貸

## What is leasing?

Real estate leasing is the business of obtaining rents by leasing real estate. Leasing applies to diverse properties ranging from housing to office buildings, retail properties, hotels and logistics facilities.

## Leasing Work

As for the real estate leasing business, the management and operation is at times conducted by the owner or in other cases partially or entirely entrusted to a third party.

In addition to the ongoing separation of real estate ownership and management based on development of real estate securitization and the like, as operation becomes increasingly complex, there are more and more cases of tasks being outsourced to companies that perform asset management and operation on behalf of real estate investors, property management and operation on behalf of real estate owners, and so forth.

## Changes in Supply of Buildings and the Sophistication of Needs

Floor space for launched office construction has been trending downwards since the bursting of the bubble. However, the needs of tenants are becoming more sophisticated. In addition to the focus on the latest IT equipment and energy-saving capabilities, emphasis has been placed on the earthquake resistance of buildings and Business Continuity Plan measures since the Great East Japan Earthquake.

## Legal Leasing System

The relationship between the party leasing the property and the renter is basically governed by the lease contract which stipulates individual items and is positioned under the Land and House Lease Law and the Civil Code. The former version of the Land and House Lease Law prohibited the leasing party from rejecting the renewal of lease contracts unless they had a valid reason. However, in 2000 the fixed tenancy leasehold system was formed based on the Special Measures Law for Promoting the Supply of Good Quality Rental Housing and it is now possible to enter into a contract that ends without renewal at the time of expiration.



## Transaction Work

Real estate transactions involve providing customers desiring to sell real estate with appraisals that indicate the proper sales price for the concerned property and related sales activities as well as providing customers desiring to buy a property with property information that meets their requirements. Real estate transaction brokers work to ensure that the sale and purchase, etc. of real estate – such as concluding contracts and delivering properties – proceeds smoothly and appropriately.

## Safe Transactions

The brokering of real estate sales, purchasing, transfer or leasing requires a license designated by the Building Lots and Buildings Transaction Business Law. This Law stipulates various matters concerning brokering to secure consumer protection and fair trade and these include the system for licensed real estate brokers, items to include in a brokering contract, compensation restrictions, and matters regarding advertisements and explanation of material matters.

On the other hand, because of increasing information technology, there have been many problems involving the leaking of customer information and the buying/selling of personal information. In order to protect the privacy of Japanese citizens, the Personal Information Protection Law was implemented in April 2005. It is necessary to comply with these laws and carry out business in accordance with these guidelines when engaging in real estate transactions.

## Vitalizing the Transaction Market

The total number of existing homes is higher than the total number of households and conditions are improving for further vitalization of the transaction market for existing housing. When the Basic Act for Housing was enacted in 2006, it was decided that the focus of the Japanese housing policy would transition from quantity to quality. The Japan Revitalization Strategy formulated in June 2013 also includes measures to promote the sale of existing housing.

## TRANSACTIONS

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### What are transactions?

Real estate transactions are primarily the selling and purchasing, transfer of land and buildings, intermediation on leases and sales brokering of for-sale homes.

# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## HOUSING

Following the war, there was a severe lack of housing due to the mass burning of cities. As a result, housing supply was deficient by 4.2 million units at the end of the war. In the mid-1950s, an explosive growth in the population concentrated in major cities began to occur alongside Japan's rapid economic growth. The ensuing increase in land demand sent land prices soaring, making the situation for housing even more severe. The Japan Housing Corporation (presently the Urban Renaissance Agency) was launched in 1955 as the trump card for eliminating this housing problem and it began to supply "danchi" or apartment complexes en masse. These danchi spawned residential districts and led to the construction of so-called "new towns" and the development of new city areas.

Today, the most prominent condominium complex is the "mansion" and many varieties — such as those targeting families, single persons, DINKs and seniors — have become available in response to Japan's changing society. The earthquake resistance and energy saving capabilities of stand-alone houses have also been improved as security and disaster prevention measures play a greater role in urban development. "Excellent communities" and "smart cities" that are environmentally friendly and contribute to a low-carbon society are also being advanced.



### Danchi to Condominiums

The era of large supply that started in the 1950s lasted until the first oil shock of 1973. While the Japan Housing Corporation initially dominated the market, an increasing number of private enterprises such as railroad companies began to supply condominium complexes dubbed "luxury mansions," a distinct departure from danchi properties targeting a certain clientele. The majority of these were located in downtown areas and featured elevators as well as parking lots, administrative offices, lobbies and restaurants on the first floor. In order to create a luxurious impression, fancy titles were given to the properties such as "mansion," "residence," "villa," "heights" and "heim."

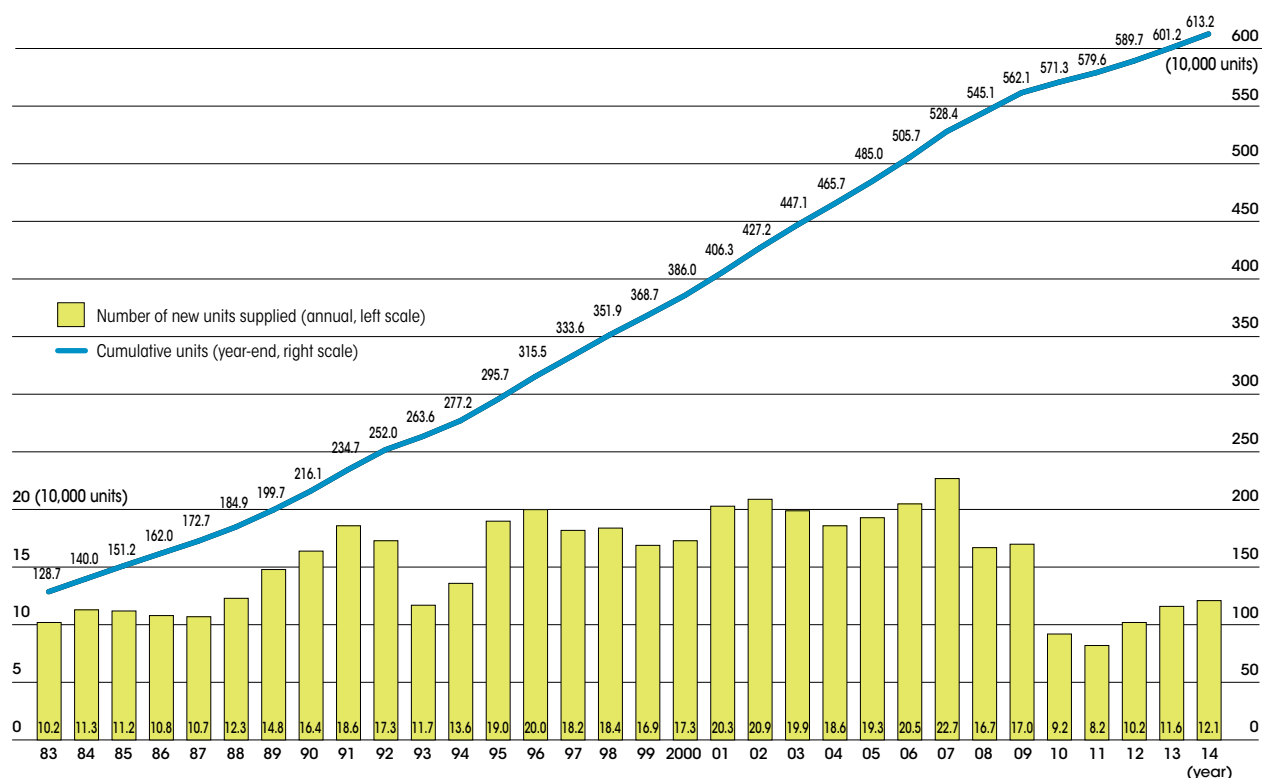
Beginning in the mid-1960s, major real estate companies, trading companies and others entered the field and expanded the condominium market from a luxury product to a product targeting the general public. This developed a broad demand segment for condominiums. The Government Housing Loan Corporation (presently the Japan Housing Finance Agency) began financing condominiums in 1970 and as they became easier to purchase, condominiums very quickly became widely accepted.

However, as the supply of for-sale condominiums increased, the problem of how to manage and operate the common areas of condominiums emerged. In 1962, the Sectional Ownership Law was established. The law was revised in 1983 as rights and management-related problems had emerged that were not initially anticipated. The sudden massive increase in condominiums also saw disputes over the right to sunlight surface among community residents. The Building Standards Law was revised in 1976 with new regulations concerning sunshine added in line with consumer demand for further protection.

### Development of Housing Areas Slow since Oil Shock

In terms of the development of housing areas, the launch of the so-called demarcation system in 1969 led many areas suitable for development to be incorporated into city coordination zones and the policy of suppressing development also became more conspicuous among local governments. In the early 1970s, many administrative regulations such as guidelines on housing lot development were issued. The increase in requirements for bearing expenses for public developments and the prolonging of projects generated a rise in the cost of development. The simultaneous boom to "remodel" Japan also caused land prices to soar and a condition developed in which land for developing housing was consistently priced high.

## Number of For-sale Condominiums in Stock Nationwide



Source: "Zenoku no Bunjo Manshon Sutokku Kosu (Number of For-sale Condominiums in Stock Nationwide)" by the Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. Number of new units supplied is derived from construction start statistics, etc. and based on completion.

2. Cumulative units are estimated based on the cumulative figures for new units supplied, etc.

3. Condominiums as described here are buildings at least three stories in height, sold after subdivision, jointly built, steel-reinforced concrete, steel-framed reinforced concrete and steel structured housing.

As a result of these developments, it became very difficult for developers to secure profitability. After peaking in 1972, the supply area of housing development continued to slide given the economic downturn resulting from the 1973 oil shock and other factors. In recent years supply from private developers has dropped to about 20% of the peak level, centering on small-scale developments and redevelopments in city areas rather than large-scale development of housing areas.

### Condominiums Grow Taller

The history of condominiums also correlates with the history of building higher. Following the completion of Mita Tsunamachi Park Mansion (19 floors; Minato Ward, Tokyo; Mitsui Fudosan) in 1971, a string of high-rise condominiums were released including Yono House (21 floors; Saitama City, Saitama Prefecture; Sumitomo Realty & Development) in 1977; Bell Park City (36 floors; Miyakojima Ward, Osaka City; Mitsui Fudosan and Kanebo Real Estate) in 1987; and Sakuranomiya River City (41 floors; Miyakojima Ward, Osaka City; Matsushita Investment and Development, Kintetsu Real Estate and Obayashi Corporation) in 1992. Condominiums exceeding 50 stories also emerged in 1998

with the Lions Square Elza Tower 55 (55 floors; Kawaguchi City, Saitama; Dai-kyo) and the Century Park Tower (54 floors; Chuo Ward, Tokyo; Mitsui Fudosan) in March 1999. Even in Kansai the trend is to build ultra-skyscraper condominiums such as City Tower Osaka, a 50-floor condominium that opened in December 2003 in Chuo Ward, Osaka City, developed by Sumitomo Realty & Development. There has been substantial supply ever since.

Lately there has been a conspicuous trend of moving back to the center of Tokyo reflected in the recent boom of ultra-skyscraper condominiums emerging from companies selling off factories and corporate housing as a means to restructure their businesses, the redevelopment of areas in front of stations and other factors. However, many of Tokyo's 23 wards have in recent years established restrictions on absolute height.

### Old Condominiums being Rebuilt as Stock Increases

An analysis of the supply of new condominiums in recent years (based on completions) reveals that massive supply continued (at the 200,000 unit level) in the Tokyo metropolitan area from 1995 to 2007 due to the post-bubble decline in

prices, the resulting locational return to central Tokyo, and the revived popularity of condominiums due to low interest rates, preferential tax breaks for purchasers of residential houses, etc. However, due to factors such as the subsequent increase in prices and the impact of the financial crisis triggered by the subprime loan problem, supply fell to 167,000 units in 2008. In 2010 through 2013, the supply was 100,000 units. Meanwhile, the nationwide stock is already approximately 6 million units (end of 2014), of which approximately 1.06 million units are more than 30 years old. A major issue for the real estate industry is how to maintain or update these appropriately so that they can be kept or improved as high-quality housing stock.

Not only do these older condominiums have inferior earthquake resistance, but in many cases earthquake-resistance upgrading is difficult because the buildings also have infrastructure problems (e.g., they have no elevators or renovating the piping system is difficult). There is no solution other than to rebuild them.

However, not much progress is being made in rebuilding aging condominiums. Reasons include difficulties in forming a consensus and deciding who will bear the rebuilding costs. With regard to the former, the Ministry of Land,



# BRILLIA TOWERS MEGURO

## Property Overview

### Condominium portion name:

Brillia Towers Meguro  
North Residence,  
Brillia Towers Meguro  
South Residence

**Location:** 3-chome Kamiosaki,  
Shinagawa Ward,  
Tokyo

**Site area:** approx. 17,000m<sup>2</sup>

### No. of floors:

North Residence: B2/40F  
South Residence: B2/38F

### No. of units:

940 units  
North Residence: 524 units  
South Residence: 416 units

### Total project cost:

approx. ¥80.8 billion

Tokyo Tatemono has developed Brillia Towers Meguro, located a mere 1-2-minute walk from Meguro Station on the JR Yamanote Line, through its acquisition of the residential portion of the Meguro Station Front District Category 1 Redevelopment Project. Based on the concept of a “city that grows together with the woods” (creating a forest), it will offer a living environment replete with nature. Brillia Towers Meguro comprises two tower condominiums, the North Residence and South Residence, with a total of 940 units (661 offered for sale), and the redevelopment site will also contain an office and commercial tower.

Selected as a project participant in July 2007, Tokyo Tatemono has seen the project through the city planning decision (2010), formation of the Meguro Ekimae District Urban Redevelopment Association (2012) and approval of the rights exchange plan (2013).

The aims of this redevelopment are to use the land in a sophisticated manner befitting its station-front location and upgrade its urban capacities by developing public facilities that contribute to improving the district’s convenience, disaster-resilience and safety, creating a dynamic environment by enhancing commercial and business functions and

supplying high-quality residences. Its design takes into account the bustling Meguro-dori Street and station-front location. Specifically this includes developing commercial facilities to be connected and continuous, and establishing a “Culture Plaza” to compose an energetic landscape. Tokyo Tatemono also plans to form a greenery-filled, concept-based “Forest Plaza” for the residence towers and a favorable urban environment as well as scenery that takes into account neighboring residential areas.

One challenge during this redevelopment was reaching agreement among the many related rights-holders. The plethora of parties involved, including members of participating associations with different purposes and different contractors for different sections of the construction site, meant that coordinating even one issue required significant time and effort. Furthermore, the complicated management regulations and divisions made drawing up the management regulations another time-consuming endeavor.

On the other hand, the sale of the residences drew much attention and units sold out a mere four months after becoming available. Reasons for the amount of attention included the proximity to Meguro Station on the JR Yamanote Line, enabling use of four train lines, the natural living environment with the Institute of Nature Study and Meguro River within walking distance and the elevation of approximately 27-29m.

Tokyo Tatemono intends to continue to offer urban development that contributes to the future and residences that provide long-term security.

Multiple names are planned for different parts of the redevelopment area.

### District name:

Meguro Hanabusayama

### Office building name:

Undecided

### Commercial portion name:

Undecided

### Rental apartment portion name:

Undecided

### Condominium portion name:

As above

As indicated above, “Brillia Towers Meguro” will be the name of the condominium portion.





## TOMIHISA CROSS

Property Overview

**Project name:** Tomihisa Cross  
(Nishi-Tomihisa District Category 1  
Urban Redevelopment Project)

**Location:** Tomhisacho,  
Shinjuku Ward, Tokyo

**Construction site area:**  
approx. 2.5 ha

**Building area:** 16,247m<sup>2</sup>

**Total floor area:** 138,946m<sup>2</sup>

**Main uses:**  
Residential (1,230 units),  
business/commercial facilities,  
etc.

Tomihisa Cross is a redevelopment project in Shinjuku's Nishi-Tomihisa district carried out by Nomura Real Estate Development and other participating association members. Despite its downtown location in Shinjuku, the site is an expansive 2.5 hectares with a large-scale mixed-use development combining residential, childcare, medical, retail, dining and business facilities.

Tomihisa Cross is Japan's first resident-led redevelopment project. The Tomihisa district, located in Shinjuku Ward, Tokyo, experienced a chaotic rush of land transactions during the land speculation accompanying the surge in land prices that began in the 1990s but, apart from a few empty plots, largely fell into decay. In 2001, a study group was formed around local residents that wished to keep living in the same area, and finally over 20 years later in 2012, redevelopment work began in earnest, reaching completion in the fall of 2015.

This project is an industrial-governmental-academic-private partnership utilizing not only the expertise of the local residents but universities and companies. It uses the land in a sophisticated manner, furnishing a favorable residential environment full of greenery and sensitive to the environment with the aim of building a community in which multiple generations interact. The goal of this development is to create a safe and secure district that is barrier-free and pedestrian-friendly.

More specifically, on its large, approximately 2.5-hectare site, the project includes a 55-floor, 1,093-unit, 180m-tall tower condominium – the tallest inside the Yamanote Line – as well as rental apartments and detached houses called “pent-terraces.” Nomura has also included shops, a certified early childhood education/care center and emergency supply storage, and taken advantage of cutting-edge technology and insight from both hard and soft perspectives to implement disaster prevention measures. In addition, with the “Comfort of 1,000” common space and services based on around 100,000 collected opinions, it has implemented ideas to improve comfort and ease of living at every turn, making it an attractive place for anyone, regardless of generation, to live. Furthermore, Nomura piloted reconstructing detached house-style residences with individual lanes and gardens atop an artificial platform in order that, after completion of the development, the original residents might continue to live in much the same way as before.

Nomura Real Estate Development will continue to develop cities for the future based on the things that communities and individuals hold dear, working with people to cultivate abundance and create new value for society.



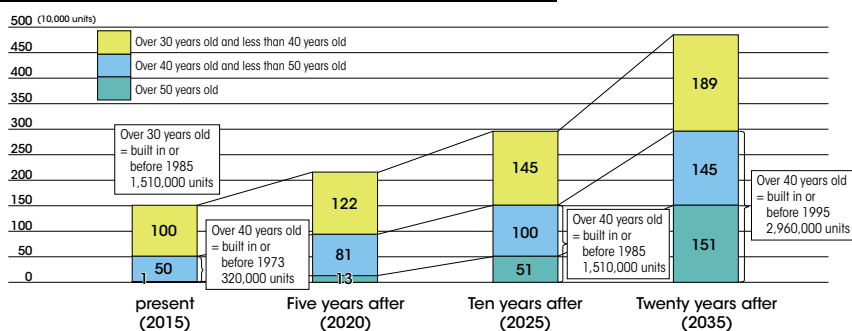
Infrastructure, Transport and Tourism formulated the Act on Facilitation of Reconstruction of Condominiums, which has made it possible to proceed with condominium rebuilding with a majority vote, provided that at least four-fifths of those voting on the resolution are in favor. Based on changes in the law since they were constructed, however, many aging condominiums have become "existing non-conforming buildings" that do not conform to current size requirements, which makes it even more difficult to form a consensus to rebuild them.

With regard to the latter, condominium unit owners cannot usually afford the costs required to tear down existing buildings and the costs required to construct new condominiums.

Most condominiums that have been rebuilt to date have adopted the method of constructing a larger condominium than the existing one by making use of unused areas and bearing the costs by selling the additional portion to developers and the like, but this approach cannot be used for condominiums with no extra area.

Therefore, as a new option for renewing aging condominiums, a Condominium Lot Selling System was implemented in December 2014 for selling off land by removing it from the condominium based on an 80% majority vote, and it is expected that there will be more and more cases of sold lots being used for retail facilities and other purposes, not just for condominiums. Moreover, national technical guidelines have been produced for relaxing volume regulations in special cases, which may be used when reconstructing condominiums that have been recognized as insufficiently earthquake resistant, and going forward their management will be entrusted to special administrative authorities'

Number of Condominiums over 30, 40 or 50 Years Old



integrated design programs and the like. With a view to prevent disasters in the event of an earthquake (i.e., save lives), these new programs would be applied to the most urgent cases of condominiums with "structure resistance deficiency," and it is expected that rebuilding will be encouraged for deteriorating condominiums with outdated earthquake resistance.

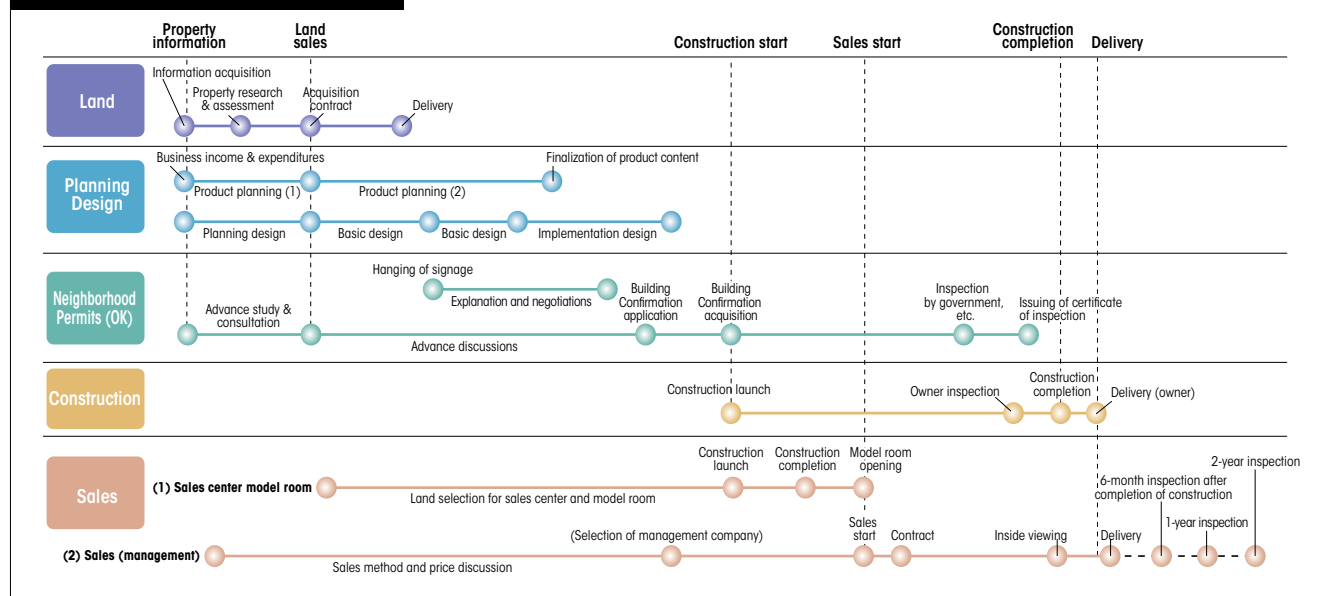
### Diversifying Household Supply

With the advent of a serious decline in the birth-rate and the super-aging of society, the segment of the population buying condominiums has expanded from the traditional family segment to include DINKS, singles and retired individuals seeking to change their residences from stand-alone houses in the suburbs to locations within downtown. These trends and changes in lifestyles and tastes are diversifying the needs for condominiums. The need for various kinds of senior accommodation, such as serviced housing for elderly people, is also becoming apparent.

In response to this diversification of needs, condominiums in various size ranges are being supplied and various options are offered such as condominiums with commercial facilities being developed on large-scale sites, large-scale condominiums equipped with communal facilities such as party rooms and guest rooms, green condominiums that focus on energy conservation and environmental harmony, and condominiums developed in collaboration with famous designers or other industries.

Efforts regarding disaster prevention measures such as the deployment of long-term ground motion countermeasures and seismically isolated structures for high-rise condominiums, securing of emergency power supply, setting up warehouses with stockpiles in the event of a disaster, etc. have also become of greater concern since the Great East Japan Earthquake of 2011.

Flow Chart of Condominium Business



# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## URBAN REDEVELOPMENT (URBAN RENEWAL)

The objective of urban redevelopment projects is to renew urban functions, promote advanced use of land, improve disaster prevention properties and the urban environment, create public space and activate the local economy. It is the integrated and comprehensive arrangement of buildings, retail properties and other urban facilities along with streets, plazas and other urban infrastructure by rationally using land and rebuilding aged buildings.

Spurred by the creation of the special urban block system in 1961, the easing of absolute fixed height limits between 1965 and 1975, and so forth, private companies also began undertaking ambitious redevelopment projects.

In recent years, Urban Regeneration measures have been hammered out by the government to heighten the appeal of cities and their international competitiveness, such as activities relating to Special Districts for Urban Regeneration and National Strategic Special Zones, and the urban development projects of the private sector are receiving proactive support.



### From Post–War Recovery to Building Boom

After the war, major cities eagerly readjusted their zonings to promote recovery from the disasters of the war, thanks to which streets in urban downtown areas were developed to a certain extent. However, the construction of buildings by private companies in the late 1940s and early 1950s was still in its infancy due to a conspicuous lack of funds and materials.

In the early 1950s, some of the buildings whose construction had begun during the war but had been suspended or that had been started after the war were completed, but it was in the late 1950s that the first building boom occurred, against the backdrop of the post-Korean War Jinmu Economy. Although banks' assessment of the real estate industry was poor, and the procurement of funds remained difficult, the building business took off as the system of Construction Cooperation Funds—via which funds for construction were obtained from companies that planned to enter buildings as tenants once they were completed—became commonplace.

Throughout the late 1950s and early 1960s, a number of Mitsubishi Estate buildings were completed as well as a series of company buildings for financial institutions and newspapers located on national land they had been granted, forming most of the Tokyo business district covering Yurakucho, Marunouchi, and Otemachi.

In the late 1960s and early 1970s, there was a dramatic relaxing of regulations limiting building heights thanks to the creation of the Special Urban Block Area System<sup>1</sup> in 1961 and the introduction of FAR Regulations<sup>2</sup> in 1963, leading to a wave of large-scale developments. Simultaneously designated as the first special urban block in 1964, Tokyo's Tokiwabashi Redevelopment (Nippon Building, etc.) and Kasumigaseki Building were completed one after another in 1968. At the time, they were respectively the largest building and first skyscraper in the East. Also in 1968, the preparation of infrastructure on the former site of Tokyo's Yodobashi Water Purification Plant was completed, the land was sold to the private sector, and construction of Shinjuku's new downtown area of skyscrapers began.

### Private Companies Take Active Role in Redevelopment

The history of redevelopment in Japan is primarily the history of local governments aiming to renew low quality city streets formed with little or no order and to recover from the destruction of earthquakes, wars and fires. Although private companies played a certain role in building and supplying buildings and stores in the mid-1950s,



## Primary Systems for Promoting Urban Redevelopment

### Grant and Subsidy System

- City lot redevelopment project
- Superior building improvement project
- Residential district improvement project
- Public facility improvement promotion project related to city redevelopment
- City regeneration lot adjustment project
- General town creation support project
- City energization regeneration base improvement project
- Town creation grant system

### Public Financing

- Urban district redevelopment project, etc. financing system
- Urban district redevelopment, etc. financing (Development Bank of Japan)
- Loaning of public funds (Organization for Promoting Urban Development)

### Special Tax Measures

- Urban district redevelopment project
- Specific private redevelopment project
- Special model refinancing
- Approved city regeneration projects

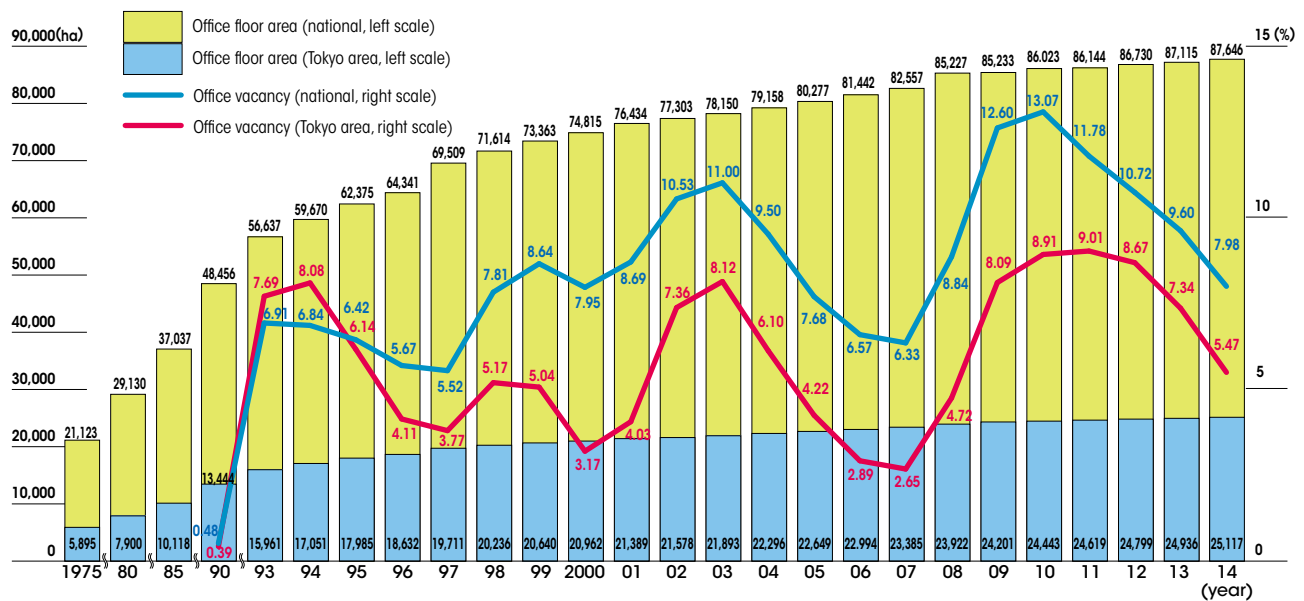
### Urban Planning and Building Regulation Promotion Measures

- Specific blocks
- Sophisticated use districts
- Redevelopment, etc. promotion districts
- FAR appropriate distribution district plans
- FAR district plans by usage
- Promoted FAR district plans
- Town environment promotion district plans
- Comprehensive development design

system

- Consecutive building design system
- Comprehensive development design of apartment areas
- Comprehensive Special Zones system
- National Strategic Special Zones special case system

## History of Building Vacancy and Floor Area (Stock)



Source: Miki Shoji Co., Ltd., "Office Data," Summary of Investigation on Fixed Asset Price, etc. Issued by the Ministry of Internal Affairs and Communications.

Notes: 1. Figures as of December each year. National averages calculated by the editors.

2. (1) Stock is the total floor area of wooden house offices and banks and non-wooden house offices, stores, department stores and banks. However, stores are also included in wooden houses from 1997.

(2) The stock is as of January 1 of each year.

(3) Tokyo area as pertains to stock: Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture.

they were rarely proactively involved in broader redevelopment projects.

Between the early and mid-1960s, various systems were established for securing a good city environment and attracting superior architecture and developments. These included creating the system of special urban blocks, transferring regulations with absolute fixed height limits to regulations based on FARs, and the establishment of the New City Planning Law and City Redevelopment Law. Private companies took advantage of the opportunities presented by these developments to embark on large redevelopment projects requiring the coordination of multiple landholders' rights and the preparation of public infrastructure.

## Era of Planar Redevelopment

Upon entering the mid-1970s following the oil shocks, there was a slowdown in the concentration of industries and people in major cities, and the building boom also calmed down. On the other hand, high quality developments worthy of being called "town creation" projects began to be conducted utilizing a new business system. One project representative of this is the Ark Hills project in Minato Ward, Tokyo, that was completed in 1986. This was the first city redevelopment project primarily conducted by a private developer based on the City Redevelopment Law established in 1969. The developer diligently obtained the understanding of multiple land rights owners and completed the new town after a period of 17

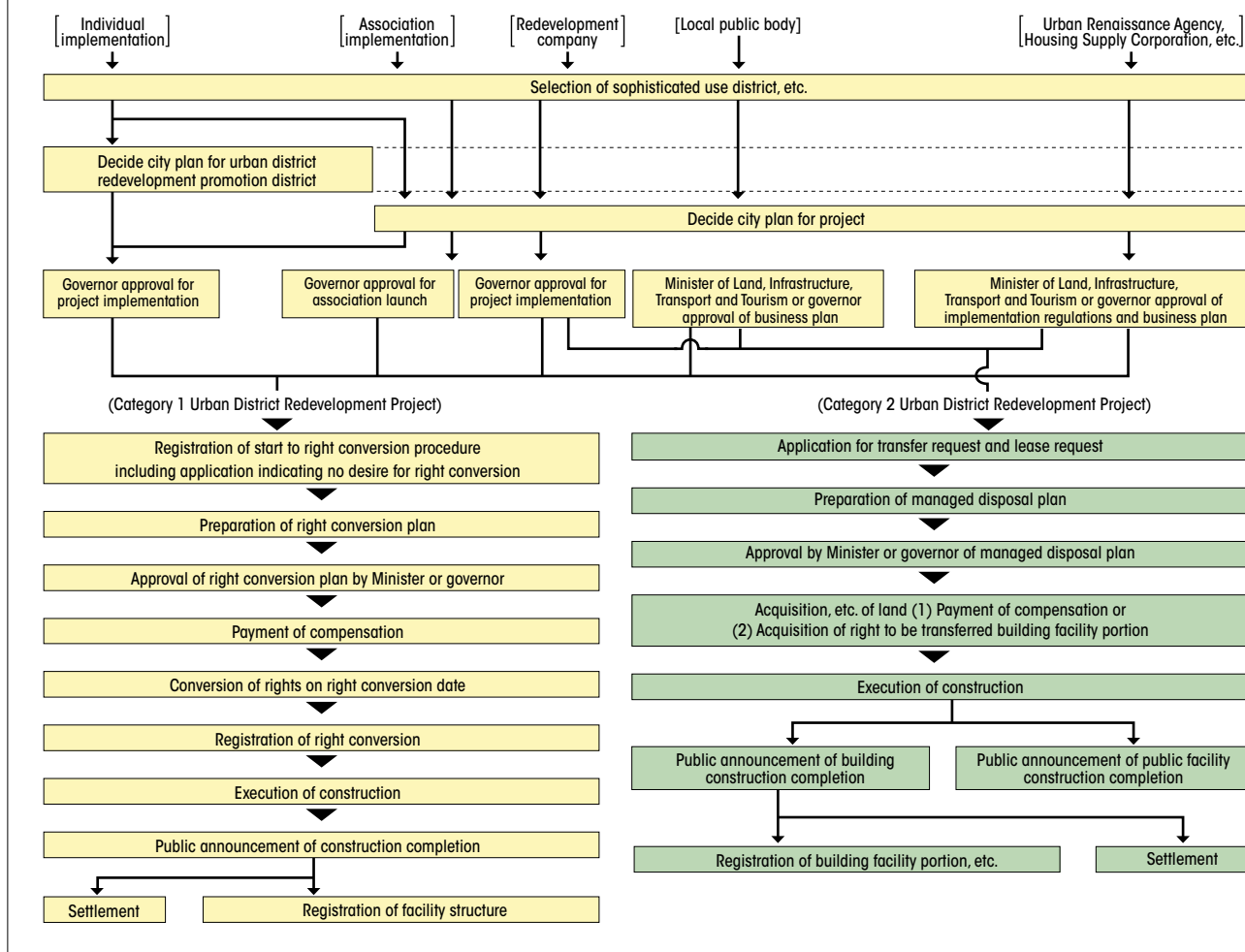
years. In addition, Hibiya City was completed in 1981 on two special urban blocks that were the former site of NHK. This project is well known as a project in which air rights<sup>3</sup> were sold within the special urban blocks.

## From Development Boom to Sudden Building Slump

Between the late 1980s and the early 1990s there was an unprecedented development boom backed by the spread of information technology and the emergence of Tokyo as an international finance center. The announcements of very strong demand forecasts made into the mid-1980s by the National Land Agency (today's Ministry of Land, Infrastructure, Transport and Tourism) and by multiple think



## Flow of an Urban District Redevelopment Project



tanks led to a building construction rush that was so great that ten years' worth of estimated floor space demand was built in only three years. Companies not traditionally involved in development entered the building business and triggered the soaring land prices that became known as the bubble. On the other hand, during this ten-year period many mega projects that had been conducted over a prolonged period such as the development of waterfront areas in major cities began to appear. Examples of these include Makuhari in Chiba Prefecture, Minato Mirai 21 in Yokohama, Osaka Business Park (OBP) and Yokohama Business Park (YBP). All of these projects drew attention as unprecedented multi-use developments in Japan. However, with the headlong rush into the Heisei recession (starting in the late 1980s) emerged unprecedentedly high vacancy rates, remarkable decreases in rents and other 180-degree transformations in the building market. This forced some projects such as the Tokyo waterfront subcenter to undergo significant revisions.

### Legal Redevelopment and Voluntary Redevelopment

There are two types of city redevelopment projects: legal redevelopment and voluntary redevelopment.

Legal redevelopment projects are urban redevelopment projects based on the City Redevelopment Law<sup>4</sup> and these projects are executed as city planning projects. Urban redevelopment projects are implemented with the enforcement of laws and seek to improve the disaster prevention capabilities of buildings in cities, renew city functions and achieve sophisticated land use. Due to the enforcement of laws, there are strict requirements for this type of redevelopment including maintaining a certain ratio of old or wooden buildings within the set district. Since this type of project has a strong public (government) characteristic, various tax incentives and support systems are in place for these projects.

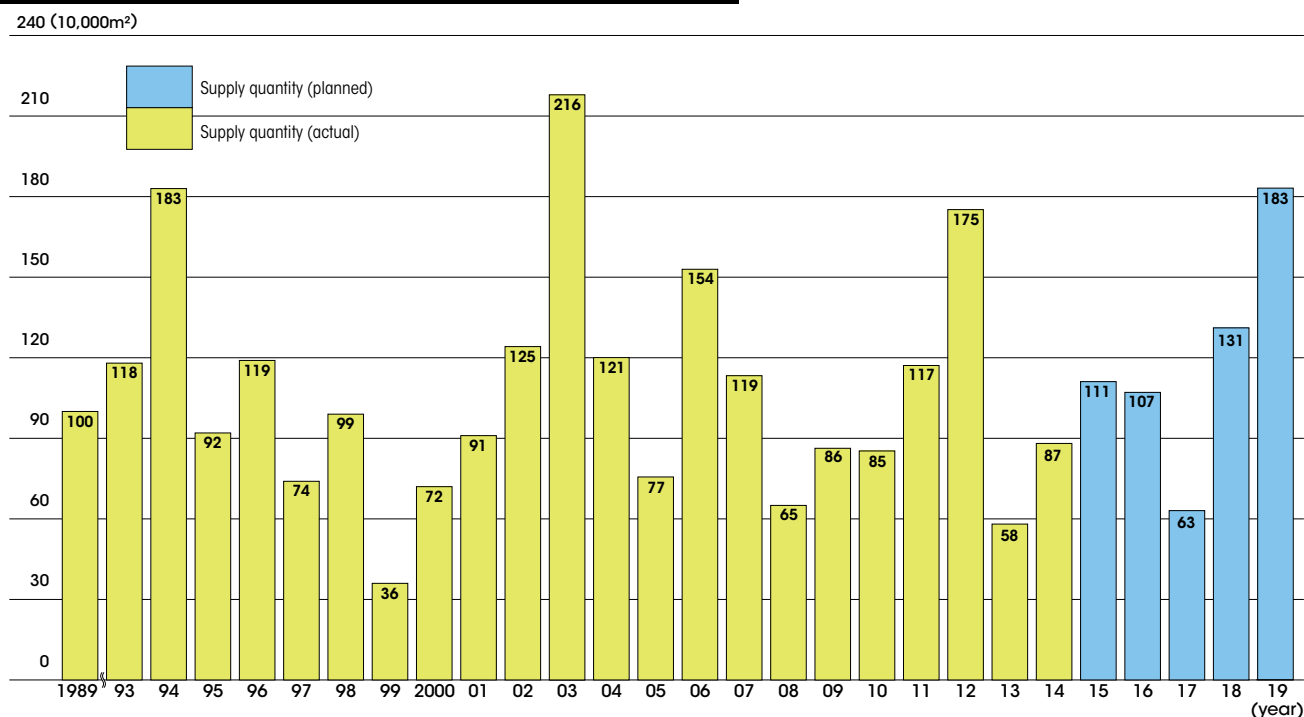
Voluntary redevelopment is generally the unification of divided lots, conversion of land use (former factory sites, etc.) to redevelop areas including the construction of public facilities.

In its broadest meaning, these projects include the simple rebuilding of buildings. It is the general term used for projects that use methods other than urban redevelopment projects. These projects comprehensively apply city planning systems such as special urban blocks and special building regulations including the comprehensive design system<sup>5</sup>, tax measures and subsidy measures.

Since there is no legal force behind the execution of the project, it requires the approval of all the land right owners, but at the same time there are no strict requirements such as the need for there to be at least a certain percentage of old buildings within the district.

Furthermore, the need for redevelopment from the perspective of disaster prevention grew as a result of the occurrence of the Great Hanshin Awaji Earthquake. The resulting measures included enforcement of the law concerning the promotion of disaster prevention district infrastructures within heavily concentrated city areas in 1997. These measures sought to effectively promote redevelopment in city areas that were recognized as risky with regard to disaster prevention.

## History of Supply Volume of Major Office Buildings in 23 Wards of Tokyo)



Source: Mori Building, Market Trends Survey for Large-Scale Office Buildings in Tokyo's 23 Wards (published October 2015).

Notes: 1. Study covers new major office buildings with total office floor areas of at least 10,000m<sup>2</sup> in the 23 wards of Tokyo.

2. Supply indicates the net supply of office floor area in major office buildings excluding that for non-office uses such as stores, residences and hotels.

### Promoting Residences in City Centers

One of the housing policies of recent years involves promoting residences in city centers. The concentration of work functions in city centers has caused a conspicuous outflow of the residential population from city centers, a phenomenon notably accelerated by the construction rush of office buildings, especially during the period of soaring land prices. For example, the nighttime population of the three central wards of Tokyo fell from 550,000 people in 1960 to 240,000 people in 1995, a halving of the population in just 35 years.

This led to the problem of communities deteriorating in city centers, the integration and closure of public elementary and junior high schools due to the decrease in students and children, and to slumping performance among local stores in these areas. In addition, many of those working in city centers resided in suburbs spread over a broad area extending into surrounding prefectures and were forced to endure long commutes. Thus, it became difficult for these people to have a leisurely, satisfying lifestyle.

The promotion of residence in city centers not only leads to a regeneration of communities in the city but also relieves those working in city centers from prolonged commutes, enabling them to use that time for activities that provide them with personal fulfillment. In part because the collapse of land

prices in city centers made it possible to supply housing downtown, the government has established various measures to promote the supply of good apartments and condominiums in downtown areas through the efficient and sophisticated use of land.

The primary measures include the creation of a district program for heightening the appeal of town areas in 1995<sup>6</sup>, creation of areas permitted to have tower residences<sup>7</sup>, a system for comprehensive development design by lot size<sup>8</sup> and rationalization of FAR limits on condominiums and other apartments<sup>9</sup>. Furthermore, the Metropolitan Government of Tokyo established a headquarters for promoting residences in downtown Tokyo as a means to reliably implement these measures. In addition, a drastic revision of the Building Standards Law was passed in 1998 and the Consecutive Building Design System<sup>10</sup> was created. This system was established from the perspective of promoting efficient land use while securing desirable city environments and arranged for the unified application of regulations on FARs and building height restrictions by recognizing a group of sites (even including existing structures) as a single lot.

Spurred by the various deregulation measures and the fall in land prices, the nighttime population of the three central wards has continued to recover, reaching 370,000 people by 2010.

### Implementation of Urban Regeneration Measures and Progress of Development Projects

Redevelopment projects have a very high ripple effect on the economy and greatly contribute to economic recovery through an expansion of domestic demand. The proactive promotion of urban redevelopment projects by private companies as measures to invigorate the country's economy, which was mired in a continuing slump, had large expectations placed on it.

As a result, the government came up with a number of measures to promote redevelopment projects as part of its economic measures from 1997 through 1998. These initiatives aimed at improving the business environment included the development of a system for deploying the Urban Development Corporation (presently the Urban Renaissance Agency) and Organization for Promoting Urban Development and the establishment of measures to support the rapid implementation of redevelopment projects, such as the creation of a redevelopment project approval system and a specified project participant system.

In 2001, the Urban Renaissance Headquarters was established in the Cabinet with then Prime Minister Junichiro Koizumi as its head. With the objective of promoting the fluidization of land by developing the required urban renaissance base and revitalizing cities, thereby leading to

the revitalization of Japan, the Headquarters was tasked with conducting a root-and-branch review of various systems. In 2002, through the establishment of the Urban Renaissance Special Measures Law, urgent city regeneration districts began. These are critical and important districts designated by the central government as bases for city regeneration for city lots that should be developed. This paved the way for sale of land by the JNR Settlement Corporation and after that, large-scale redevelopments in Shiodome, Shinagawa, Roppongi, and elsewhere have been undertaken, and an enormous number of large office buildings have been supplied.

Many of the buildings in these areas have built multi-use developments that are not just office buildings but also include functions such as hotels and theaters. Even in 2007 and onwards, the areas have seen the completion of the Shinmaru Building, Tokyo Midtown, Akasaka Sacas, Marunouchi Park Building, Mitsubishi Ichigokan and many more.

In addition, following complete revision of basic city regeneration policies in 2011 and further partial revision in 2014, the range of areas deemed urgent city regeneration districts expanded; as of July 2015, 63 districts with a total of about 8,372 hectares had been designated.

### International Competitiveness of Cities

Because of economic globalization, the industrial global competitiveness of cities has become a national development focus. In order to compete effectively with major world cities such as New York, London and other Asian cities, whose progress has been remarkable, it is necessary for Japan's cities look ahead and build appealing districts that will attract international talent, capital, and information.

In 2011, the Special Measures Act for Urban Renaissance was partially revised, designating regions where strengthening global competitiveness would be particularly effective as "specific urban redevelopment emergency

development areas," and a Comprehensive Special Zone system was set up via the Comprehensive Special Zone Act.

Furthermore, the National Strategic Special Zones Act was enacted in 2013, based on the objective of promoting the development of international economic activity hubs. The following year, six zones (Tokyo area, Kansai area, Niigata City, Yabu City in Hyogo Prefecture, Fukuoka Prefecture, and Okinawa Prefecture) and zone policies were determined. In 2015, the number of zones was expanded to nine with the addition of three zones (Semboku City in Akita Prefecture, Sendai City in Miyagi Prefecture, and Aichi Prefecture) and work progressed on approving plans for each zone. In the Tokyo area, based on special measures under the City Planning Act, efforts are underway aimed at enhancing the city's international competitiveness, such as plans for 22 urban revitalization projects.

## [Endnotes]

### 1. Special Urban Block Area

Districts designated in city plans for preserving and forming superior city spaces. Within these designated blocks, regulations concerning FARs, building coverage ratio, height restrictions and sunlight regulations under the Building Standards Law are not applied and unique FARs, height restrictions and wall plane locations are designated for said blocks (Article 8 of the City Planning Law and Article 60 of the Building Standards Law).

### 2. FAR Regulations

FAR refers to the ratio of the total building floor area to lot area that is designated according to the use zone. Prior to introduction of FAR, there were absolute height restrictions of 20 meters in residential areas and 31 meters in other areas. Creation of this system enabled the construction of tall buildings (Article 52 of the Building Standards Law).

### 3. Air Rights

(1) Right to use space above the land (air right) and (2) Right to receive transferred FARs from neighboring lots (transferable development right). The former is the same as sectional surface rights designated in the Civil Code. Both can be transferred through a sale and an example of the latter is Hibiya City. The excess FAR for the Nippon Press Center Building was transferred to the Hibiya Kokusai Building and other spaces.

### 4. City Redevelopment Law (Categories 1 and 2)

In Category 1, landowners in the district (individual implementers) and an association of all landowners (an association can be formed when there are at least five landowners or leaseholders) along with the local public body become the implementing party. The basic structure involves transferring the rights of landowners before the project is implemented to the new building's floor area and common interest in the site after construction (rights conversion), then disposing of remaining

floor and site rights (reserved floor) and applying those funds to project costs. The developer participates in the project as an individual implementer or member of the association, or as the agent of an individual implementer or the scheduled purchaser of the reserved floor. Category 2 involves paying compensation to the rights holders in the district and purchasing the entire rights for the land and building. The implementing party is a local public body or Urban Renaissance Agency and they can also expropriate the land.

### 5. Comprehensive Development Design System

A system in which approval by the specific administrative agency for a lot area which has secured a certain ratio or more of empty land for a building of a certain size recognizes a special exception on the absolute height in a dedicated Category 1 or Category 2 exclusively low-rise residential district or for FAR or setback restrictions (Article 59-2 of the Building Standards Law).

### 6. Town Environment Promotion District Plan

When in an existing city area the building height, arrangement and form are designated as a unified district plan in accordance with the district characteristics and necessary regulations are implemented, then the application of FAR restrictions and setback restrictions based on the width of the road to the front are excluded. This was created to promote the city environment through individual building activity, rational, healthy and efficient use of land and formation of a good environment (Article 12-5 of the City Planning Law).

### 7. Skyscraper Residence Promotion District

Community districts designated as districts for promoting the building of residential skyscrapers. This is set for Category 1 residential districts, Category 2 residential districts, quasi-residential districts, neighboring commercial districts and quasi-industrial districts.

### 8. Comprehensive Development Design System by Lot Size

A comprehensive development design system in which the increase in FAR becomes greater the larger the lot size. This provides the developer with an incentive for combining lots by increasing the FAR in accordance with the size and was created with the objective of promoting the construction of good structures that contribute to improving city environments.

### 9. Rationalization of FAR Limits for Condominiums and Other Apartments

This heightened the usable FAR by removing hallways and stair common areas of condominiums and other apartments from the calculations for FAR limits. As a result, it became possible to use FAR about 1.2 times than if hallways, etc. are included in the floor area (Article 52-5 of the Building Standards Law).

### 10. Consecutive Building Design System

This system admits exceptions to the rule of one building for one lot. When buildings are constructed according to a rational design based on the premise of the existing building remaining on an integrated land site comprised of several lots, special measure exceptions are applied that recognize several buildings as existing on the same site when the specified government agency recognizes that the location and structures of each building presents no safety, fire prevention or sanitation problem. Specifically, FAR and building coverage ratios are applied with the multiple buildings recognized as a single unit, and sunlight restrictions and neighboring lot setback restrictions related to each building in that district are judged individually. This system is expected to promote sophisticated use by enabling unused FARs of neighboring lots to be used and overcoming of FAR restrictions using road widths when the neighboring lot borders a wide road.

## Major Private City Redevelopment Projects

Name	Address	Development Area (ha)	Construction Completed	Main Developer, Participating Companies, etc.
Kasumigaseki Building	Chiyoda Ward	1.6	Apr. 1968	Mitsui Fudosan
Sunshine City	Toshima Ward	6.1	May 1978	New City Development Center
Akasaka and Roppongi Ark Hills	Minato Ward	5.6	Mar. 1986	Partnership, Mori Building
Osaka Business Park	Osaka City	26.0	Mar. 1990*	Osaka City, (former) Housing and Urban Development, Matsushita Investment and Development, Tokio Marine & Fire Insurance, etc.
Shinjuku Fukutoshin	Shinjuku Ward	56.0	Jun. 1990*	Shinjuku Fuku-toshin Construction Corporation, Sumitomo Realty & Development, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan, Keio Teito Electric Railway, etc.
Yokohama Business Park	Yokohama City	13.2	Mar. 1991	Nomura Real Estate Development
Tennozu Isle	Shinagawa Ward	20.0	Jun. 1992*	Voluntary Council of Landowners, Mitsubishi Corporation, Ube Industries, etc.
Shin Umeda City	Osaka City	4.2	Mar. 1993	Sekisui House, AOKI Construction, Toshiba, etc.
Okawabata River City 21	Chuo Ward	17.0	May 1993*	Tokyo, (former) Housing and Urban Development, Mitsui Fudosan
Yokohama Landmark Tower	Yokohama City	3.8	Jun. 1993	Mitsubishi Estate
Setagaya Business Square	Setagaya Ward	2.1	Nov. 1993	Tokyu Land and Tokyu Corporation
St. Luke's International Hospital Redevelopment	Chuo Ward	3.9	May 1994*	St. Luke's International Hospital, Seiwa Real Estate, Tokyu Land, Towa Real Estate Development, Nippon Life Insurance, Matsushita Investment and Development, Mitsui Fudosan
Yebisu Garden Place	Shibuya and Meguro Wards	8.3	Oct. 1994	Sapporo Breweries
Canal City Hakata	Fukuoka City	4.2	Apr. 1996	Fukuoka Jisho, Organization for Promoting Urban Development
Shinagawa Inter City	Minato Ward	4.0	Dec. 1998	Kowa Real Estate, Sumitomo Life Insurance, Obayashi Corporation
Gate City Osaki	Shinagawa Ward	5.9	Feb. 1999	Partnership, TEPCO, Osaki Land and Building, Mitsui Fudosan, Fuji Life, etc.
Tokyo Opera City	Shinjuku Ward	4.4	Mar. 1999	Nippon Life Insurance, NTT Urban Development, Odakyu Department Store, Keio Corporation, etc.
Harumi Island Triton Square	Chuo Ward	14.2	Sept. 2001	(Former) Urban Development Corporation, Sumitomo Corporation
Izumi Garden	Minato Ward	3.2	Jul. 2002	Partnership, Sumitomo Realty & Development, Mori Building
Marunouchi Building	Chiyoda Ward	1.0	Sept. 2002	Mitsubishi Estate
Shiodome Sio-Site	Minato Ward	30.7	Jan. 2003*	Dentsu, Nippon Television Network Corporation, Matsushita Electric Works, etc.
Shinagawa Grand Commons	Minato and Shinagawa Wards	5.3	Mar. 2003	Mitsubishi Corporation, Mitsubishi Heavy Industries, Mitsubishi Motors, Daito Trust Construction, Taiyo Life Insurance, Cannon Sales, Tokyo Tatemono, Kintetsu Real Estate, Nippon Tochi-Tatemono Hanbai, Total Housing
Roppongi Hills	Minato Ward	11.0	Apr. 2003	Partnership, Mori Building
Marunouchi oazo	Chiyoda Ward	2.4	Sept. 2004	Mitsubishi Estate, Nippon Life Insurance, Marunouchi Hotel, Chuo Fudosan
Olinas	Sumida Ward	2.7	Mar. 2006	Tokyo Tatemono, Mitsui & Co., Shoen
Tokyo Midtown	Minato Ward	6.9	Jan. 2007	Mitsui Fudosan, JA Kyosai, Meiji Yasuda Life Insurance, Sekisui House, Fukoku Mutual Life Insurance, Daido Life Insurance
Akasaka Sacas	Minato Ward	3.3	Mar. 2008	Tokyo Broadcasting System Television, Mitsui Fudosan
Otemachi 1-chome Area Redevelopment Project	Chiyoda Ward	1.5	Apr. 2009	JA-ZENCHU (Central Union of Agricultural Co-operatives), Nippon Keidanren (Japan Business Federation), Nikkei Inc., Mitsubishi Estate, NTT Urban Development, Tokyo Tatemono, The Sankei Building, etc.
Marunouchi Park Building, Mitsubishi Ichigokan	Chiyoda Ward	1.2	Apr. 2009	Mitsubishi Estate
Shibuya Hikarie	Shibuya Ward	0.9	Apr. 2012	Client Council for Promotion of the Shibuya New Cultural District Development Project, Tokyu Corporation, Tokyo Metro, etc.
Nakano Central Park	Nakano Ward	16.8	May 2012	Tokyo Tatemono, Kajima Corporation, Shouei, Nippon Tochi-Tatemono, etc.
Ark Hills Sengokuyama Mori Tower	Minato Ward	2.0	Aug. 2012	Mori Building
Otemachi Financial City	Chiyoda Ward	1.4	Oct. 2012	Urban Renaissance Agency, Mitsubishi Estate, NTT Urban Development, Tokyo Tatemono, The Sankei Building
Grand Front Osaka	Osaka City	3.8	Mar. 2013	Mitsubishi Estate, NTT Urban Development, Obayashi Corporation, ORIX Real Estate, Kanden Fudosan, Nippon Steel City Produce, etc.
Abeno Harukas	Osaka City	2.8	Mar. 2014	Kintetsu Corporation
Otemachi Tower	Chiyoda Ward	1.1	Apr. 2014	Tokyo Tatemono
Toranomon Hills	Minato Ward	1.7	May 2014	Mori Building
Iidabashi Grand Bloom	Chiyoda Ward	2.5	Jun. 2014	Mitsui Fudosan, Maeda Corporation, Kajima Corporation
Nihonbashi/Muromachi East District Development Project	Chuo Ward	1.0	Oct. 2014	Mitsui Fudosan, Chiba Bank, Sobu, Wakamoto, Isetan Mitsukoshi, Kiya Building, Furukawa, Ninben, others
Futako Tamagawa rise	Setagaya Ward	3.1	Apr. 2015	Tokyu Corporation, Tokyu Land Corporation
Tokyo Nihombashi Tower	Chuo Ward	0.8	Oct. 2015	Sumitomo Realty & Development

Note: Construction Completed indicates the month and year of the completion of entire project or the grand opening.  
However, those marked with an asterisk (\*) indicate the month and year of completion of the main structure.



Primary Facilities	Previous Use	Remarks
Office, retail	Auditorium	Specified district
Office, hotel, exhibit hall	Jail	Specified district
Office, hotel, TV studio, housing	Housing, retail, church, etc.	Category 1 urban district redevelopment project
Office, hotel, retail, multi-purpose hall	Warehouse (former army depot)	Land zoning adjustment project
Office, retail, hotel	Water purification center	Specified district
Office, R&D facility, retail	Glass factory	Emergency city base development promotion project
Office, hotel, retail, housing	Warehouse, housing	District plan
Office, hotel, retail, aerial park	Automobile plant, warehouse	Comprehensive development design system
Housing, retail	Shipyard	Specified housing land improvement project
Office, hotel, retail	Shipyard	Urban Renaissance Urgent Redevelopment Area
Office, retail	Train depot	District plan
Hospital, housing, office	Hospital	Specified district
Office, retail, hotel, housing, hall, museum	Brewery	Specified housing land improvement project
Retail, hotel, cultural facility, amusement facility	Plant	Category 1 urban district redevelopment project
Office, retail, multi-purpose hall	Railyard	Redevelopment district plan
Office, retail, housing, cleaning center, plant	Plant, apartment, etc.	Category 1 urban district redevelopment project
Theater, office, retail	Industry test yard	Specified district
Office, retail, housing, hall	Housing, warehouse, logistics center	District plan, Category 1 urban redevelopment project
Office, retail, hotel, housing, museum, etc.	Auditorium, housing	Category 1 urban district redevelopment project
Office, retail	Office, retail	Specified district
Office, housing, hotel, retail, broadcasting center, etc.	Station, cargo station	Land zoning adjustment project
Office, hotel, retail, housing	Office, retail, plant	Land zoning adjustment project, redevelopment district plan
Office, hotel, retail, theater, museum, broadcasting center, housing	Office, retail, housing, broadcast center	Category 1 urban district redevelopment project
Office, hotel, retail	Office, hotel, retail	Comprehensive development design
Office, retail, housing	Plant	Specified district
Office, housing, hotel, retail	State-owned land (former Defense Agency)	Redevelopment district plan
Office, retail, theater, broadcast center, housing, etc.	Office, broadcast center, theater, etc.	Redevelopment district plan
Office, conference hall, retail	Joint public offices	Private urban redevelopment business plan, Special District for Redevelopment
Office, retail, museum	Office, retail	Special district for urban redevelopment, Special FAR district
Office, retail, cultural facility	Cultural hall	Special district for urban redevelopment
Office, housing, retail	National Police Academy	Private urban redevelopment business plan
Office, retail, housing	Forestry agency staff quarters	Category 1 urban district redevelopment project
Office, retail, medical institution, etc.	Building, auditorium	Category 1 urban district redevelopment project
Office, retail, knowledge capital, housing, etc.	Station	Special district for urban development
Department store, office, hotel	Department store	Special district for urban development
Office, hotel, retail	Bank, office, etc.	Otemachi, Marunouchi, and Yurakucho District Plan, Tokyo Urban Planning Special District for Urban Renaissance
Office, housing, hotel, retail, conference, etc.	Low-rise housing, etc.	Loop Line No. 2 Shimbashi/Toranomon Redevelopment Project Building III
Office, retail facility, housing, church	Hospital	Redevelopment Promotion Area
Office, retail, apartment housing, other	Office, etc.	Special district for urban development
Office, retail, housing, other	Amusement park, etc.	Redevelopment Promotion Area
Office, retail, multi-purpose hall, other	Office, etc.	Special district for urban development

# ROPPONGI 3-CHOME EAST PROJECT (SUMITOMO FUDOSAN ROPPONGI GRAND TOWER)

## Property Overview

**District name:** Roppongi 3-chome east district

**Location:**  
Within 3-chome Roppongi,  
Minato Ward,  
Tokyo

**Construction site area:**  
approx. 2.7 ha

**Site area:** 19,220m<sup>2</sup>  
South section: 17,371m<sup>2</sup>  
North section: 1,831m<sup>2</sup>

**Total floor area:** 210,500m<sup>2</sup>  
South section: 207,750m<sup>2</sup>  
(office building/residential building)  
North section: 2,750m<sup>2</sup>  
(commercial building)

**Uses:** Offices, apartments, stores,  
parking, etc.

**Completion:** 2016



## Concept and Characteristics

Sumitomo Realty & Development and the Roppongi 3-chome east district urban redevelopment association are undertaking a large-scale mixed-use development in Roppongi, where numerous global firms are based, consisting of an approximately 230m-tall office building called Sumitomo Fudosan Roppongi Grand Tower (43 floors), a residential building (27 floors) and a commercial building (3 floors) with total floor area exceeding 210,000m<sup>2</sup> on a broad construction site of 2.7 hectares directly above Roppongi-itchome subway station (the entire block, including the infrastructure development, is scheduled to be completed in 2018).

This project establishes a diverse array of functions and uses suited to its station-front location while achieving townscape continuity and harmony with Izumi Garden Tower (completed in 2002), an approximately 3.2-hectare large-scale redevelopment Sumitomo Realty & Development was involved in that is adjacent to and cross-cuts the station. Each block's facility uses complement the other, allowing the area's workers, residents and visitors to use the entire 6-hectare mega-block as one as well as further integrating the district in terms of area management and disaster prevention activities.

Its nucleus, Sumitomo Fudosan Roppongi Grand Tower, will have the city's largest standard floor area with over 3,300 m<sup>2</sup> of pillar-free space, enabling efficient layouts and boasting state-of-the-art specs with enhanced earthquake resistance and other BCP measures for disasters. Furthermore, in terms of making a local contribution, it will maximize the area's convenience and disaster resistance – in addition to installing a new direct station gate entrance, developing the underground walkway connecting Roppongi-dori Street and the station and expanding the width of surrounding roads, the

building will also be able to be used as a temporary shelter during disasters and stimulate the area with a number of plazas.

## An office tower utilizing base-isolating construction, enhancing BCP measures and boasting state-of-the-art specs

Sumitomo Fudosan Roppongi Grand Tower utilizes base-isolating and vibration-controlling construction that reduces shaking from earthquakes. It also enhances BCP measures, a large concern of companies. The building has been favorably rated by tenant firms for its high degree of safety in times of emergency, being equipped with two types of power lines that can receive power even if it is cut off from the main line due to an accident or otherwise as well as emergency generators that can use both medium pressure gas and heavy oil (72 hours-worth) as fuel, making it possible to supply power to the common areas and rental spaces during blackouts.

## Urban development that makes a local contribution

The redevelopment will maximize the area's convenience and disaster resistance by installing a new entrance directly connecting the building and Roppongi-itchome Station gates and developing the underground walkway connecting the station and Roppongi-dori Street. It will also create active spaces – an approximately 750m<sup>2</sup> plaza in front of the subway station and an approximately 530m<sup>2</sup> plaza connected to the subway – as well as retail shops. It will further improve the area's convenience and dynamism while promoting disaster resistance by including an approximately 1,400m<sup>2</sup> greenery-filled plaza that can serve as a place of relaxation and refreshment in ordinary times and as an evacuation site during disasters, temporary emergency toilet space and emergency wells.

## Background

Sumitomo Realty & Development, one of the land-right holders and a member of the redevelopment association (made up of around 150 land right-holders), is carrying out this new block development project to stimulate the area and contribute to the renewal of the city. Even after the project is completed, Sumitomo Realty & Development will engage in urban development aimed at stimulating the district through area management in partnership with local residents.



# OTEMACHI FINANCIAL CITY GRAND CUBE

## Property Overview

**Name:** Otemachi Financial City Grand Cube

**Location:** 1-9-2 Otemachi, Chiyoda Ward, Tokyo

**Scale:** B4/31F

**Total floor area:** approx. 193,600m<sup>2</sup>

**Main uses:** Offices, stores, parking, local heating/cooling facilities, etc. (accommodation facility in separate building)

**Completion:** April 1, 2016

Mitsubishi Estate developed Otemachi Financial City Grand Cube (completed April 1, 2016) in the Otemachi District 3 Category 1 Urban Redevelopment Project (Otemachi Sequential Urban Renewal Project Phase 3).

This project, as part of the Otemachi Sequential Urban Renewal Project, followed on from the first-phase project on the site of the former Otemachi Joint Government Building Nos. 1 and 2 and the second-phase project on the site of the first-phase land right-holders' buildings. Of the second-phase land right-holders' buildings, this third phase was on the site of the Koko Building, Shin-Koko Building, Development Bank of Japan headquarters building and others.

The main goals of the project are to develop business support functions that help boost international competitiveness, achieve advanced disaster resistance and establish a favorable urban infrastructure and environment.

As part of developing business support functions that help boost international competitiveness, the building includes a support facility for foreign companies called the "Global Business Hub Tokyo," a one-stop shop for attracting and supporting overseas companies in developing their business. It will help foreign firms create business by expanding in Japan and collaborating with domestic companies. On the same site it is also developing an accommodation facility called Hoshinoya Tokyo, which will offer world-class accommodation services to foreign business visitors. It is scheduled to begin operation on July 20, 2016, and will share the charm of Japanese culture with foreign visitors.

Achieving advanced disaster resistance includes introducing independent power and plumbing systems that can continue to supply power and water during disaster-related blackouts. Envisioning linking it with the international medical service center developed in the second phase, Mitsubishi Estate is also ensuring space for emergency care and shelter for those unable to return home.

To establish a favorable urban infrastructure and environment, along with developing the roads to ensure that, above or below ground, pedestrians have easy access to the building, Mitsubishi is also including a bicycle parking lot with around 700 spaces, as the number of cyclists has been on the rise in recent years. In addition, through a variety of environmentally-friendly initiatives, the building's environmental performance will be equivalent to CASBEE Class S or Green Building Platinum-level certification.

Mitsubishi Estate will continue to help Otemachi boost its international competitiveness and move into the future through development.



# OVERVIEW OF NATIONAL STRATEGIC SPECIAL ZONES

## About National Strategic Special Zones

National Strategic Special Zones are a system whose purpose is to enhance Japan's industrial competitiveness, form global economic activity hubs, and vitalize various regions by focusing on promoting socio-economic structural change through bold regulatory and institutional reforms.

Enacted in 2013, the National Strategic Special Zones Act is positioned as a central pillar of the strategic growth that is the "third arrow" of Abenomics. It opens up a way through Japan's "bedrock regulations" by providing regulatory easing and tax-related privileges exclusively in the international strategic special zones specified by the government, which will in turn lead to economic growth.

In the National Strategic Special Zones, special regulatory measures are permitted in nine fields (urban renewal/urban planning, education, recruitment, medicine, agriculture, etc.), and in May 2015, six zones were designated in the first phase: the Tokyo area (Tokyo Prefecture, Kanagawa Prefecture, Narita City in Chiba Prefecture), the Kansai area (Osaka Prefecture, Hyogo Prefecture, and Kyoto Prefecture), Niigata City in Niigata Prefecture, Yabu City in Hyogo Prefecture, Fukuoka City in Fukuoka Prefecture, and Okinawa Prefecture. What's more, on August 28, 2015, additional zones (Semboku City in Akita Prefecture, Sendai City in Miyagi Prefecture, and Aichi Prefecture) were designated in the second phase, bringing the total to nine zones nationwide (as of January 2016).

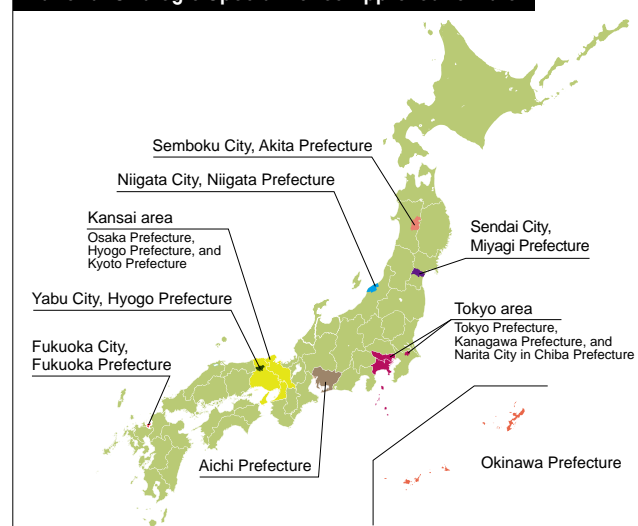
## Turning the Tokyo Area into a Global Business Hub

As part of the Strategic Zones, policies relating to the real estate industry and urban renewal/urban planning include an initiative in the Kansai area to create an urban environment and recruitment environment that will attract ambitious talent and an initiative in Fukuoka City to promote innovation and create new business by attracting MICE events.

In the Tokyo area in particular, with the 2020 Tokyo Olympics and Paralympics in mind, the objective is to form a global business hub that will attract capital, talent, and companies from around the world by developing the world's most business-friendly environment and create new, internationally competitive business via companies and innovation in fields such as drug development. Within Tokyo prefecture, there are plans to undertake 22 projects in the fields of urban renewal/urban planning.

Among these, eight projects involving private-sector companies had been approved by September 2015. In the Hibiya district, based on special measures under the Special Measures Act for Urban Renaissance relating to approval of private-sector urban renewal project plans, efforts are underway in collaboration with Hibiya Park and others to develop a base for enhancing the area's capacity to collaborate with businesses in order to nurture venture companies and promote arts and culture. In addition, in the Takeshiba district, based on special measures under the City Planning Law, efforts are underway involving integrated development of a private-sector facility equipped with training facilities focused on the content industry and the Tokyo Metropolitan Industrial Trade Center along with development of a living environment suitable to non-Japanese workers, including serviced apartments and the like. In the Yaesu district, two skyscraper buildings are being constructed and work is progressing on the development of international medical facilities for non-Japanese users, a large-scale bus terminal, and an international convention center.

National Strategic Special Zones Approved to Date



## Tokyo Area Policies

Target Districts	Objective	Policy Issues	Basic Project-Related Items (Special Projects Expected to be Implemented and Related Regulatory Reforms)
Tokyo Prefecture, Kanagawa Prefecture, Narita City (Chiba Prefecture)	With the 2020 Tokyo Olympics and Paralympics in mind, the objective is to form a global business hub that will attract capital, talent, and companies from around the world by developing the world's most business-friendly environment and create new, internationally competitive business via start-ups and innovation in fields such as drug development.	<ol style="list-style-type: none"> <li>Promoting the influx of global companies, talent, capital, etc.</li> <li>Ensuring workforce diversity, including promotion of employment opportunities for women.</li> <li>Promoting innovation (start-ups, etc.) and forming a hub for drug development, etc.</li> <li>Developing a living environment that supports the business community, including foreign residents.</li> <li>Enhancing Tokyo's international-caliber urban/transportation capacities in view of the Olympics and Paralympics.</li> </ol>	<p><b>&lt;Urban renewal/urban planning&gt;</b></p> <ul style="list-style-type: none"> <li>Development of buildings contributing to formation of global business hub (floor area ratio)</li> <li>Creating dynamic neighborhoods in the city (area management)</li> <li>Supplying accommodations adapted to needs of foreign residents (Inns and Hotels Act)</li> </ul> <p><b>&lt;Employment/labor&gt;</b></p> <ul style="list-style-type: none"> <li>Developing employment conditions for global companies, etc. (employment conditions)</li> <li>Revising residence qualifications to encourage influx of diverse foreign workers</li> </ul> <p><b>&lt;Health care&gt;</b></p> <ul style="list-style-type: none"> <li>Provision of health care to foreigners (foreign physicians)</li> <li>Creation of industries related to preventive health care and cutting-edge medicine (hospital beds, foreign physicians, special medical care coverage)</li> <li>Cultivation of international health care professionals (review of medical schools, hospital beds, foreign physicians, fixed-term employment)</li> </ul> <p><b>&lt;Use of historic buildings&gt;</b></p> <ul style="list-style-type: none"> <li>Comprehensive post-convention activities in conjunction with MICE events (traditional Japanese houses, etc.)</li> </ul> <p><b>&lt;Other&gt;</b></p> <ul style="list-style-type: none"> <li>Streamlining and expediting incorporation procedures (making documents available in English, setting up centralized contact points, etc.)</li> </ul>

Source: Prime Minister's Office website.



# Development of Global Business Hub Based on National Strategic Special Zones (Tokyo Prefecture)

## A Special measures under City Planning Act, etc.

### Development of global business hub combined with enhancing transportation hub function

#### Related to development of bus terminal in front of Tokyo Station

- 1 Yaesu 1-chome 6
- 2 Yaesu 2-chome 1
- 3 Yaesu 2-chome center

#### Related to development of New Toranomon Station (provisional name)

- 4 Toranomon 1-chome
- 5 Toranomon 1- and 2-chome
- 6 New Toranomon Station (provisional name)
- 7 Toranomon 4-chome
- 8 Atago
- 9 Toranomon/Azabudai

#### Development related to new station between Tamachi and Shinagawa Stations

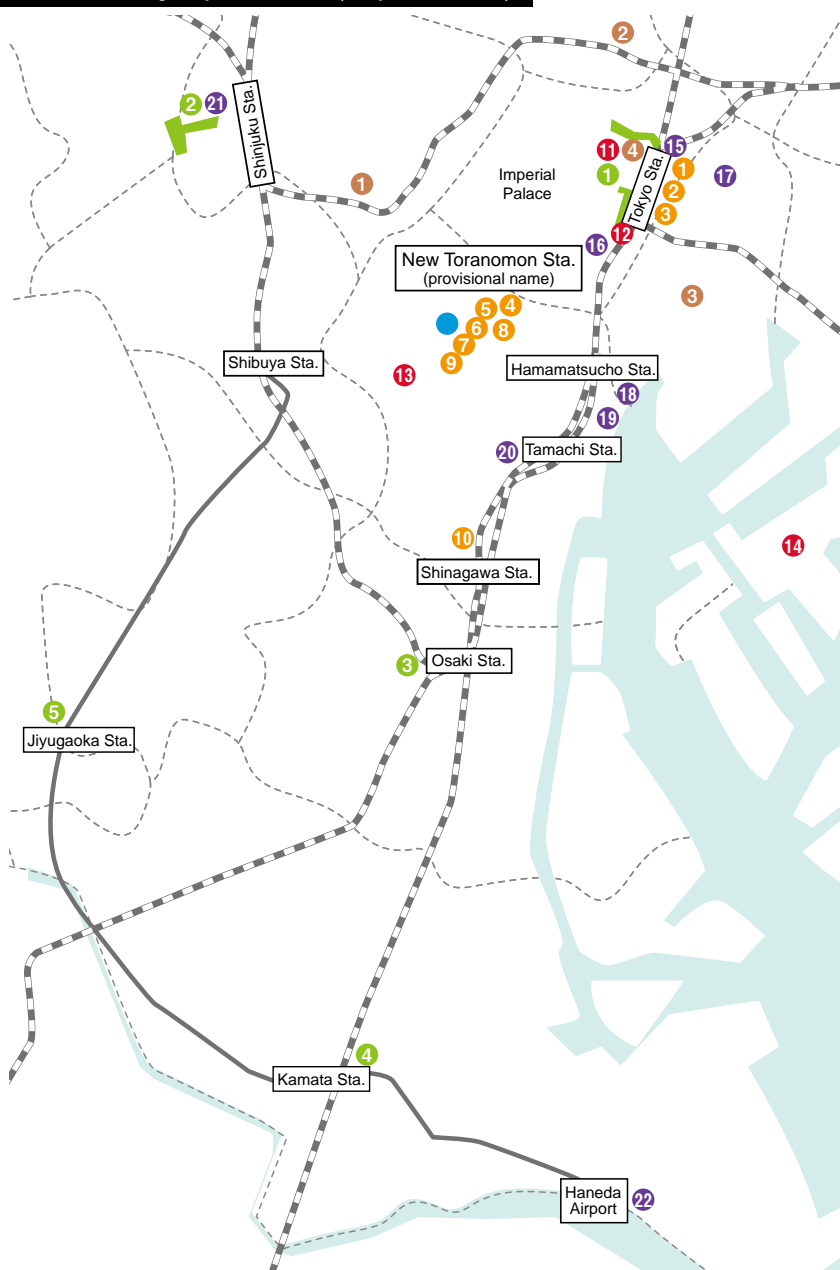
- 10 Shinagawa Station area

### Development of hub with enhanced MICE capacities to encourage business exchange and attract foreign companies

- 11 Otemachi 1-chome
- 12 Yurakucho Station area
- 13 Roppongi 5-chome
- 14 Rinkai Fukutoshin/Ariake

### Development of diverse business exchange hubs for international finance, content industry, etc.

- 15 Otemachi (Joban Bridge)
- 16 Hibiya
- 17 Nihonbashi Kabutocho/Kayabacho 1-chome
- 18 Takeshiba
- 19 Shibaura 1-chome
- 20 Mita 3- and 4-chome
- 21 Nishi-Shinjuku 2-chome
- 22 Former Haneda Airport site



## B Special measures under Road Act relating to area management

### Holding events that leverage road spaces to create more dynamic neighborhoods

- 1 Marunouchi Naka-dori Street, Miyuki-dori Street, etc.
- 2 Streets around Shinjuku Fukutoshin
- 3 Streets around Osaki Station
- 4 Streets around Kamata Station
- 5 Streets around Jiyugaoka Station

## C Special measures relating to foreign physicians

### Enabling provision of medical treatment to not just Japanese nationals but also foreigners in general

- 1 Keio University Hospital
- 2 Juntendo University Hospital
- 3 St. Luke's International Hospital
- 4 St. Luke's MediLocus

## D Other special measures

- Tokyo Business Establishment Center
- Tokyo Employment Consultation Center

Source: Prime Minister's Office website, Tokyo Metropolitan Government website. (as of February 5, 2016)

# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## LEASING

The leasing of land and houses has a long history in Japan and the operation and management of leased housing is the root of the real estate business in Japan. It has been reported that influential individuals, facilitators, or intermediaries called by a variety of names formed this trade in the Edo era. From around the middle of the Meiji era the trade began to be recognized as a business not just for individuals but on a corporate scale. In 1921, with the establishment of the Land Lease Law and Building Lease Law, a system of Lease Contracts was established that guaranteed equality between the owner and renter.



### History of Office Buildings

The history of office buildings in Japan began with the Mitsubishi Ichigokan completed in 1894. This was followed by the building of red brick Western style buildings at both ends of Babasakimon Road and thus the creation of the first Western style business avenue. In 1914, the Mitsubishi Nijyuichigokan, full of modern facilities, was completed, marking the beginning of the dedicated building leasing business. The Marunouchi Building was completed in 1923 and the importance of the earthquake and fire resistant architecture symbolized by the Marunouchi Building began to be recognized after the Great Kanto Earthquake.

Although many rental buildings burned and were lost during the awful events of World War II (1941-1945), the full-fledged construction of rental buildings took off with the recovery beginning in 1950 after derequisition of the buildings remaining from the war and revision of the Rent Control Act. This was supported by the booming building demand resulting from the high growth period beginning in 1955 and the rental building market has developed remarkably as a result of responding to this demand.

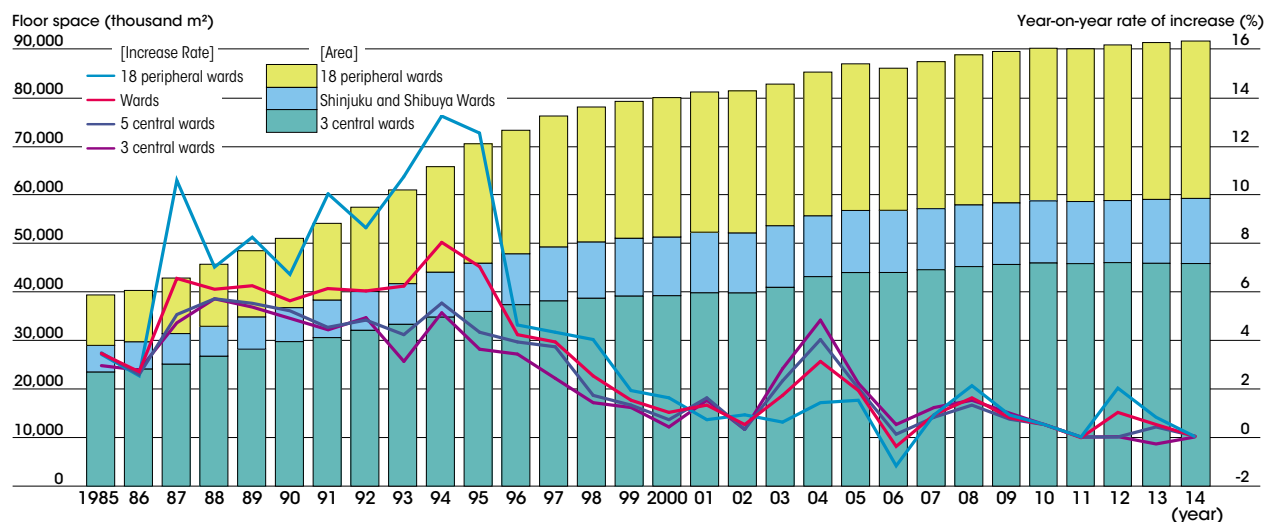
### Overcoming Post-Bubble Market Decline and the “2003 Problem”

After the collapse of the bubble economy, the leasing office building market faced severe conditions for a long time due to lowered rents stemming from economic stagnation and an increasing rate of vacancy. However, vacancy in five wards in central Tokyo recovered from the 7-8% level in 1993-1994 to 3-4% in 2000-2001. Among others, an improvement tendency was found in newly built and large-scale buildings that satisfied the so-called conditions of ‘close, new and large’ to meet the needs of IT-related companies and foreign-affiliated financial institutions to expand rented areas and to move into high specification buildings.

After that, the vacancy rate of the five wards in central Tokyo increased to 7-8% in 2002-2003 again due to the bursting of the information technology bubble and the 2003 problem (large supply of office buildings). In tandem with business recovery in major companies, however, vacancy improved to around 3% in 2006-2007 and rents were raised in central Tokyo.

However, a global recession triggered by the subprime loan problem in the U.S. has also had a severe impact on Japan’s real economy from autumn 2008 and the vacancy rate in office buildings increased to 6-8% in 2009. In 2010 to 2012, the figure was around 9%, but it has since recovered, reaching the 4% level in 2015.

## History of Office Floor Space in the Wards of Tokyo



### Spread of Asset Management and Property Management

The rental housing market boasts an increasing number of high quality stock centering on major metropolitan areas and enjoys the strong support of users.

The support for the supply of these high quality properties is the voracious investment appetite among funds, especially J-REITs. Therefore, property management and asset management have recently become entrenched, centering on buildings and rental housing owned by funds. Property management is a business which maintains and manages real estate based on a commission received.

The business content can be roughly divided into two categories. The first includes the creation of a management plan, setting of rent levels, solicitation of tenants and completion of rental contracts. The second is the maintenance of real estate facilities as well as management of the budget and balance of payments. It is considered to be of utmost importance to integrate both businesses mentioned above to optimize profits realized through real estate.

Asset management represents the formation, management and maintenance of real estate and other assets based on a commission received, which means controlling risks and returns. In addition to appraisal of the value of assets, diversification of investment portfolios and investment targets as well as the setting of investment periods are also required. These businesses cover a lot of ground. For example, asset management that incorporates real estate is involved not only in the selection and sale of investment real estate but also in other operations including the setting of rent to determine the profitability of real estate and the selection of tenants.

### Polarization in Rental Housing Markets

The rental housing market is shifting from public rental housing provided by public housing corporations to good quality rental housing provided by the private sector. In particular, the luxury rental housing market has entrenched itself as a strong market in central Tokyo.

From a long-term perspective, however, the rental market is facing a number of concerns. There are concerns over the shrinkage of demand for offices triggered by a decrease in worker population and decrease in demand for rental housing itself due to even fewer children being born, etc.

Moreover, the total number of houses in Japan already surpasses the present number of households but an increase in the vacancy rate caused by the successive provision of new properties has become a growing concern.

While offices and rental housing along with competitive properties with the latest facilities prove popular, older buildings that are not competitive are suffering from greater vacancy periods and this polarization, also evident in other markets, has become conspicuous.

Going forward, players in the rental market must develop an ability to flexibly adapt to the market and discern the supply-demand balance by accurately watching the market to monitor changes in the business environment such as the falling birthrate, aging society, and declining working population and create products adapted to the diversification of needs among companies and general consumers.

In addition, adaptive measures such as remodeling and renovations that raise market competitiveness as a means to raise the asset

values of existing stock and conversions that form new markets are becoming important, and more active efforts are being devoted to these kinds of initiatives.

### Growing Needs of Retail and Distribution Facilities

In recent years, many retail and distribution facilities have been developed and have also become a target for real estate investors. As for retail facilities, with the abolition of the LargeScale Retail Store Law in 2000, large-scale shopping centers have sprung up one after another in suburban areas. Maintaining these facilities' competitiveness requires a high degree of specialization in areas such as development, tenant leasing, operation/management, and renovation, and major real estate companies are moving in to address these needs.

As for distribution facilities, foreign-based companies have been developing large-scale, state-of-the-art facilities since 2002, with domestic real estate companies following suit beginning around 2005, which has increased supply. Demand for distribution facilities is increasing year by year in tandem with the growth of the online retail market due to the spread of the Internet. Following the 2008 global financial crisis, development halted temporarily, but since the Great East Japan Earthquake, major real estate companies have moved back into this area and supply is recovering.

Moreover, with the opening of the Ken-O Expressway, there is growing expectation of and interest in expansion along the route, which has led to a succession of new distribution and retail facilities opening.



# TOKYU PLAZA GINZA

## Property Overview

<b>Property name:</b>	Tokyu Plaza Ginza
<b>Location:</b>	5-2-1 Ginza, Chuo Ward, Tokyo
<b>Site area:</b>	3,766.73m <sup>2</sup>
<b>Total floor area:</b>	approx. 50,000m <sup>2</sup>
<b>Construction:</b>	Steel frame, partially RC, SRC
<b>Uses:</b>	Stores (B2/11F), parking

Tokyu Land Corporation completed a redevelopment in Ginza 5-chome, Chuo-ku, called “Tokyu Plaza Ginza” in October 2015. It acquired the site in 2007 and began construction in September 2013. The project brings together two contending aspects: the hustle and bustle of the city and the character of Ginza.

As Ginza’s western gateway as well as a focal point of the Ginza, Hibiya and Yurakucho areas, priority was placed on the necessity for this development project to be a landmark with information functions. Tokyu Land Corporation put time and energy into communicating with people in the area, participating in local activities and learning much, seeking to deepen mutual understanding to aid in realizing this priority. In developing the area, it engaged in frequent meetings and coordinating not only with the government but surrounding land right-holders, local development associations and others.

Wanting to carry on Ginza’s charm – the coexistence of tradition and innovation – Tokyu Land Corporation called the concept “Creative Japan – The world becomes exciting from here” and

developed a large-scale commercial facility with two floors below ground and 11 above on a rare entire-block site approximately 115m x 33m in size facing Sukiyaabashi Crossing, an intersection of diverse cultures and values. The building’s symbolic design makes the traditional Japanese craft of Edo Kiriko its motif, avoiding the massive faceless walls of many large-scale facilities and achieving a non-oppressive design befitting Ginza. With public spaces inside the building and on its roof for relaxation as well as activity, Tokyu Land Corporation’s aim is for it to be a new Tokyo landmark as well as a base for transmitting information and culture from both Japan and overseas. The first floor of Tokyu Ginza Plaza will have an information center called G Info, operated by the Ginza Council, offering information to help visitors from inside and outside Japan to better enjoy Ginza.

Tokyu Land Corporation has designated this development the flagship of the Tokyu Plaza series of urban commercial facilities and a model for future commercial facility development. It will operate this state-of-the-art, highly-communicative facility in a manner that introduces visitors to new lifestyles.





# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## REAL ESTATE TRANSACTIONS

The real estate transaction (brokering) business involves the brokering of land and buildings through buying, selling and leasing. The capital requirement is small and there are strong local characteristics and elements. As a result, this field used to be dominated by small local players until major real estate firms entered in the mid-1960s. There are roughly 122,000 companies with licenses based on the Building Lots and Buildings Transaction Business Law, but most of these are small and medium-sized companies specialized in brokering. Most of their work involves acting as intermediaries for the buying and selling of existing homes and renting of apartments and other housing. However, large brokers are also involved in brokering the sale of large buildings and acting as sales agents for new stand-alone housing and condominium projects built by developers.



### Modernization of Real Estate Transactions

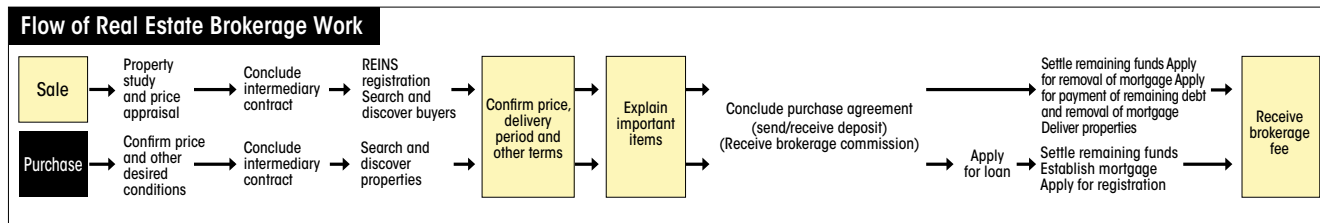
The real estate transaction business is the modern-day equivalent to what a broker in the old days used to do. Brokering is a key original element of the real estate industry along with "management agents" who are involved in the management of leased land and housing. The license system for these brokers was established in 1952 with the establishment of the Building Lots and Buildings Transaction Business Law. The number of companies rose dramatically through the early 1970s with the concentration of industry and the population in major cities and growth in housing demand. There are a number of factors behind this, including: (1) increase in housing stock including owner occupied homes used for a long period, (2) steep increase in the supply of condominiums from the early 1970s and (3) reinforcement of the attitude that a person seeks to change residences in line with life stages. This was right around when major companies began entering the industry. Along with modernizing the real estate transaction business, this served to bring the business under the eye of society, including the coordination of roles and responsibilities among major as well as small and medium-sized players.

### Establishment of the Real Estate Modernization Center Foundation

In 1978, a study group formed by the Ministry of Construction (presently the Ministry of Land, Infrastructure, Transport and Tourism) and private companies issued a report entitled, "Report on Promoting Modernization of Real Estate Transactions." The report proposed several measures including introducing a joint processing system for property information, securing accuracy, establishing a broker contract system, establishing appropriate price appraisals and improving the quality of companies and employees. The Ministry of Construction revised the Building Lots and Buildings Transaction Business Law in 1980 in accordance with this and not only established a general and exclusive broker contract system, but it also formed the Real Estate Transaction Modernization Center Foundation to provide instruction in modernizing the industry.

### Legal System for Broker Contracting System

Real estate transaction intermediation, or brokering, involves a party taking a position between the two parties to the sale or lease transaction and acting to bring the contract to conclusion. The broker contract sought to clarify a situation apt to cause trouble due to the contractual relationship being traditionally unclear. The 1980 revision to the law

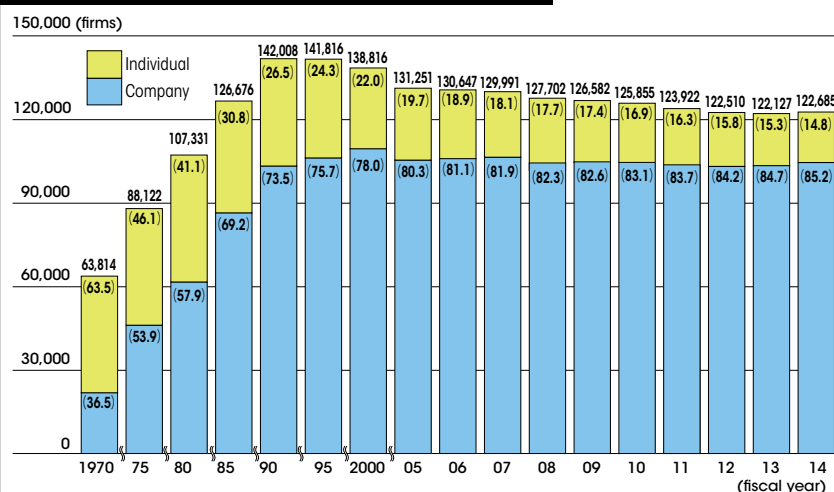


sought to overcome this situation by requiring documentation for certain items concerning the contents of the broker contract and to clarify the contract relationship. In addition, with regard to the exclusive broker contract in which the contracting party cannot ask multiple companies to act as its broker or agent, the law called for parties to register as much information as possible on the purchases in an information network organization consisting of eight bodies in the real estate industry, including RECA and to disclose information so that conclusion of a contract could be promoted. Eight industry bodies, including the Real Estate Companies Association of Japan, support this information network organization. As a result, there are now over 100 certified information network organizations nationwide working to move the real estate transaction system one step closer to the sharing of information and networking of companies. However, the initial objectives have not been adequately attained because of the negativity shown in exchanging information between the organizations and also many cases where this is impossible due to differences in the systems.

### Development of REINS and Reorganization of the Organizations

For this reason, in 1986, the Ministry of Construction (presently the Ministry of Land, Infrastructure, Transport and Tourism) established the Real Estate Information Network System (REINS) with the Real Estate Transaction Modernization Center Foundation (now known as the Real Estate Transaction Promotion Center) to foster cooperation between information network organizations. On the other hand, with the implementation of dedicated exclusive broker contracts from 1990, transactions based on these contracts required the broker to register with an information network organization designated by the then Minister of Construction. In correlation with this, it became necessary to prepare an information system and to organize and integrate the information network organizations. Using REINS, information network organizations integrated by supply/demand region were newly designated by the Ministry of Construction and assumed the responsibilities of the "certified information network organizations."

### History of Building Lot and Building Transaction Firms



Source: Website of the Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. Figures represent those as of the end of each fiscal year.

2. The figures in the parentheses indicate the breakdown (unit: %).

Furthermore, the Building Lots and Buildings Transaction Business Law was revised in April 1997 so that it became necessary for exclusive broker contracts to be registered with certified information network organizations in addition to the dedicated exclusive broker contracts. It is clearly regulated that a certified information network organization must be a public interest corporation and the new information network organizations eventually were reorganized from 37 certified information network organizations nationwide to four organizations in four districts.

In 1998, as shown in the graph on the next page, new registrations at certified information network organizations exceeded 600,000, and this figure continued to rise significantly from 2003 to 2008, doubling to around 1.24 million. It rose further between 2011 and 2014, with around 1.59 million new contract registrations at certified information network organizations in 2014, of which around 158,000 ended up being signed.

### Status of Transaction Market for Existing Houses in the Tokyo Metropolitan Area

As shown in the graph on page 27, in fiscal 2014, there were 11,125 stand-alone houses contracted, the average contract price was ¥29.58 million (average land area: 149 m<sup>2</sup>; average building area: 106 m<sup>2</sup>), and the

average building age was 20.54 years. For condominiums, there were 33,265 units contracted, the average contract price was ¥27.89 million (average unit price per m<sup>2</sup>: 434,100 yen; average area: 64 m<sup>2</sup>), and the average building age was 19.7 years.

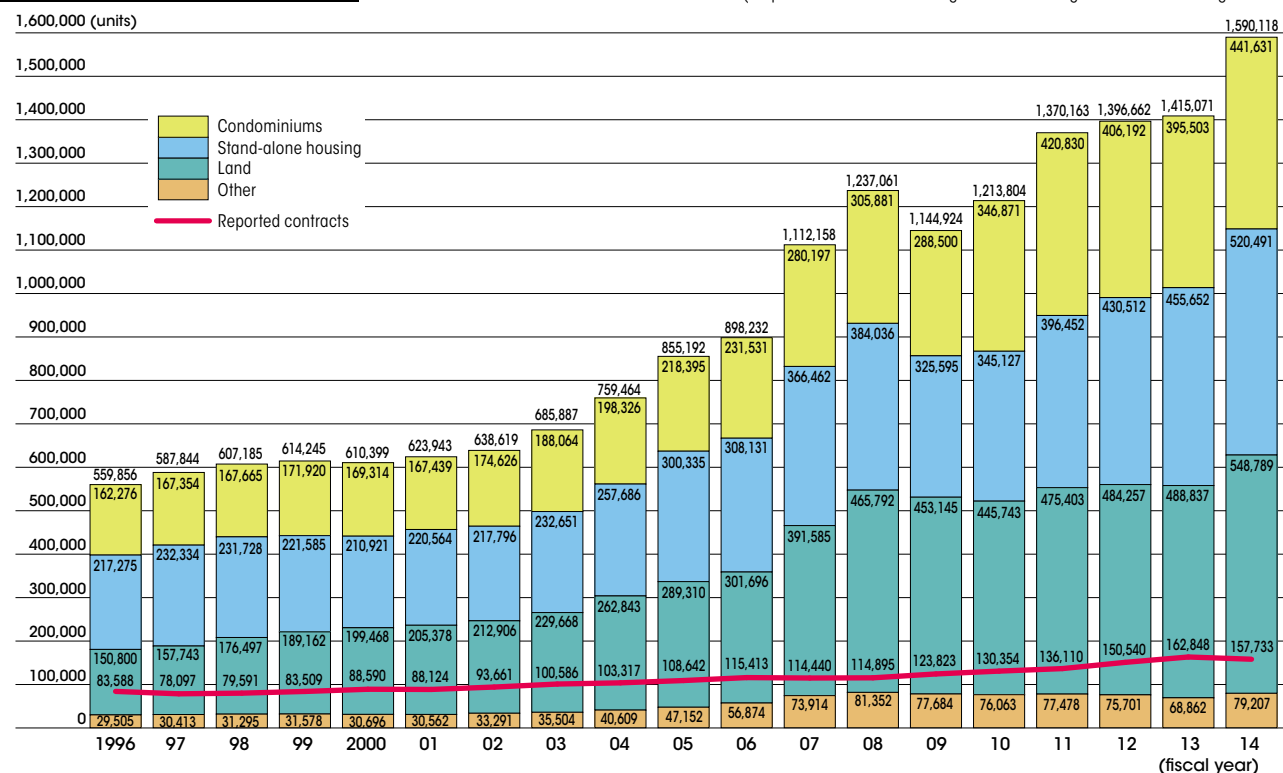
Looking at changes in recent years, the number of contracted units has increased for both stand-alone houses and condominiums, reflecting the increase in stock. The average price of stand-alone houses decreased until 2003, reflecting a decline in land prices, increased in 2006 and 2007, dropped again, and has remained stable since 2009. Average condominium prices, on the other hand, increased to ¥25.45 million in 2007 from their low point in 2001 and have remained stable since then. Reflecting the increase in high-quality stock, the average building age increased by around 6 years for stand-alone houses and around 4 years for condominiums during the 18-year period from 1996 to 2014.

### Establishment and Development of Internet Utilization

Trends to use the internet in the real estate transaction sector have taken root due to the permeation and spread of such technology within society.

## Market Trends for Existing Housing

(Properties for sale that are registered with designated transaction organizations)



Source: Utilization Status of Designated Transaction Organizations report by the Real Estate Transaction Modernization Center (Public Interest Incorporated Foundation).

Notes: 1. This is a compilation of registration and contract information of designated transaction organizations.

2. This includes duplicated registrations of general intermediaries.

As well as information provided by real estate companies working online, various information sites exist on the Internet that leverage the strengths and distinctive characteristics of the bodies behind them, such as industry organization sites like the Real Estate Japan website launched in October 2003, or listings sites that provide real estate advertising services.

Since the spring of 2006, the Ministry of Land, Infrastructure, Transport and Tourism has also provided information on transaction prices through a general land information system. This service is based on transaction price information voluntarily provided by parties to land transactions and is supposed to help general consumers understand real estate transaction market prices. As an example, REINS contract information was first published online in the spring of 2007 and the general public can now easily access information on real estate online.

Moreover, as part of a move toward further developing IT use in order to promote existing home transactions, in the spring of 2014, the Ministry of Land, Infrastructure, Transport and Tourism prepared its basic vision of a system for collecting and managing information required for real estate transactions spread across various locations (comprehensive real estate database), and in 2015, it began operating it on a trial basis in the City of Yokohama. Using

this system makes it possible for housing construction companies and the like to efficiently collect necessary information via the REINS system, such as property information, legal restrictions, hazard maps, infrastructure development conditions, the location of public facilities in the area, etc., and provide it to consumers in a readily accessible format. The aim is to develop an environment that allows consumers to feel peace of mind when selecting a property.

What's more, with the aim of improving the functionality of REINS, vitalizing real estate transactions, and protecting and enhancing consumers' profits, in 2015, consideration was given to a status management function, and it was decided to introduce it at the start of 2016. The transaction status is now a mandatory input item for properties offered via exclusive agency listing or exclusive right-to-sell listing. It is indicated with one of three categories: "For sale," "Purchase offer received in writing," or "Temporarily taken off market by the seller," and sellers are able to directly check online how their properties have been listed in REINS. Along with this, with the aim of providing comprehensive information to consumers as well as distinguishing existing housing that has good features and is well maintained, it is now possible to list optional information on housing

features and quality on REINS, which is input using check boxes.

Besides using it for property advertising and information provision systems, the use of IT for subsequent contract-related tasks is also under consideration. Non-face-to-face handling of Explanation of Important Matters documents using IT was reviewed in 2014, based on the Intensive Action Plan for Regulatory and Institutional Reform to Expand Utilization of IT (approved by the IT Strategic Headquarters in December 2013), but while it was expected to have a beneficial impact in terms of reducing time costs and the like, there were concerns about an increase in problems due to consumers failing to understand the explanation properly, so it was restricted to rental transactions and transactions between companies. With use of video calling technology or the like as a prerequisite, a pilot project to evaluate it was started in 2015, and if there are no problems, it will be fully introduced. With regard to sale transactions involving individuals, based on the evaluation results, consideration will be given to either conducting a pilot project or fully introducing it. In addition, consideration should be given to making it legally possible to issue contract-related documents via electronic means, since this may be expected to reduce the costs involved in producing and issuing



hard copies and, as long as the consumer consents to it, there are no significant issues in terms of consumer protection.

### Vitalization of the Transaction Market for Existing Homes

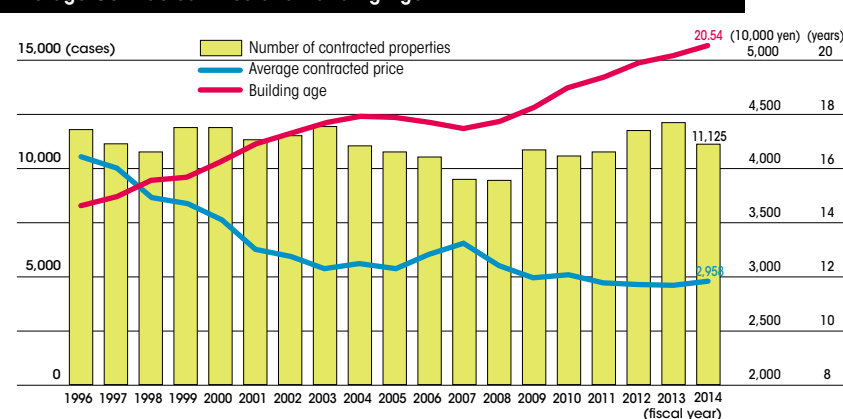
In 2011, a new Basic Program for Housing (National Plan) based on the Basic Act for Housing was approved by the Cabinet, which included actions such as developing a market that facilitates transactions involving existing homes.

The Ministry of Land, Transport, Infrastructure, Transport, and Tourism put together the Comprehensive Plan for Renovation of Existing Homes and Proposal of the Real Estate Transaction Market Vitalization Forum in 2012 and the Report of the Research Committee on Promoting Existing Home Transaction and Use in 2013. In addition, initiatives are being undertaken to vitalize the transaction market: for example, the Japan Revitalization Strategy formulated in June 2013 includes measures to promote transactions involving existing homes.

With regard to the vitalization of the transaction market for existing homes, there is a need for plenty of information to be provided to consumers who are concerned about the quality and features of existing homes and for processes such as home inspections and home deficit insurance and warranties for the purpose of avoiding risk to become more widespread. Initiatives are being undertaken such as evaluating and formulating long-life quality housing certification criteria relating to extensions and structural alterations of existing homes, adding new evaluation items for the existing housing performance indication system (measures to prevent deterioration, thermal environment) and evaluating and formulating indication criteria, development of guidelines for inspecting the compliance status of buildings without a certificate of verification with the Building Standards Act using designated verification organizations, the formulation of inspection guidelines and use of inspections for deficit insurance, and the provision of a broad lineup of deficit insurance products.

Secondly, it is necessary to promote renovations related to housing transactions. Various initiatives are underway in this regard, such as support for the efforts of business partnership committees aimed at the one-stop provision of related services, a registration system for housing renovation trade associations, application of tax breaks on mortgages or exemptions from gift tax in cases where work is conducted to enhance earthquake-proofing after acquiring an existing home, and special tax measures relating to the housing resale business (registration and license tax, real estate acquisition tax).

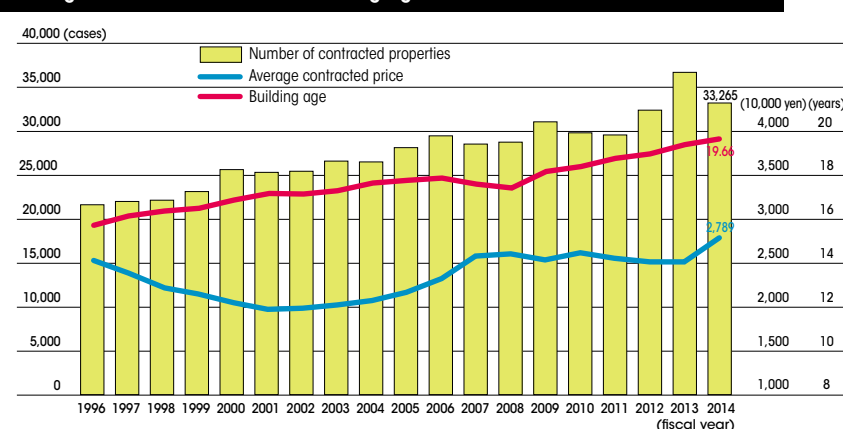
### Number of Contracted Stand-Alone Houses in the Tokyo Metropolitan Area, Average Contracted Price and Building Age



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2014)" by the Real Estate Information Network for East Japan (Public Interest Incorporated Foundation).

Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

### Number of Contracted Existing Condominiums in the Tokyo Metropolitan Area, Average Contracted Price and Building Age



Source: Based on "Trends in the Tokyo Metropolitan Area's Real Estate Transaction Market (Fiscal 2014)" by the Real Estate Information Network for East Japan (Public Interest Incorporated Foundation).

Note: The Tokyo metropolitan area is Tokyo, Kanagawa, Saitama and Chiba prefectures.

Thirdly, it is necessary to revise assessment practices, which evaluate the market value of existing stand-alone homes as zero on the transaction market after about 20 or 25 years due to depreciation over time, and ensure that increases in the quality of housing due to proper management and renovations will be recognized in the asset value of residences and appropriately reflected in transaction prices and collateral evaluation by financial institutions. In March 2014, guidelines relating to improving building assessments for existing stand-alone homes were formulated; covering assessment of value that focuses on the essential function of housing as a place for people to live (use value) using the cost method, these presented improvements and refinements to how assessments are conducted based on an approach that captures the use value according to the conditions of the individual home and adjusts depreciation accordingly. In July 2015, the Stand-Alone Housing Assessment Standards Manual was revised and the Points of Note Concerning Assessment of Existing Stand-Alone

Housing relating to real estate appraisal prices were formulated to reflect these guidelines. Moreover, in 2013 and 2014, round tables on vitalizing the existing housing market were held to provide a venue for players involved in real estate transaction and financial practice to come together and freely and frankly exchange views.

Meanwhile, based on an amendment of the Building Lots and Buildings Transaction Business Act in 2014, in April 2015, the term "building lot and building transaction chief" was changed to "real estate transaction specialist." In view of the greater responsibility they should have in ensuring safe transactions of building lots and buildings and their increased role in facilitating smooth transactions of existing homes, three new stipulations were added pertaining to real estate transaction specialists. These cover general rules for business transactions (obligation to act fairly and honestly, relationship to businesses involved in transactions), prohibition of discreditable conduct, and maintaining and improving knowledge and skills.



# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## REAL ESTATE SECURITIZATION

The history of real estate securitization is quite long and goes back to the mortgage securities system founded in 1931. Beginning around 1985, real estate small lot products began being sold primarily by real estate firms. In recent years, real estate securitization activities have taken off with the opportunities presented by the 1994 establishment of the Real Estate Syndication Act and the 1998 establishment of the Law on Securitization of Specified Assets by Special Purpose Companies (former SPC Law).

Moreover, the revision to the Investment Trusts and Investment Corporations Law in 2000 made real estate a possible management asset of investment trusts and this led to the launch of Japanese Real Estate Investment Trusts (J-REITs). The revision of the former SPC Law into the Law on the Securitization of Assets (SPC Law) also led to an increase in securitization cases because it simplified the procedures for asset monetization type real estate securitization.

The progress of real estate securitization expanded investment opportunities by diversifying investment methods for real estate investors, and a new opportunity formed for real estate companies as their business expanded from management and operation of real estate to the fee business market where they could collect other forms of compensation.

### Real Estate Securitization

#### (1) Real Estate Investment Trusts

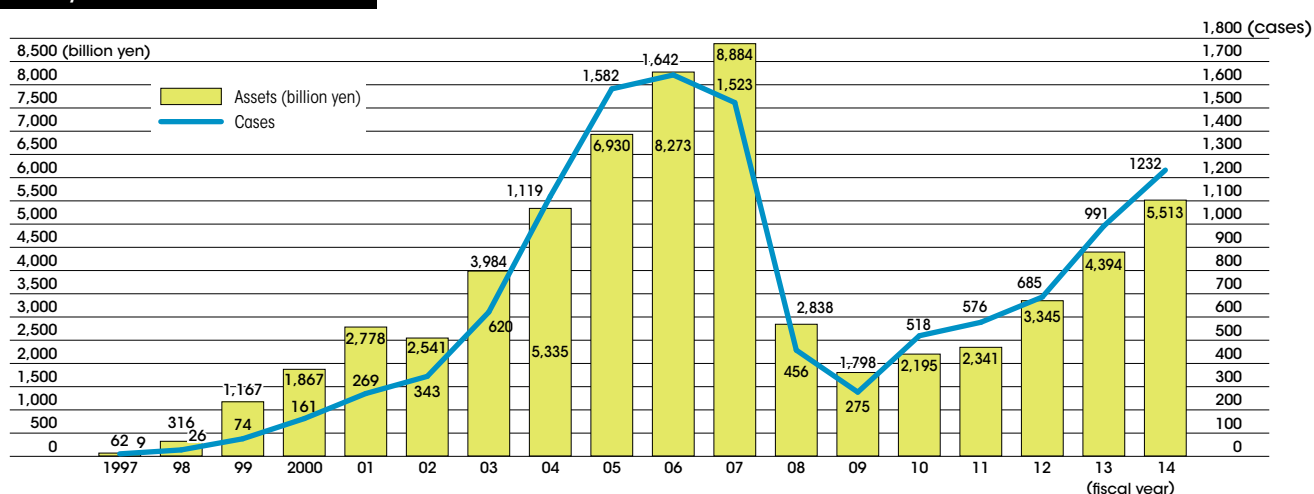
Investment trusts are a financial vehicle in which funds are gathered from many investors and managed by investment professionals and earnings are distributed to investors. Traditionally, the primary vehicle managed in this structure was limited to investment securities.

However, based on a partial amendment of the Act on Investment Trusts and Investment Corporations in 2000, real estate was recognized as an investment vehicle for trusts, and in September 2001, the first two real estate investment trusts (J-REITs) were listed on the Tokyo Stock Exchange. As this shows, it is possible for J-REITs to raise funds from investors by means of listing, which is the biggest difference between them and other securitization methods.

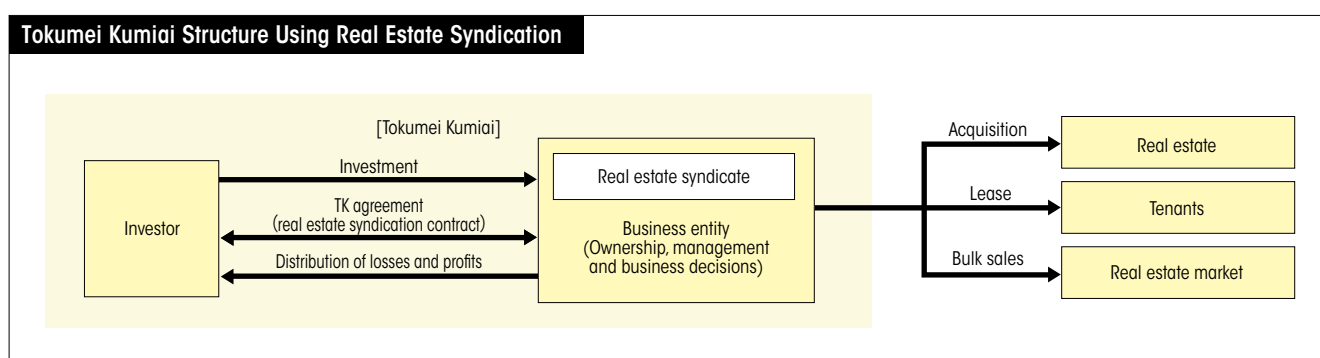
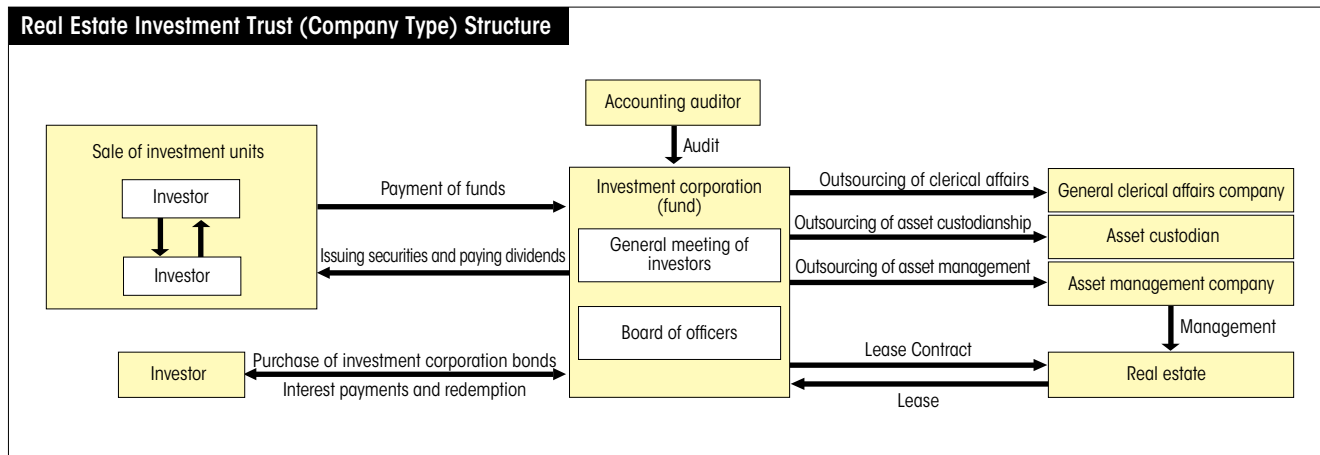
The J-REIT market continued to grow steadily, but buffeted by the global financial crisis caused by the collapse of Lehman Brothers and so on in October 2008, the market was sluggish for a time, with some J-REIT investment corporations going bankrupt for the first time ever. After that, however, J-REIT prices recovered, thanks to the stabilization of financial markets, system reforms to enable mergers, the Bank of Japan's creation of an asset purchase program in 2010 that acquired J-REITs, and substantial monetary easing measures implemented by Bank of Japan Governor Kuroda, who was appointed in 2013.

What's more, investment targets have expanded, and in November 2014, a specialized health care facility fund focusing on investment in seniors' residences and hospitals was listed. By the end

History of Real Estate Securitization



Source: Real Property Securitization in Japan issued by the Ministry of Land, Infrastructure, Transport and Tourism.  
Note: Real estate investment corporations are recognized as single investment corporations.



of 2015, the J-REIT market consisted of 52 investment corporations, including three funds specializing in health care facilities, with a total market value that had increased to more than ¥10 trillion. Another example of the diversification of investment targets was the launch in 2015 of the infrastructure fund market, which uses the same structure as J-REITs and focuses primarily on investments in renewable energy and the like, including solar power plants.

## (2) Asset Monetization Securitization

The Law on Securitization of Qualified Assets by Special Purpose Companies (SPC Law) was implemented in September 1998. Since then, many companies have appeared that have tackled real estate securitization using SPCs, centering on apartments for foreigners, major shopping centers, etc. There are great expectations for real estate securitization as a new form of business for the real estate industry associated with the structural transformation of the national economy. In this case, real estate securitization based on the SPC Law is one of the methods for direct procurement of capital from the market by issuing investment securities backed by real estate or assets consisting of real estate or real estate-backed debt (housing loans, etc.).

The following illustrates the actual flow of funds and the relationship with real estate:

- 1) SPC issues preferred equity securities and specific bonds to procure funds from the market for purchasing real estate;
- 2) A real estate company or other original real estate owner (originator) sells the real estate to an SPC at market price;
- 3) The SPC receives rent from the tenants as the new owner of the real estate; and
- 4) The SPC pays agreed interest to the investors that bought the specific bonds and pays any remaining profit to the investors in preferred equity securities in the form of dividends.

Furthermore, a portion of the SPC Law was revised in May 2000. As a result of the revision, the assets subject to monetization by the SPC were expanded from designated monetary debts, real estate and their beneficiary interests in trust to general property rights, and restrictions concerning the establishment and operation of SPCs were simplified and rationalized. Therefore, steps were taken to improve the convenience of the system. As for securitization based on the SPC Law, it is necessary to submit an asset monetization plan indicating the method of securitization and so forth and to

conduct activities in accordance with the details indicated in the plan. If the plan changes, the approval of concerned parties such as investors is required. Thus, securitization based on the SPC Law is often employed in cases where the target property has been specified.

## (3) Real Estate Syndication

Real estate syndication is when multiple investors jointly invest in real estate to own and manage the real estate and obtain earnings from it. In the past, there were cases in the real estate syndication business that resulted in harm to investors, so in April 1995, the Real Estate Specified Joint Enterprise Act was enacted with the primary aim of protecting investors.

Under this method of investment, in order to protect investors, licensed companies that meet the criteria with respect to capital and personnel qualifications may raise funds from investors. However, investors will also be influenced by any business other than securitization conducted by the company. As such, the difficulty of procuring funds from professional investors such as institutional investors that fear bankruptcies of businesses is pointed out as a disadvantage of the current system.

In order to resolve this disadvantage, in 2013, similar to item 2 in SPC Law above, a legal revision was enacted that establishes SPCs that own only real estate and entrusts operations to real estate syndicates. In such cases, since the risk of bankruptcies of businesses is separated, it is thought that procurement of funds from professional investors will become easier.

One reason for incorporating the same system as in the SPC Law into the act is that it is often difficult in other methods of securitization to implement anti-seismic renovation, rebuild properties for greater earthquake resistance, establish nursing facilities and acquire

properties sequentially. According to the Ministry of Land, Infrastructure, Transport and Tourism, this revision will lead to about ¥5 trillion of new investment in the coming 10 years and should also have a ripple effect of ¥8 trillion on production and employment of about 440,000 persons.

#### **(4) Impact of Securitization on the Real Estate Business**

Besides the above real estate securitization, another method that is employed is establishing a limited company solely for the purpose of owning real estate and using silent partnership agreements designated by the Commercial

Code (GK/TK schemes). Due to the existence of various securitization methods, it is possible, for example, for real estate development companies to not just diversify their buyers; by embarking on securitization themselves, they can also seek to stabilize their profits through conducting after-sales management and securitization operation. However, since securitization is based on raising funds from investors, its operation is impacted by laws such as the Financial Instruments and Exchange Act. In the case of J-REITs in particular, management or brokerage companies may be subject to insider trading regulations, so care must be taken with regard to information management.



# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## INTERNATIONALIZATION

With regard to overseas business development in the real estate industry, some major Japanese real estate companies had already begun operations in Western countries by the late 1960s. Although overseas operations were downsized due to the collapse of the bubble economy, since 2010 major general real estate companies have once again been developing business in various regions including Asia, North America, and Europe. The opening of new markets by leveraging advances and managerial know-how cultivated in Japan, as well as ongoing growth-oriented development, is steadily continuing.

In recent years, inbound business development to attract international investors to the Japanese real estate market and foreign tourists has also become more active.



## The Development of Economic Globalization

In 1973, Japan switched to a floating exchange rate system, which triggered the development of economic globalization such as the movement of capital and labor beyond the country's borders. Subsequently, thanks to the ongoing strength of the yen, more and more companies have ventured overseas and in recent years there has also been an increase in corporate overseas real estate acquisition. Although there was a temporary reduction after the global financial crisis, these activities are now growing again.

The fact that the domestic population has passed its peak and it is becoming hard to envision future market expansion has been mentioned as a reason for Japanese companies moving ahead with overseas development. In light of this, real estate industry companies, in addition to pursuing development in major Western cities with large markets, have recently been developing business in Asia, where there continues to be population increase and economic growth.

## Government Initiatives

In recent years the government has taken a proactive approach to pursuing business in other, fast-growing countries (especially in Asia) that are important to Japan's continued growth. In April 2013, the Ministry of Land, Infrastructure, Transport and Tourism created a new International Affairs Division in the Land Economy and Construction and Engineering Industry Bureau to support the overseas development of real estate and construction companies. In August of the same year, it published the Global Business Strategy for the Real Estate Market. In terms of its basic approach to overseas (outbound) development, this strategy states the need to enhance competitiveness through rapidly entering emerging markets and pursuing diverse real estate business models. It also states the need for collaborative initiatives with general contractors, trading companies, etc.

## Outbound Business Development

Regarding outbound business development in the real estate industry, some major Japanese real estate companies had already begun operations in Western countries by the late 1960s. After that, throughout the bubble economy era, companies gradually moved forward with building construction activities, housing development, etc. in the likes of New York and London. In recent years, besides Mitsui Fudosan and Mitsubishi Estate's acquisition of business area office buildings in the U.K., there are companies which have opened local affiliates in the U.S. and are planning mixed-use office/commercial projects. Outbound business



## Major International Projects Announced in Recent Years (Implemented and Planned)

Project Name	Location	Site/ Development Area (ha)	Acquisition Year/ Completion Year	Project Operators (at time of development)	Summary
1101K Street	Washington D.C., USA	0.2	Acquisition in 2011	Mitsubishi Estate, and others	Office building acquisition
Homer Building	Washington D.C., USA	0.4	Acquisition in 2012	Mitsui Fudosan	Office building acquisition
1200 17th Street	Washington D.C., USA	0.2	Completion in 2014	Mitsui Fudosan	Office building development
270 Brannan Development Project (provisional name)	California, USA	0.3	Acquisition in 2014	Mitsui Fudosan, SKS Investments	Land acquisition for office building development
28 State Street	Massachusetts, USA	0.3	Acquisition in 2014	Mitsubishi Estate, Rockefeller Group	Office building acquisition
UTA Plaza	California, USA	1.0	Acquisition in 2014	Mitsubishi Estate, and others	Office building acquisition
The Ice House	California, USA	0.3	Acquisition in 2014	Mitsubishi Estate, and others	Office building acquisition
The Outlets at Tejon Ranch	California, USA	16.0	Completion in 2014	Mitsubishi Estate, and others	Commercial facility development
160 Madison	New York, USA	0.2	Completion in 2015	Mitsui Fudosan, J. D. Carlisle Development, and others	Rental housing development
650 Indiana Development Project (provisional name)	California, USA	0.2	Schedule to be completed in 2016	Mitsui Fudosan	Rental housing development
Flushing Commons	New York, USA	0.6	Schedule to be completed in 2017	Mitsubishi Estate, Rockefeller Group	Multi-use complex comprised of offices, housing, retail facilities, etc.
2nd and Pike Development Project (provisional name)	Washington D.C., USA	0.2	Schedule to be completed in 2017	Mitsui Fudosan	Rental housing development
525 West 52nd Street (provisional name)	New York, USA	0.4	Schedule to be completed in 2017	Mitsui Fudosan	Rental housing development
Central Saint Giles	London, England	0.7	Completion in 2010	Mitsubishi Estate, Legal & General	Redevelopment comprising office buildings, housing, and shops
150 Leadenhall Street	London, England	0.09	Acquisition in 2011	Mitsubishi Estate	Office building acquisition
6-8 Bishopsgate	London, England	0.2	Acquisition in 2011	Mitsubishi Estate	Office building acquisition
5 Hanover Square	London, England	0.1	Acquisition in 2012	Mitsui Fudosan	Office building development
1 Victoria Street	London, England	0.8	Acquisition in 2013	Mitsubishi Estate	Office building acquisition
Olive House	London, England	0.2	Acquisition in 2013	Mitsubishi Estate	Office building acquisition
8-10 Moorgate Development Project (provisional name)	London, England	0.2	Completion in 2014	Mitsui Fudosan	Office building development
70 Mark Lane Development Project (provisional name)	London, England	0.2	Completion in 2014	Mitsui Fudosan	Office building development
1 Angel Court	London, England	0.4	Schedule to be completed in 2016	Mitsui Fudosan	Office building development
White City Place Redevelopment Project (provisional name)	London, England	6.9	Schedule to be completed in 2017	Mitsui Fudosan	Office building redevelopment
Shifu Dalu, Shenhe District, Shenyang City	Shenyang, China	2.7	Completion in 2011	Tokyu Land Corporation, Marubeni, Sun Wah Group	Mixed-use development comprising housing, commercial facilities, etc.
Sugii Outlet Plaza, Ningbo	Zhejiang Province, China	11.6	Completion in 2011	Mitsui Fudosan, Shanshan Group, Tah Tong Group, others	Commercial facility development
Shenyang Park Outlets	Shenyang, China	13.0	Completion in 2012	Mitsubishi Estate, and others	Commercial facility development
Chunhe Project, Shenyang (provisional name)	Liaoning Province, China	8.1	Schedule to be completed in 2016	Tokyo Tosemoko, Shenyang Vanke Real Estate Development, others	Mixed-use development comprising condominiums, offices, etc.
LaLaport Shanghai Jinqiao (provisional name)	Shanghai, China	4.3	Schedule to be completed in 2017	Mitsui Fudosan, Shanghai Jinqiao Export Processing Zone United Development	Mixed-use development comprising commercial facilities and offices
Taiwan Linkou Outlet project (provisional name)	New Taipei, Taiwan	6.7	Schedule to be completed in 2016	Mitsui Fudosan, Farglory Construction	Commercial facility development
Ideo Q Chula-Samyang	Bangkok, Thailand	0.9	Schedule to be completed in 2016	Mitsui Fudosan Residential, Ananda Development	High-rise condominium development
aspire Ratchada-Wongsawang	Bangkok, Thailand	0.9	Schedule to be completed in 2016	Mitsubishi Estate, AP, and others	Housing development
RHYTHM Asoke2	Bangkok, Thailand	0.3	Schedule to be completed in 2017	Mitsubishi Estate, AP, and others	Housing development
RHYTHM Sukhumvit 36-38	Bangkok, Thailand	0.4	Schedule to be completed in 2017	Mitsubishi Estate, AP, and others	Housing development
Ashton Asoke	Bangkok, Thailand	0.4	Schedule to be completed in 2017	Mitsui Fudosan, Mitsui Fudosan Residential, and others	High-rise condominium development
Ideo Q Siam-Ratchathewi	Bangkok, Thailand	0.3	Schedule to be completed in 2017	Mitsui Fudosan, Mitsui Fudosan Residential, and others	High-rise condominium development
Q Chidlom-Petchaburi	Bangkok, Thailand	0.3	Schedule to be completed in 2017	Mitsui Fudosan Residential, Ananda Development, others	High-rise condominium development
AXIA SOUTH CIKARANG	Bekasi, Indonesia	0.7	Completion in 2014	Toyota Tsusho, Toyota Home, Tokyu Land Corporation Group, and others	Hotel development
Capita Green	Raffles Place District, Singapore	0.5	Completion in 2014	Mitsubishi Estate, CapitalLand	Office building development
Mitsui Outlet Park, Kuala Lumpur International Airport, Sepang	Kuala Lumpur, Malaysia	18.0	Completion in 2015	Mitsui Fudosan	Commercial facility development
FLORA ANH DAO	Ho Chi Minh City, Vietnam	1.1	Schedule to be completed in 2016	Hankyu Realty, Nishi-Nippon Railroad, Cong ty co phan Dau tu Nam Long	Condominium development
The Mews	Kuala Lumpur, Malaysia	0.5	Schedule to be completed in 2017	Mitsui Fudosan Residential, Eastern & Oriental	High-rise condominium development
Geo Residences	Selangor, Malaysia	2.7	Schedule to be completed in 2017	Mitsui Fudosan (Asia), Sunway	High-rise condominium development

Source: Prepared from press releases published by various companies from 2010 onward.

Note: "Unofficial name" = the location is used as the name since the project name has not yet been decided.

development has also become more vigorous in Asian countries in recent years. In China, the likes of Mitsui Fudosan, Mitsubishi Estate, and Tokyu Land Corporation are involved in office buildings, commercial facilities, housing, and mixed-use developments that combine all of these. In southeast Asia, which is undergoing remarkable growth, Mitsubishi Estate is engaged in office building developments and planning housing development projects in Singapore and Vietnam, while Mitsui Fudosan is planning work on housing developments and commercial facilities in Malaysia.

### Inbound Business Development

Inbound business development to attract international investors to the Japanese real estate market and bring in foreign tourists has also become more active in recent years. Inbound business initiatives to encourage not only

direct investment in domestic real estate but also the entry of foreign companies due to the enhanced competitiveness of major cities, and increases in tourist numbers, etc. are important measures for Japan.

There have been more active efforts aimed at making Japan a tourism-based country – for example, in 2007, the Tourism Nation Promotion Basic Law was enacted, and in 2008, the Japan Tourism Agency was launched. In 2015, the number of foreign visitors to Japan reached a record level at over 19.7 million people, approaching the 2020 target of 20 million visitors set by the government. Meanwhile, in December 2013, National Strategic Special Zones were created with the goal of fostering the development of international economic activity hubs, and the government is making efforts to create special zones aimed at setting up international business environments

and forming international innovation centers in fields such as medicine in order to attract global capital and talent.

Some private-sector companies are also moving to identify commercial opportunities related to overseas tourists and the entry of foreign companies into Japan. In state-of-the-art downtown office buildings, not only are disaster prevention and environmental features becoming more sophisticated, but multilingual clinics and the like are also being provided to help businesspeople of various nationalities working there feel more comfortable. In addition, in commercial facilities and other locations popular with foreign visitors to Japan, efforts are being made to meet tourist demands from a variety of perspectives such as providing multilingual services within the facilities and holding trade shows aimed at travel agencies from Asian countries.



# OVERVIEW OF MAJOR REAL ESTATE SECTORS

## RESORTS

The first resort project in Japan that was developed to serve as a health resort within the mountains, ocean and nature was the Shonan (Kanagawa Prefecture) area which began full-scale development from around 1877. Shonan has since then developed as a villa area and was followed by Karuizawa, Nasu, Unzen and other areas primarily developed by foreigners. Upon entering the Showa era in the mid-1920s, resort hotels were repeatedly developed in national parks including Nikko and Hakone. From the mid-1970s, with the spread of the five-day workweek, the Japanese people had more time available for leisure and construction of resort facilities boomed including the emergence of large multi-use resorts with seaside marinas, ski resorts with lodging facilities, theme parks and oceanside resorts.

However, the Heisei recession drastically lowered the volume of the formerly booming resort condominiums and some facility management companies filed for bankruptcy.

In response to these developments, recent years have seen the emergence of the resort regeneration business and new efforts to rebuild the resort business including the expansion of services focusing on facility management.



### Resort Development Takes Off

From the early 1960s, the general public once again was able to afford the luxury of leisure and steps were taken to develop tourist destinations throughout Japan. In particular, business groups centered on mass transit companies such as Tokyu and Seibu began development of comprehensive projects that included transport, vacation homes, hotels and sightseeing at famous resort areas such as Izu, Hakone and Karuizawa. In addition, large and small real estate companies launched businesses selling vacation homes in the respective resort areas starting with the Nasu area.

### Responding to Increasing Time Off and Diversifying Needs

From the mid-1970s, the people began to have more time off with the spread of the five-day workweek. This, combined with factors such as diversifying needs and the switch to a domestic demand-driven economy resulted in the re-emergence of a resort development boom. It was around this time that Japan witnessed numerous developments of large multi-use resorts with ski hills, golf courses, marinas and various lodging facilities expanding over spaces ranging from several hundred to over a thousand hectares. Another characteristic of this time was that participants in the resort business were not limited to transport and real estate companies but also expanded to include steel, ship and chemical manufacturers, trading companies and companies from various other industries. In correlation with the transformation of the industrial structure, theme parks and seaside resorts began to be built on sites where large factories had once been. Investment in overseas resorts also took off, centering on Hawaii, Australia and other areas in the Pacific region.

### Establishment of the Resort Law and End of Boom

These developments were further spurred by the establishment of the Law for Development of Comprehensive Resort Areas, the so-called "Resort Law" in 1987. This Law sought to comprehensively develop sites of tens of thousands of hectares through private-public collaborations all over the country with the aim of realizing a leisurely lifestyle for the Japanese people and promoting local areas. By the end of March 1994, 41 prefectures had established and approved basic concepts and resort development had become the centerpiece in promoting local areas. The Government Housing Loan Corporation (presently the Japan Housing Finance Agency) also began providing loans for second homes in 1987. Japan had finally entered an era where the national government was actively supporting the enhancement of the leisure time of its citizens and helping them to realize multiple residences.

However, this resort boom began to taper off with the start of the Heisei recession in Japan at the

beginning of 1991. In 1990 there were 16,000 resort condominium units sold, but this drastically dropped to 1,900 units by 1993, a precipitous 88% drop. Since 1995, the number of units sold per year has been 600 to 700 units at most.

Also, due to the application of the Resort Law, many of the large resort facilities developed filed for bankruptcy from over-investment caused by ill-conceived budget plans and unfounded prospects for customers. Many plans were therefore aborted before they could be carried out.

### Rebuilding the Resort Business

Within this environment, the real estate industry took steps to form an organization to nurture a healthy resort business and launched the Japan Resort Enterprise Association in 1995.

The Association actively conducts fact-finding studies on resort development and operations as well as researching and proposing resort policies. These activities were taken over by the Real Estate Companies Association of Japan in 2007.

Support for the acquisition of second homes has taken the form of an expanded financing system and also tax reduction measures such as reduction of the real estate acquisition tax and real property tax that went into effect in April 1998. In addition, the Law promoting the Building of Superior Suburban Housing was passed to promote the construction of superior standalone housing in good natural environments such as agricultural and mountain villages and areas near cities.

On the other hand, resort services have begun to be provided in a variety of formats based

on memberships. These steps include organizations and corporations concluding tie-ups with other facilities, soliciting for members and providing services at inexpensive prices, along with companies contracting to manage the idle resort facilities. There are also growing signs of efforts to effectively and efficiently operate and utilize facilities that were constructed during the resort era through a variety of services.

There is a great need among the people of Japan to spend their leisure time amidst nature and there is a large number of baby boomers who are considering living in the country or having a second home upon retirement. This requires not only an augmentation of the vacation system and enhanced measures on taxation, but also rebuilding the resort business (facility operations, operating skills, etc.) and enhancing support.

### Major Resort Projects of Japan

Project	Location	Total Area (ha)	Developer/Operator (at time of development)	Primary Facilities	Acquisition, Takeover, Support Companies, etc.
Sahoro Resort	Shintoku Town, Hokkaido	2,200	Seiyo Kankyo Kaihatsu (Sahoro Resort, SCM Leisure Development and Karikachi Kogen Development)	Ski hill, golf course and hotel	Kamori Kanko
Alpha Resort Tomamu ↓ Hoshino Resort TOMAMU	Shimukappu Village, Hokkaido	4,780	Sekihyo Seibaku	Golf course, ski hill, artificial lake, water chapel and hotel	Grove International Partners Hoshino Resorts (continuing management) ↓ Shanghai Yuyuan Tourist Mart (Fosun)
Appi Kogen Resort	Ashiro Village and Matsuo Village, Iwate Prefecture	2,500	Appi General Development (third sector)	Ski hill, hotel and pensions	Kamori Kanko
Resort Park Onikoube	Naruko Town, Miyagi Prefecture	1,000	Onikoube Kogen Kaihatsu (third sector)	Ski hill, golf course and hotel	Osaki City, Hotel Sun Valley
Myoko Pine Valley	Myoko Village, Niigata Prefecture	600	Myoko Pine Valley	Hotel, golf course and ski hill	APA Group
Gran-Deco Ski Resort	Kitashiobara Village, Fukushima Prefecture	338	Tokyu Group, Urabandai Deco Daira Kaihatsu (third sector)	Hotel, ski hill and tennis courts	
Hatoriko Highland Regina Forest	Tenei Village, Fukushima Prefecture	197	Tokyo Tatemono	Tennis courts, vacation homes, pensions, artificial lake, automobile campsite, hot spring facilities and cottages	
Towa Nasu Highland	Nasu Town, Tochigi Prefecture	1,000	Towa Real Estate Development, Towa Nasu Resort Co., Ltd.	3,700 vacation lots, amusement parks, hotels and golf courses	
Karuizawa Sengataki	Karuizawa Town, Nagano Prefecture	690	Kokudo	5,200 vacation lots, hotels, golf course, tennis courts and, ski hill	Prince Hotel
Tateshina Certo Forest	Chino City, Nagano Prefecture	436	Kajima Resort	Tennis court, jogging road, restaurant, craft center, rental vacation homes, pool and hotel	
Tokyu Resort-Town Tateshina	Chino City, Nagano Prefecture	664	Tokyu Land	2,400 vacation lots, golf course, tennis courts, ski hill and hotel	
Tateshina Mitsui-no-mori	Chino City, Nagano Prefecture	470	Mitsui Fudosan	Vacation lots, hotel and golf course	
Uminoguchi Natural Villa	Minamimaki Village, Nagano Prefecture	700	Seiyo Kankyo Kaihatsu	Vacation lots, lodging facilities, tennis courts, pottery studios, music studio and golf course	Sogo / Seibu
Shima Spain Village	Isobe Town, Mie Prefecture	104	Kintetsu Corporation (JV)	Spanish village	
Nemu no Sato	Hamajima Town, Mie Prefecture	252	Yamaha Recreation	Hotel, golf course, marina	Mitsui Fudosan
Wakayama Marina City	Wakayama City, Wakayama Prefecture	65	Wakayama Prefecture, Ministry of Transport, Matsushita Investment and Development and Wakayama Marina City	Theme park, fishermen's wharf, marina and condominiums	Royal Pines
Space World	Kitakyushu City, Fukuoka Prefecture	200	Space World (third sector)	Leisure facility with a space theme	Kamori Kanko
Huis Ten Bosch	Sasebo City, Nagasaki Prefecture	140	Huis Ten Bosch (third sector)	Marina, hotel, condominium and Dutch streetscape	HIS
Phoenix Seagaia Resort	Miyazaki City, Miyazaki Prefecture	135	Phoenix Resort	Hotel, international convention center, Ocean Dome, golf courses, condominiums and cottages, and tennis club	Ripplewood Holdings (presently RHJ International) ↓ Sega Sammy International
Miyakojima Tokyu Resort	Shimoji Town, Okinawa Prefecture	230	Tokyu Corporation	Marina, golf course and hotel	



# The Role of the Real Estate Industry

## Environmental Measures

Until now, the nation has worked in concert to establish various measures to confront changes in the global environment that are accelerating yearly. The fact is, however, that the deterioration of the global environment is progressing at a faster pace than these measures. In the real estate industry, the effects of various environmental issues, such as global warming, are being felt across a range of economic activities, from the planning and design of houses and buildings to development, management, and disposal, and real estate associations and companies are voluntarily setting targets and eagerly pushing forward with initiatives.

It is also essential to move forward with countermeasures in collaboration with the various stakeholders involved in the real estate industry. The many affected parties such as tenants, condominium owners' associations, and general users need to work together to preserve the global environment.

Furthermore, since the life cycles of houses and buildings span decades, it is necessary to form quality stock by providing buildings that have high environmental performance based on a medium- to long-term perspective. Another important topic is working to develop a market in which buildings with high environmental performance will be assessed appropriately.

### Efforts Related to the Global and Japanese Environments

Global warming due to increases in atmospheric greenhouse gases has caused various problems such as climate change and the accompanying impact on the ecosystem, making the reduction of greenhouse gases an important issue. In recognition of this, the United Nations established the U.N. Framework Convention on Climate Change (COP), which is held annually, as a venue for countries to discuss global warming.

At the 21st edition of the convention, COP21, held in Paris, a consensus was adopted for 2020 onward, including implementing countermeasures to keep temperature rises within 1.5°C or less, so that the level will be kept well below 2°C, and for countries to revise their nationally determined contributions every five years.

With regard to targets for the real estate industry, the nationally determined contribution proposed by Japan calls for an approximately 40% reduction in greenhouse gas emissions by 2030 in both the business and household sectors, using 2013 as a baseline.

A domestic initiative inspired by this, the Act for the Improvement of Energy Saving Performance of Buildings (Building Energy Conservation Act), which is a regulatory measure for homes and other buildings, will be partially enacted in April 2016 (floor area ratio special measures, indication system, etc.), then fully enacted in April 2017 (mandatory compliance system,

notification system, etc.). Under the Building Energy Conservation Act, compliance with energy conservation standards will become mandatory for large-scale buildings (2000 m<sup>2</sup> or more) starting in April 2017, while compliance with these standards will gradually be made mandatory for non-large-scale houses and buildings as well through 2020.

### Environment-Related Impact and Obligations of the Real Estate Industry

Energy consumption by the private sector (the business sector and household sector combined) accounts for around one-third of Japan's overall energy consumption. Since 1973, consumption has risen by a factor of 2.5 in the business sector and 2.0 in the household sector—a rate of growth that significantly exceeds the industrial sector (0.9 times) and transportation sector (1.8 times) over the same time. As a result, when it comes to the impact of the real estate industry on the environment, reducing energy consumption and reducing CO<sub>2</sub> emissions at the same time have become pressing issues. The real estate industry can make an extremely significant contribution to achieving national targets relating to CO<sub>2</sub> emission reduction in the medium to long term (by 2030, by 2050, etc.). In addition to adapting to the regulations in the Building Energy Conservation Act mentioned above, it is necessary to realize and promote the spread of state-of-the-art housing and buildings, such as Zero Energy Buildings (ZEBs) and Zero Energy Houses (ZEHs).

Other important issues in the development and management of real estate include alleviating the heat island effect accompanying urbanization, reducing business-related waste emissions and final disposal amounts, and preserving biodiversity. In addition to their own business activities, real estate companies need to fulfill their duties with respect to various social issues such as environmental problems by supplying high-quality, high-performance rental buildings and condominiums.

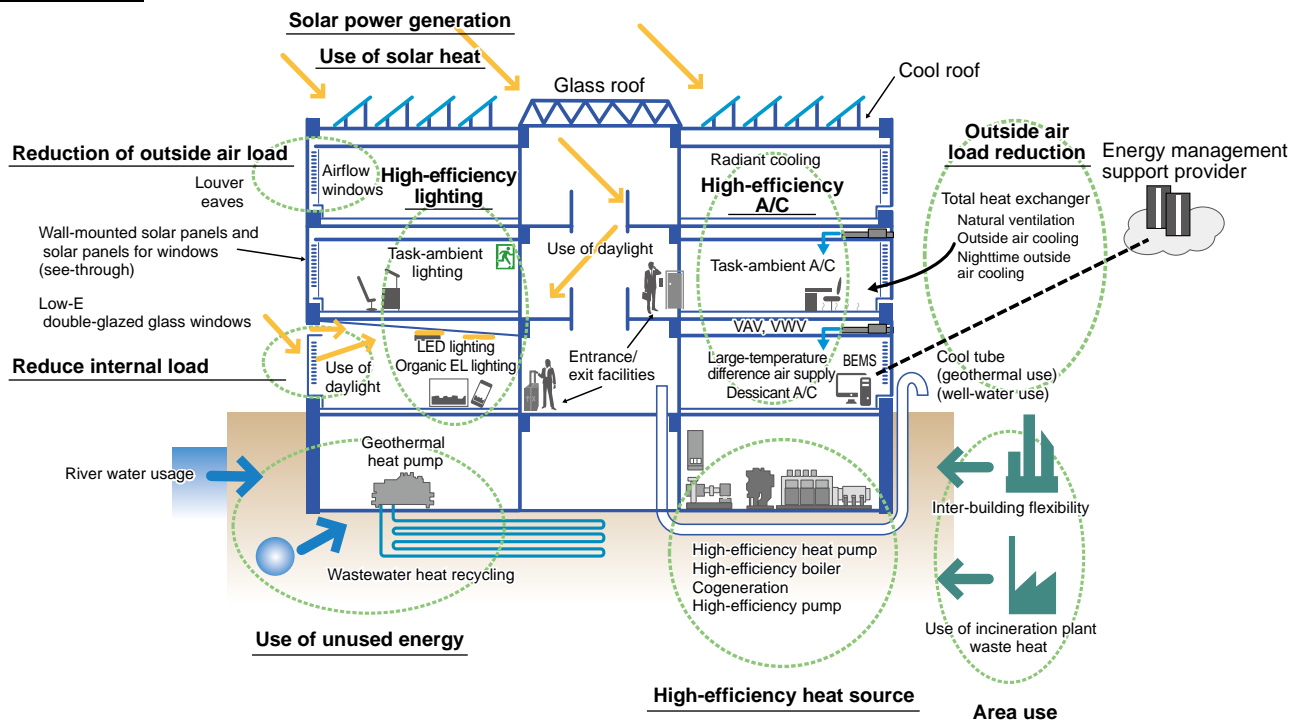
### Real Estate Industry Environment Implementation Plan

RECAJ formulated a Voluntary Action Plan on the Environment for the Real Estate Industry in 1997 that set targets to be achieved by 2012 with respect to energy consumption, waste emissions, etc., and it has subsequently achieved these targets while revising the plan.

In March 2013, it formulated the Real Estate Industry Environment Implementation Plan aimed at 2020, which included setting new targets based on national trends and other factors. This action plan divides the real estate industry into three areas: new office building development, new condominium development, and companies' own business activities. For each area, targets are set relating to energy consumption as well as to improving energy autonomy, reducing waste, preserving biodiversity, and so forth.

In terms of reducing energy consumption in particular, the plan sets quantitative targets

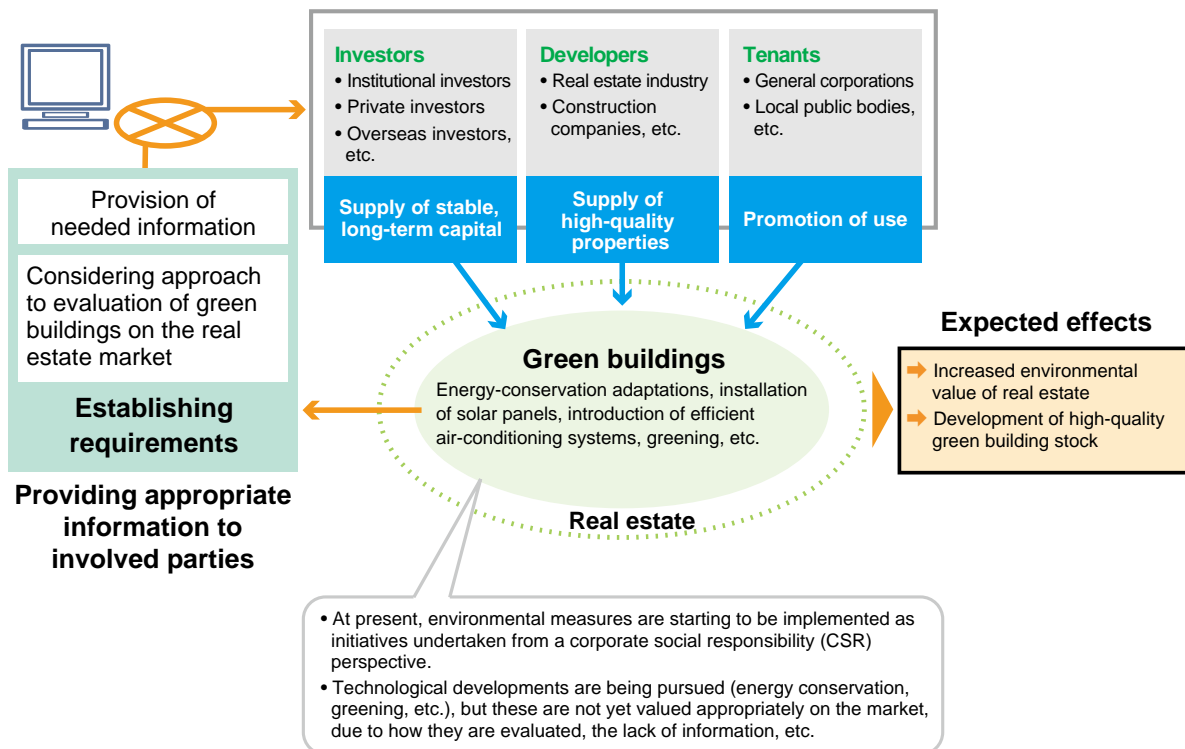
## Image of ZEB



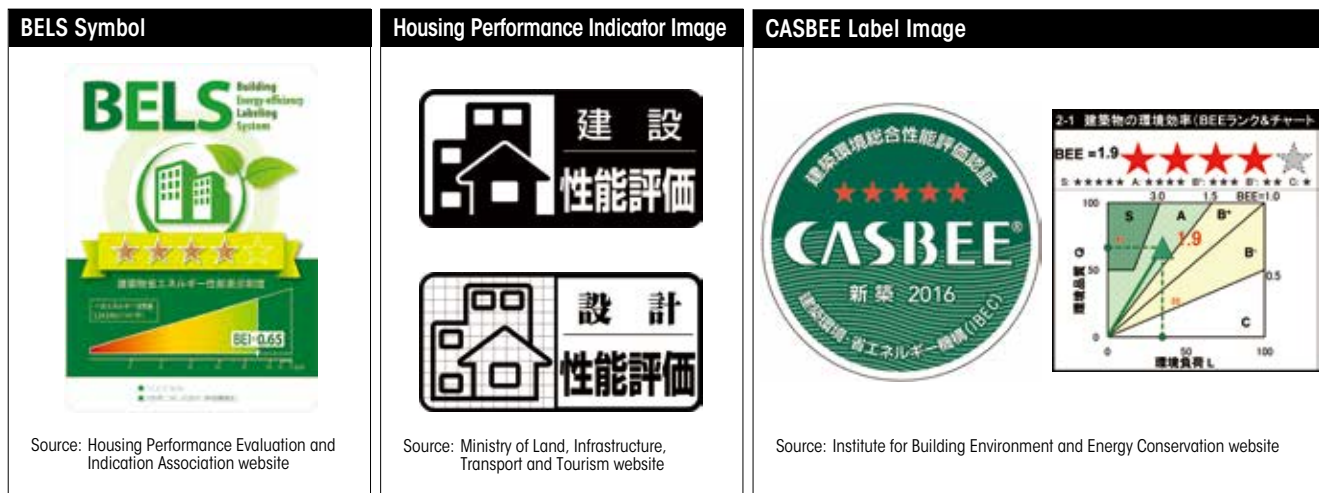
Source: created based on Sustainable Open Innovation Symposium website

## Image of Environmental Value-Oriented Real Estate Market

### Market participants involved in green buildings



Source: Created based on the Green Building Online Portal website



for the environmental specifications and performance of new office buildings and new condominiums (outside air performance, energy-saving performance of equipment, etc.). Also, in order to ensure consistency with the approach to standards in the Building Energy Conservation Act to be enacted in future, consideration is now being given to revising target indicators and levels.

The Implementation Plan not only specifies quantitative targets—it also promotes various initiatives. Going forward, the real estate industry needs to contribute to addressing environmental issues by steadily carrying out the Implementation Plan and verifying its progress.

### Aiming to Implement Cutting-Edge Initiatives

#### Realizing and Promoting the Spread of ZEB/ZEHs

In terms of cutting-edge initiatives in the real estate industry, national policy targets include aiming to realize ZEBs for new public buildings and the like by 2020 and for new buildings in general by 2030 and aiming to achieve ZEHs by 2020 for new standard housing and by 2030 for new housing in general. In 2015, a

committee was formed to develop a roadmap aimed at achieving these. In addition to general principles such as defining what kind of buildings and houses will be considered as ZEB/ZEH, this committee is developing measures to be tackled through collaboration between the government, industry groups, and private-sector companies, such as introducing incentives to promote the spread of ZEB/ZEHs.

Based on these kinds of national considerations and policies, it is important for related industry groups and private-sector companies to pursue cutting-edge initiatives aimed at realizing ZEBs and ZEHs, as well as accelerating the implementation of these initiatives by proactively communicating and sharing information.

#### Active Use of Evaluation/Certification System and Development of Green Building Market

In order for businesses in the real estate industry to continuously supply state-of-the-art buildings, it is necessary to develop a market in which these buildings are appreciated by users and are suitably cost-effective. To achieve this, real estate companies need to share information about the environmental performance of the houses and buildings they develop with

tenants, condominium buyers, etc., and provide indicators so that these users will select housing and buildings with a high level of environmental performance.

By sharing information on green buildings in this way, parties involved in the real estate industry can promote the development of a market in which the environmental value of real estate is assessed appropriately and promote the formation of high-quality stock.

With regards to systems for evaluating and certifying the environmental performance of housing and buildings, besides Japan's housing performance indication system and other national systems, there are also systems run by private-sector organizations and the like, including BELS, CASBEE, LEED, and the DBJ Green Building Certification system.

Which system to use depends on the choice of the individual company, but regardless of the decision, it is necessary to actively use an evaluation and certification system suited to the characteristics of the buildings it develops and the people with whom the information will be shared and to pass on information to tenants, housing buyers, and the like.

## Addressing Population Decline and the Aging of Society

Going forward, a major issue for Japan's economy and society as well as its real estate industry will be addressing its declining population, falling birthrate, and aging society.

The total population of Japan has been decreasing since reaching a peak of about 128.05 million in 2010. By 2020, it is projected to drop by 3% over the 10 years to around 124.1 million, and by 2040 it is projected to drop by 17% to around 107.27 million. The total number of households nationwide is also expected to reach a peak in 2019 (approx. 53.07 million) then fall below 50 million in 2035.

In addition to the declining population, the aging of society is accelerating. The proportion of the total population represented by the elderly (age 65+) reached 25.1% in 2013 and is projected to increase to 29.1% in 2020 and 36.1% in 2040. Even in major metropolitan areas, society is expected to age further in future.

Due to these demographic changes, the role of the real estate industry is also beginning to change significantly. With the aim of addressing the falling birthrate, there is a need to develop an environment that makes it easier for younger

people to start a family and feel comfortable about having and raising children, such as housing near business areas that shortens commuting times and housing that enables multiple generations to live together. Also, with regard to housing, an absolute decline in demand is anticipated based on the decline in population, and given changes in family structure, there will be a need for housing planning that addresses diverse needs by focusing on future changes in household structure.

Addressing the aging of society is a particularly significant issue and there is a growing need



# KASHIWA-NO-HA SMART CITY

## Property Overview

### Development name:

Kashiwa-no-ha Smart City

### Target site:

North Kashiwa  
Central District Integrated Land  
Readjustment Project Area

**Project leader:** Chiba Prefecture  
(Land Readjustment Project)

**Area:** approx. 272.9 ha

### Development period:

August 2000 – March 2023

**Planned site uses:** Residences,  
hotels, commercial facilities,  
offices, factories,  
research institutions, schools,  
hospitals, banks, parks,  
etc.

Mitsui Fudosan is developing Kashiwa-no-ha Smart City to be the world's first "smart city" model, emphasizing the three themes of environmental symbiosis, long, healthy life and creation of new industries. This smart city in Kashiwa-no-ha is based on the concept of "problem-solving city-building" – solving the social issues facing advanced countries – and carries forward realization of the world's first smart city model.

Development of Kashiwa-no-ha Smart City is underway within a land readjustment district located in northern Kashiwa City, a core city with a population of 400,000, around 25 km from downtown Tokyo. The district centers on Kashiwanoha-campus Station, which is about a 30-minute train ride from Akihabara on the Tsukuba Express opened in 2005. With surroundings that contain natural parks with yet-undeveloped woodland, a prestigious Japanese university and research institutions as well as a number of industry support facilities, this unique and cutting-edge public-private-academic urban development is drawing attention both domestically and internationally.

Mitsui Fudosan has developed commercial facilities and apartments mainly in the block around Kashiwanoha-campus Station since 2006 and opened a mixed-use facility called Gate Square in the summer of 2014. This completed the first stage of development of Kashiwa-no-ha Smart City.

One of the themes of this development, environmental symbiosis, is being achieved through

energy-saving, CO<sub>2</sub>-reducing, safe, secure, sustainable, consumer-led energy management, etc.

In order to realize a model of energy use that does not rely on fossil fuels, Gate Square has introduced 1) energy-saving measures such as passive design, use of natural light and the latest environmental initiatives and 2) energy-creating measures such as use of natural energy and unused energy. This cuts standard CO<sub>2</sub> emissions by roughly 43%.

Not content to merely reduce CO<sub>2</sub> at Gate Square, Mitsui is introducing an independent power network and information network to establish an area energy management system (AEMS) and power-sharing system encompassing the surrounding four blocks, working toward comprehensive energy-creating, energy-saving and energy-storing across the entire area and achieving power-leveling in addition to energy and CO<sub>2</sub> reduction. This Kashiwa-no-ha AEMS links with the HEMS, BEMS and central surveillance systems of each facility to make electricity, gas and water usage (as well as CO<sub>2</sub> emission) visible, collecting and analyzing energy information from the entire area at the Kashiwa-no-ha Smart Center inside Gate Square.

In this way the methods of progress, plans for facilities and other elements of the Kashiwa-no-ha development differ greatly from conventional urban development. The public-private-academic partnership brings a diversity of participants to the table, all seeking to create a sustainable business model and community for the future.





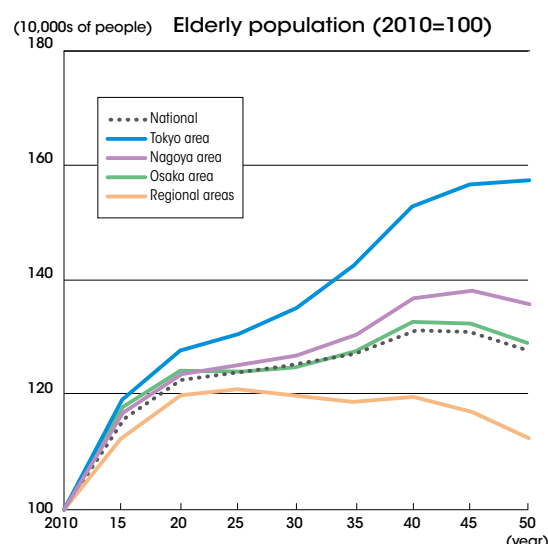
for housing for older people, such as the serviced elderly housing (known as sakoju in Japanese) that first appeared in 2011. Aimed at providing residences for seniors, serviced elderly housing is rental housing that, in addition to having barrier-free facilities, offers access to support services such as care and treatment as needed. The state is providing institutional support for the development of serviced elderly housing, and as of the end of 2015, the supply had reached 191,871 units

Furthermore, in recent years, the increase in vacant houses has become a social issue. There are already around 8.2 million vacant houses nationwide (as of the end of 2013), and if the number of vacant houses that are not managed appropriately keeps rising as Japanese society continues to age and the population continues to decline, it could have a negative impact on various issues such as disaster preparedness and the attractiveness of neighborhoods. As a result, the state is working on countermeasures, such as enacting the Vacant Houses Special Measures Act in February 2015 and making compulsory elimination of vacant houses possible if they pose a risk to public safety. It is therefore expected that this problem will be addressed through a combination of appropriate management and effective utilization.

The declining population, falling birthrate, and aging of society will have a major impact on urban planning. To date, urban planning in Japan has been conducted in the context of population growth, with cities tending to expand. As a result, issues such as advancing urban sprawl and hollowing out of city centers have occurred.

As a means of addressing these issues, attention is turning to "compact cities" that keep urban areas as compact as possible in accordance with the population size. The creation of compact cities by redeveloping retail facilities, housing, and so forth in city centers should, in addition to increasing accessibility for people with reduced mobility such as the elderly through measures that enable people to live closer to their workplace, upgrading of the public transportation network, etc., help reduce the financial burden on municipalities by cutting urban infrastructure maintenance costs. Moreover, with the inclusion of the Location Optimization Plan System in the revised Act on Special Measures Concerning Urban Reconstruction enacted in August 2014, it has become possible for municipalities aiming to be compact cities to receive subsidies, tax breaks, and so forth. By designating "housing promotion zones" and "urban service promotion zones" that bring together medical and welfare facilities, retail facilities, etc., it is possible to promote the relocation of various facilities toward city centers.

## Changes over Time in Elderly Population

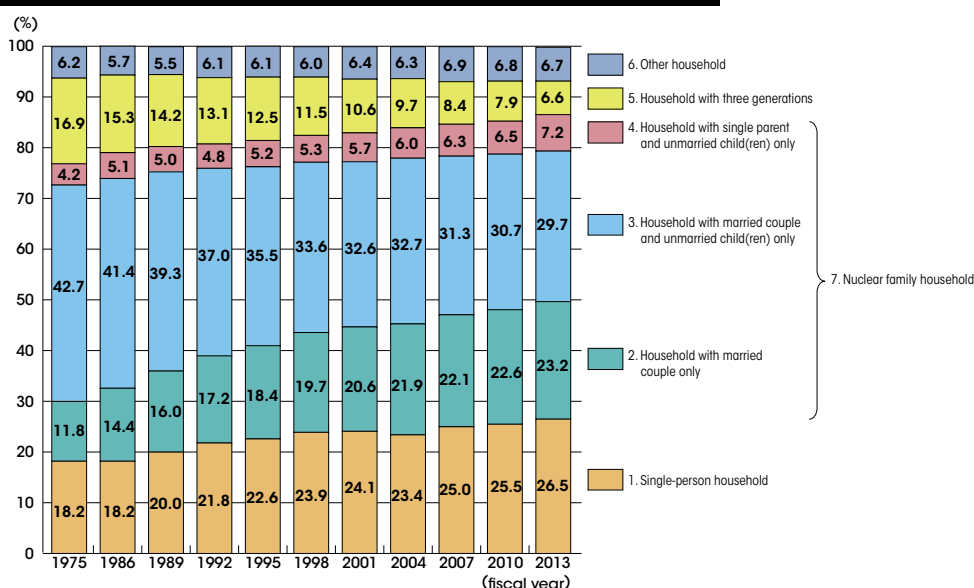


Source: (Through 2040) Average calculations from the National Institute of Population and Social Security Research's "Population Projections for Japan by Region" (calculated in March 2013); (2045 and 2050) provisional calculations by the Ministry of Land, Infrastructure, Transport and Tourism Policy Bureau.

Note: The "elderly population" is the population aged 65 and over, and the "aging rate" is the proportion of the total population represented by the population aged 65 and over.

Meanwhile, as the population declines, the use of public real estate is also becoming a pressing issue. Consideration is now being given to using public real estate whose maintenance and management costs have become an issue by means of PPP (provision of public services through public-private partnerships) and PFI (application of private-sector funds and expertise to construction and management of public facilities) projects. The 2014 revision of the government's Japan Revitalization Strategy specifies that the size of the PPP/PFI market will increase around three-fold during the 10-year period from 2012 to 2022, and going forward, it is expected that the expertise possessed by private-sector real estate operators will increasingly be applied to public real estate as well.

## Annual Breakdown of Total Number of Households by Household Structure



Source: The Ministry of Health, Labour, and Welfare, "Status of Households Viewed as a Graph".

# Roles the Real Estate Industry Should Take against Major Disasters

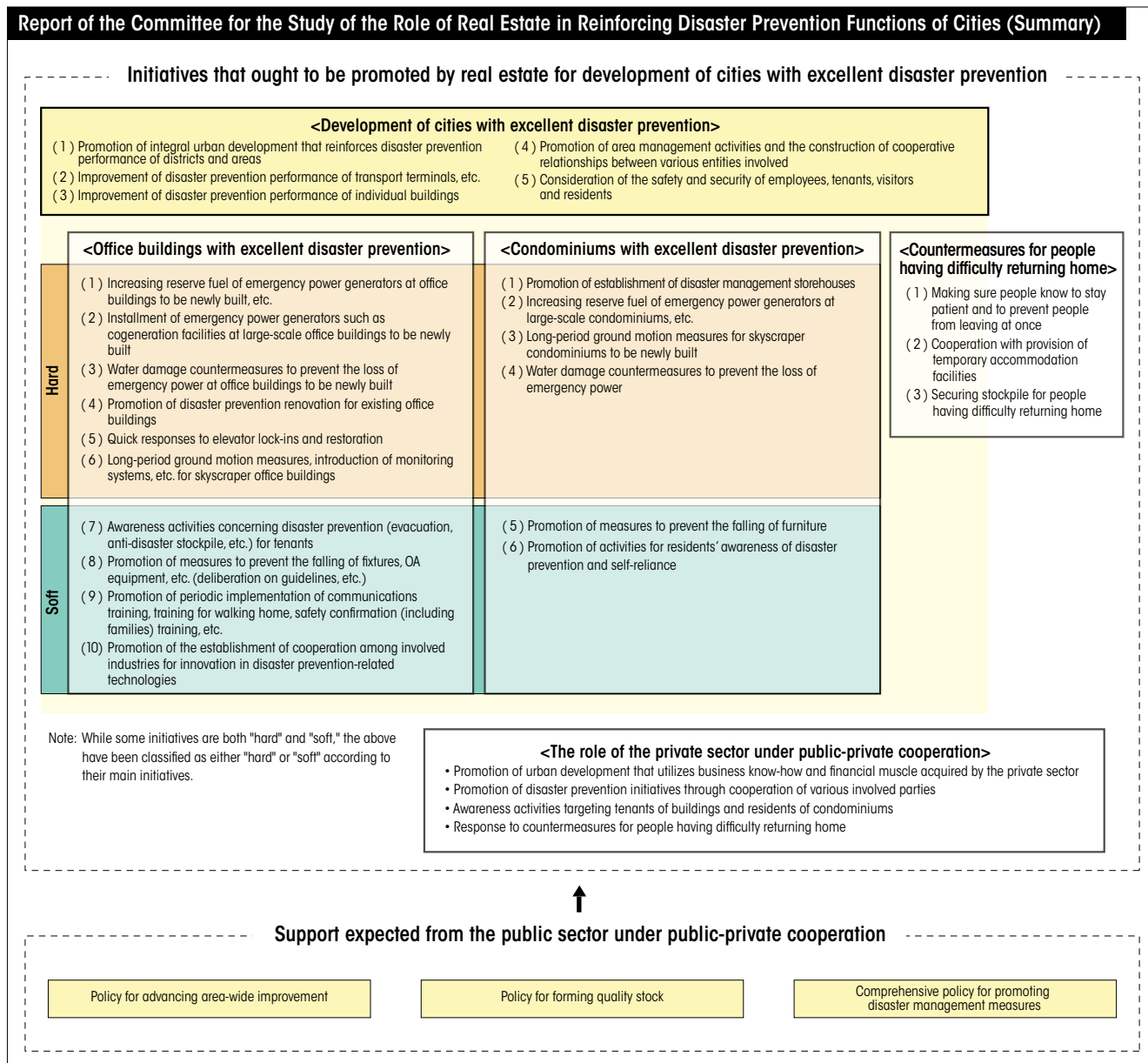
The Great East Japan Earthquake on March 11, 2011, inflicted significant damage primarily to the Tohoku (northern Japan) and Kanto regions. The earthquake caused tsunamis (tidal waves) which inundated towns along the coast, and many area residents who suffered the loss of their houses were forced to live in temporary dwellings. Rehabilitation of the sufferers' livelihoods and recovery of the affected areas are top priorities to be addressed by the entire country.

Moreover, an important lesson was learned from the earthquake: to reinforce disaster prevention functions and create safe and secure cities. As such, the Ministry of Land, Infrastructure, Transport and Tourism amended part of the Enforcement Ordinance of Construction Standard Law that specified the non-inclusion of storehouses for disaster prevention and mitigation and that sections be set apart for private power generators, etc. in the floor area ratio (enforced in September 2012). The Tokyo Metropolitan Government also enacted an ordinance for people having difficulty

returning home that codifies initiatives dealing with such people for government, businesses and citizens (announced in March 2012; enforced in April 2013).

## 1. Enhance Building Quality and Construct Networks of Entire City

In the Tokyo metropolitan area, high-rise building structures had only slight damage from the earthquake, proving their high earthquake-resistant performance. However, there were some areas in which buildings tilted (primarily stand-alone houses) due to soil liquefaction. In addition, paralyzed transportation systems on the day of the earthquake left a massive number of people who found it difficult to return home, and subsequent scheduled blackouts led to confusion as elevators, water supply and drainage equipment, railways, production facilities and other functions stopped operating. Based on these occurrences, national and local governments are promoting the creation of strong cities that are resilient to disasters.



As part of this endeavor, the real estate industry, which supplies buildings and condominiums, is specifically required to provide safe and secure working and living environments. To respond to such requirements, the industry must work to enhance building quality, such as earthquake resistance performance, capabilities to create/store/save energy, and barrier-free specifications. In addition, it is also important to construct high-grade disaster prevention functions and energy networks, etc. within an entire city by enhancing coordination with responsible organizations and relevant parties within the community and society.

## 2. Investigate Issues on Disaster Prevention as Real Estate Industry

Joint implementation by the public and private sectors is required for such initiatives as creating countermeasures for people having difficulty returning home, establishing disaster prevention centers, and preparing disaster prevention plans in unison for communities. As part of this process, the real estate industry needs to investigate what suggestions it should make. For this purpose, The Real Estate Companies Association of Japan established

the "Study Group on Disaster Prevention as Real Estate Industry" (chaired by Yasushi Aoyama, Professor, Meiji University Graduate School), which compiled a report in April 2012 on such issues as "creation of cities that have excellent disaster prevention capabilities," "enhancement of office buildings and for-sale condominiums" and "responses as real estate industry to people having difficulty returning home upon disaster, etc."

## 3. Bolster Recovery through Such Endeavors as Reinforcing International Competitiveness of Cities

It is also essential to revitalize the Japanese economy in order to support the victims and help the affected areas recover. To achieve this, it is necessary to promote enhancing the global competitiveness of major cities while further improving their disaster prevention capability as well as steadily implement measures such as forming a good stock of houses by supplying houses with excellent earthquake resistance and energy-saving qualities and planning eco-friendly, low-carbon cities.

# Initiatives to Eliminate Organized Crime Groups and Other Anti-Social Forces from Real Estate Transactions and Money Laundering

With an aim to eliminate boryokudan (organized crime groups) and other anti-social forces from corporate activities, the government compiled the Guidelines for How Companies Prevent Damage from Anti-Social Forces in June 2007. Based on the Guidelines, a report titled "Initiatives to Eliminate Organized Crime Groups from Corporate Activities" was published in December 2010. Tokyo and Okinawa Prefectures also enforced local ordinances prohibiting companies from trading with organized crime groups in October 2011, which has led to further promotion of initiatives to eliminate organized crime groups throughout Japan.

The real estate industry groups set up a "Liaison Council for Preventing Transfer of Criminal Proceeds and Damage from Anti-Social Forces in the Real Estate Industry" (comprised of The Real Estate Companies Association of Japan (hereafter, the "Association"), four industry groups involved in real estate transaction\* and The Real Estate Transaction Modernization Center Foundation) in December 2007 with an aim to appropriately respond to the enforcement of the Act on Prevention of Transfer of Criminal Proceeds and establish a relevant compliance system. The Council worked to encourage establishment of responsibility structures and prevention of damages.

The four industry groups involved in real estate transaction also took measures such as preparing model provisions concerning elimination of organized crime groups and other anti-social forces from real estate transaction contracts (brokerage contracts, sales contracts and lease housing contracts). The Association also prepared "example provisions for eliminating anti-social forces" in transaction contracts and lease contracts, in which its member companies are the sellers or the lessors, in September 2011 in consultation with the Ministry of Land, Infrastructure, Transport and Tourism and the National Police Agency, and requested its member companies to adopt these provisions, etc. In the same month, the "Central Liaison Council between the Real Estate Industry and Police for

Eliminating Organized Crime Groups, Etc." (comprised of the Association, the four industry groups involved in real estate transaction, the Real Estate Transaction Promotion Center, which was formerly known as the Real Estate Transaction Modernization Center Foundation, the National Police Agency, the Ministry of Land, Infrastructure, Transport and Tourism, The National Center for the Elimination of Boryokudan, lawyers, etc.) was established for the purpose of strengthening coordination between relevant governmental agencies and the real estate industry and promoting elimination of organized crime groups and other anti-social forces from real estate transactions. The Council is working to promote popularization of provisions for eliminating anti-social forces, planning training and lectures on the subject, information exchanges, etc.

Meanwhile, as part of the international community's anti-money laundering measures, the Act on Prevention of Transfer of Criminal Proceeds was fully enforced in March 2008, requiring entities in the building lots and buildings transaction business to make transaction confirmations, preparation and preservation of transaction records and report suspicious transactions when selling or buying buildings and when serving as a proxy or brokering transactions.

In addition, with the enforcement of the partial revision of the Act on April 1, 2013, there will be requirements such as addition of items for confirmation in transactions, addition of the category for high-risk transactions, addition of measures for accuracy of transaction confirmations (effort for implementation of educational training), etc.

### \*Four industry groups involved in real estate transactions:

National Federation of Real Estate Transaction Associations, All Japan Real Estate Federation, The Association of Real Estate Agents of Japan and Japan Association of Home Suppliers.

# Political, Social and Economic Events; Real Estate-Related Policy

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
1995	The Great Hanshin-Awaji (Kobe) Earthquake; Sarin gas attack by the Aum cult; Sharp appreciation of the yen to below 100 yen per dollar.	Act on Special Measures concerning Reconstruction of Urban Districts Damaged by Disaster (special exceptions for land readjustment business in disaster areas, etc.); Revised City Planning Law (creation of a district planning system for town promotion); Revised Urban Redevelopment Law (improvement of implementation requirements for city redevelopment projects, etc.); Revised Building Standards Law (rationalization of FAR restrictions in accordance with the width of road in front, rationalization of road setback rules); City Park Law Enforcement.	Execution of emergency safety checks at affected buildings; Revision to the Large City Law (creation of projects to supply joint housing to city centers, deregulation of enforcement requirements for projects to improve housing districts); Law on Rebuilding, etc. Sectional Ownership Buildings in Disaster Areas (possible to ratify rebuilding with 80% or more of voting rights approving such in the event a property completely collapses in a major disaster); Establishment of Design Guidelines for Housing in an Aging Society (installing hand rails, eliminating different levels, etc.).	<Revisions to counter the drop in land prices> Special extraordinary taxation standard for real property tax, etc.; Reduction of personal long-term transfer tax (39% to 32.5% for ¥40 million or less); Partial reduction of land value tax (Reduction in half of parking lots that must be attached, etc.).	Revision to the Building Lots and Buildings Transaction Business Law [a. Requirement of registration with information network organization certified property information of an exclusive broker contract; b. Clarification of legal standing of information network organizations and supervision by minister; c. Extension of valid license period (3 years to 5 years), abolishment of certain reporting items; and d. Abolishment of testing qualifications for the testing of brokers, partial test exemption of individuals who have passed certain courses].
1996	Act on Special Measures Concerning Promotion of Disposal of Claims and Debts of Specific Jusen Companies; General elections based on the single-seat constituency system.	Revision to the Law for the Improvement of the Areas along Trunk Roads (enhancing the roadside improvement planning system, transferring roadside improvement rights, etc.; added roadside district planning and district planning districts to the requirements for implementation districts and such of city area redevelopment projects).	7th Housing Construction 5-Year Plan (7.3 million houses, half of all houses, meet guidance living standards; Goal of average housing floor area of 100m <sup>2</sup> ); Focused Emergency Plan for Reducing Housing Construction Costs (dramatic review of the Building Standards Law, smoothing the importing of housing, overseas materials and overseas components, etc.); Revision to the GHLC Law (strengthening policy guidance function by applying different interest rates according to housing structures when loaning to certain new houses).	Reduction of land value tax rate (0.3% to 0.15%); Enlargement of measure to adjust burden of real property tax; Reduction of personal long-term transfer tax (32.5% to 26% for ¥40 million or less; 39% to 32.5% for more than ¥40 million to ¥80 million or less); Reduction in focused corporate tax rate (very short period 30% to 15%, short period 20% to 10% and general 10% to 5%); Enlargement of special measure for taxation standard on land acquisition (registration license tax 50/100 to 40/100 and real estate acquisition tax 2/3 to 1/2).	Hold general meeting of International Real Estate Federation in Tokyo; Chairman Tsuboi of the Real Estate Companies Association of Japan suddenly passes away and Mitsui Fudosan President Junichiro Tanaka assumes the chairmanship.
1997	Consumption tax rate raised; Failure of the Hokkaido Takushoku Bank and Yamaichi Securities; Opening of the Trans-Tokyo Bay Highway.	Act on Promotion of Improvement of Disaster Control Districts in Populated Urban Districts (creation of a system for planning the improvement area of disaster prevention districts and improvement associations for disaster prevention zones); Revision to the City Planning Law and Building Standards Law (creation of zones for attracting high-rise housing and rationalization of FAR rules for condominiums and other joint housing); Creation of a type of sophisticated use zone for upgrading functions; Creation of a general design system by lot size; Creation of mini lot readjustments.	New General Land Policy Promotion Outline (proclaimed that the new objective of land policy would shift from suppressing land prices to efficient land use; Aim to invigorate land transactions); Revision to the GHLC Law (extended the preferential interest rate terms and repayment period for loans when buying certain existing housing); Bring transparency, simplicity and speed to procedure for approving use conversion for agricultural land.	Reduction and deferment of burden from the perspective of balancing the burden standard of real property tax, etc.; <Revisions to reduce the burden when acquiring housing in line with the increase in consumption tax rate to 5%> Enlargement of housing acquisition promotion tax system and phased reduction in residing years (maximum of ¥1.8 million in 1997, ¥1.7 million in 1998, ¥1.6 million in 1999 and ¥1.5 million in 2000 and 2001); Halving of reduced tax rate for registration license tax related to housing buildings; Raising of special deduction of real estate acquisition tax for new housing (¥10 million to ¥12 million); Reduction of stamp tax.	Establish 4 information network organizations (welfare corporations) nationwide; Revision to the Real Estate Syndication Act (when individuals with specialized knowledge or experience in investment are participating in the project, the application of regulations to protect general investors is exempted); Ministry of Construction issues its Real Estate Renovation Vision (future direction of the real estate industry and countering present issues including the promotion of IT and modernizing a transparent and fair investment market to meet the changes in the socio-economic structure); Building Lots and Buildings Transaction Business Law (extended the valid period of broker licenses from 3 to 5 years); The Real Estate Companies Association of Japan issues its 21st Century Vision and Corporate Code of Conduct; Sumitomo Realty & Development Chairman Shinichiro Takagi appointed chairman of the Japan Condominium Association.



Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
1998	Nagano Olympics; Financial Reconstruction Law, etc.; Act on Emergency Measures for Early Strengthening of Financial Functions; Nationalization of the Long-Term Credit Bank of Japan and the Nippon Credit Bank.	Revision to the City Planning Law (expansion of the area for which district plans can be established within urbanization adjustment districts, diversification of special use districts, etc.); Revision to the Building Standards Law (a. Establishing rules for the performance of building standards, b. Rationalization of rules concerning sunlight, etc., c. Opening of structure confirmation and inspection business to private sector, etc.; Revision to the City Redevelopment Law and Law on the Loaning of Urban Development Funds expansion of cities subject to the establishment of city redevelopment policies, creation of a system for participants in special projects and creation of a system for certifying redevelopment projects); Law on Improvement and Vitalization in City Center (promotion of comprehensive and integrated measures based on the improvement of city areas and activating commerce utilizing the creativity of the area, in order to activate city centers that are hollowing out).	Law Promoting the Building of Superior Suburban Housing (promoting the building of superior houses in agricultural towns and suburbs); Revision to the Agricultural Land Law (transferred authority to approve change of agricultural land of 4ha or less to the governor); Revision to the National Land Law (transfer to a system for reporting after the fact and creation of emphasized districts); Emergency measures to expand housing investment.	Suspension of land tax taxation; Reduction of personal long-term transfer taxation (26% for ¥60 million or less and 32.5% for more than ¥60 million); Elimination of weighted tax on very short-term ownership by corporations; Non-application of short-term and general ownership categories (through 2000); Abolishment of restrictions on including interests on loans when corporations acquire land as expenses; Creation of system for carrying forward deduction of capital losses on residential property; Application of measures to reduce real estate acquisition taxes and real property taxes on second homes.	Law on Securitization of Specified Assets by Special Purpose Companies (SPC Law).
1999	Criticality accident in Tokaimura, Ibaraki; Mergers or business mergers between major banks, etc.; Response to Y2K.	Revision to the Act concerning Lending of Urban Development Funds (smoothing the capital raising process; enhancing measures for efficiently using land with low use or non-use; improving and enhancing redevelopment methods); Promoting efficient use of former factory sites (circular from the City Bureau and Housing Bureau Chiefs).	Special Provisions Law concerning Promotion of the Supply of Good Quality Leased Housing (creation of fixed-term leasehold rights and enforcement in 2000); Housing Quality Assurance Law (requirement of 10-year warranty and enforcement in 2000).	Creation of new housing loan deduction system (deduction period of 15 years, etc.); Enhancement of system for carrying forward deduction of capital losses for residential property; Improvement of special exception to cash gift for acquiring housing; Reduction in tax rate on personal long-term ownership transfer income tax (uniform 26%); Improvement in special measure for registration and license tax; Enhancement of special measures for real estate acquisition tax related to the house and its lot.	Launch of the Housing & Urban Development Corporation; Real estate monetization and securitization; Internet transactions take off.
2000	Prime Minister Obuchi passes away; Miyake Island erupts, floods in the Tokai region; Turmoil in the U.S. presidential elections; Number of juvenile crimes rises.	Revision to the City Planning Law and Building Standards Law (enhancing the master plan; reviewing the demarcation and development permit system; enhancing the system for securing a good environment; introducing the new system for re-adjusting existing city areas; introducing regulations for developing and building non-city planning districts; promoting transparency and citizen participation in the city planning and decision system, etc.); Law for the Recycling of Construction Materials (segregation and dismantling of construction materials and such; recycling of specified construction materials; fully enacted May 2002).	Law for Promoting Appropriate Condominium Management (condominium manager and managerial chief qualification system and condominium management company registration system; enforcement in 2001).	Half-year extension of the housing loan deduction system (up to taking up residence in June 2001); Improvement in floor area requirements of special real property tax measures for new housing and 2-year extension of application period; Phased reduction of real property tax on land (75% in fiscal 2001 and 70% in fiscal 2002); 3-year extension of special measures on land transaction tax (1/3 for registration license tax and 1/2 for real estate acquisition tax).	Growing popularity of large and tower condominiums; Start of real estate investment trusts; Creation of the investment consultant registration system; JICPA issues the "Audit Handling of Judgment on Decision to Forcefully Reduce Valuation of For-Sale Real Estate"; Integration of the Japan Home Builders Association and the Housing Industry Development Association to form the Japan Association of Home Suppliers.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2001	Inauguration of the Koizumi Cabinet which upheld structural reform; September 11 attacks in the U.S.; Anti-terrorism Special Measures Law enacted; Universal Studio Japan (Osaka prefecture) and Disney Sea (Urayasushi) opens, established by MLIT in January.	Launching of Urban Renaissance Headquarters (led by the prime minister); Finalization of urban regeneration project (phases 1 through 3); Emergency measures for promoting city development investment by the private sector; Direction of emergency system reforms for urban renaissance; Report of the urban renaissance regeneration strategy team; Establishment of new city creation vision for Tokyo by Tokyo Metropolitan Government; Establishment of City Planning Operational Guidelines.	Enforcement of Law for Securing Dependable Residences of the Elderly; Establishment of the 8th Housing Construction 5-Year Plan; Decision to abolish the Government Housing Loan Corporation within 5 years; Abolish the Housing & Urban Development Corporation by fiscal 2003 and have a new independent administrative corporation established to take on a portion of the original functions.	Creation of new housing loan deduction system (deduction rate of 1%; borrowing limit of ¥50 million; deduction period of 10 years); Enhancement of donation tax on house acquisition funds (tax exempt limit of ¥5.5 million); Creation of rental housing supply promotion tax for elderly housing (5 years and 40% premium depreciation); 3-year extension of the special taxation on transfer income of personal general long-term ownership (26% (20% income tax and 6% residential tax)); Enhancement of collection grace period system for special land ownership tax; Creation of measures to reduce transaction taxes on real estate securitization (SPC and investment corporation); Reduction in capital gains tax on listed real estate investment securities for individuals.	Integration of the Real Estate Companies Association and the Japan Condominium Association with Junichiro Tanaka serving as chairman (chairman of the Real Estate Companies Association); Real estate investment trusts are listed.
2002	Prime Minister Koizumi visits North Korea to normalize diplomatic relations; Korea/Japan World Cup held; "Prompt Countermeasures to Deflation" formulated.	Creation of the Special Measures Act for Urban Renaissance; Designation of the urban renaissance emergency improvement district (total of 44 districts in phases 1 and 2 totaling about 5,700ha); Revision to the Urban Redevelopment Law (conferral of enforcement function for private condemnation, etc.); Revision to the Building Standards Law and City Planning Law (maximum floor area ratio of 1300%, urban proposal system, speeding up comprehensive design procedures, etc.); Abolishment of the Industry (factory) Restrictions Law; Deregulation of the environmental impact assessment ordinance procedure (Tokyo); Flexibility in obligation to provide parking spaces (Tokyo); Finalization of Urban Renaissance Project (phase 4).	Passage of the Soil Contamination Countermeasures Law; Revision to the Law for Smoothing Condominium Reconstruction and revision to Sectional Ownership Law.	Reduction in registration license tax on sale of existing buildings (25/1000); Expansion of collection grace period measures for special land holding tax (allow change to exempted land and transfer); Abolish maximum tax rate of 39% for tax on personal general long-term ownership transfer income (taxation suspended).	Rebuilt Marunouchi Building opens; Caretta Shiodome, the first wave of Shiodome's redevelopment opens.
2003	Iraq War; Second Koizumi Cabinet.	Finalization of Urban Renaissance Project (phases 5 and 6); Designation of urban renaissance emergency improvement districts (phase 3); <Total of 53 districts in phases 1 to 3>; Start of operations by city regeneration fund investment corporation.	Launch of securitization support business by Government Housing Loan Corporation (acquisition type).	Reduction in registration and license tax rate (sale, etc. 10/1000); Suspension of levying of special land holding ownership tax (ownership and acquisition on or after January 1, 2003); Creation of settlement taxation system at time of inheritance; Abolishment of business office tax (new or expanded portion); Creation of urban renaissance promotion tax system.	Shinichiro Takagi becomes chairman of the Real Estate Companies Association (chairman of Sumitomo Land and Realty); Roppongi Hills opens.
2004	Athens Olympics; Second reshuffled cabinet of the Koizumi Cabinet; Occurrence of major natural disasters including a wave of typhoons hitting Japan, the Mid Niigata Prefecture Earthquake, and earthquakes and tsunamis in the ocean off Sumatra Island.	Finalization of Urban Renaissance Projects (phases 7 and 8); Enhancement of community regeneration measures and town creation subsidies; Establishment of 3 landscaping and greenery laws including the Landscape Law.	Revision to Condominium Management Rules; Partial enforcement of the Personal Information Protection Law; Launch of the securitization support business by the Government Housing Finance Corporation (warranty type).	Creation of measures to reduce ordinance concerning real property tax and city planning tax of commercial property, etc.; Rebuilding of taxation system for capital gains from personal land transfers; Extension of suspension period for application of taxation system on land transfers by companies; Extension of system for reducing home loan taxation (phased contraction through 2008).	Construction completed on COREDO Nihonbashi and Marunouchi OAZO; Growth in housing loans issued by private financial institutions; Repeated release of skyscraper condominiums and progression of population's return to residing in city centers.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2005	Aichi Expo held; LDP wins the Lower House elections in September by an overwhelming majority, followed by the enactment of the Postal Service Privatization Act; Princess Nori marries.	Toward activation of urban areas in local regions, discussion on review of 3 urban development laws begins to intensify.	The Government Housing Loan Corporation, which engaged in direct financing utilizing the government fund, is abolished and instead, the Japan Housing Finance Agency, an independent administrative institution, is established to support and supplement loans for the housing fund; Kubota Corporation, a machinery manufacturer, announces to the public that employees working at Kubota's factory have been suffering health problems caused by asbestos. Based on the fact that a lot of asbestos is used for architectural and other materials, anxiety about health in relation to asbestos spreads to the general public.	Extension of the scope to apply various preferential measures for taxation related to existing homes (mortgage tax reduction system, preferential measure for replacement of residential properties, preferential measures for the tax system for settlement at the time of inheritance concerning housing purchases and other funds, reduction of registration and license tax for registering retention of ownership of housing buildings, preferential measures for taxation standards, etc. for real estate acquisition tax on existing houses, etc.); Extension and enhancement of urban renaissance promotion taxation system; Review of system to postpone collection of special landholding tax; Required taxation measure in relation to term leasehold interest (clarification of handling of lump-sum payments).	Hikomichi Iwasa (President of Mitsui Fudosan) inaugurated as the president of the Real Estate Companies Association of Japan; Tsukuba Express which cuts travel from Akihabara to Tsukuba in 45 minutes is opened in August; Trust in safety of buildings is shaken with the quake-resistance data falsification scandal and surfacing of deficiencies in checking functions of building construction; The Akihabara Dai Building, Nihonbashi Mitsui Tower and other buildings completed; Vacancy rate in central Tokyo improves.
2006	Zero-interest rate policy lifted in July; Inauguration of the Abe Cabinet in September.	In the wake of the quake-resistance data falsification scandal, the Law to Revise Portions of the Building Standards Law, etc. to Secure Safety of Buildings is enacted. Three urban development laws enacted.	Basic Act for Housing was enacted.	Reduction and extension of preferential measures for land and building related transaction taxes (registration and license tax, real estate acquisition tax); Extension of measures to reduce ordinance concerning real property tax, etc. of commercial property, etc.; Extension and abolishment of preferential measures in relation to housing acquisition fund donations; Foundation of taxation system to promote quake-resistance renovation of existing homes; Extension of special measures for real estate acquisition tax related to the house and housing land.	Prefectural land price research reveals that the prices of both residential land and commercial land in 3 major metropolitan areas rose for the first time in 16 years. The number of listed REITs reaches 40 in December and the aggregate market value increases to about ¥5 trillion.
2007	Inauguration of the Fukuda Cabinet in September.	The Law to Revise Portions of the Urban Rejuvenation Law is enacted. Law to Secure Execution of Defect Warranty for Specific Housing is enacted.	Japan Housing Finance Agency inaugurated.	Extension of preferential measures on replacement of commercial property concerning land owned over the long term, etc. to land, buildings, etc.; Extension, etc. of special tax measures concerning city and regional regeneration projects; Securing effect of reduction of housing loan tax for residents moving into property in 2007 and 2008 in association with transfer of tax sources to individual residential tax; Extension of special measures for aggregation of profits and loss/deductions carried forward of loss on transfer accompanying replacement of residential properties; Extension of decreased tax rate of registration and license tax of houses and special measures to reduce stamp tax on purchase and sale agreement, etc. for real estate transactions; Extension of system of special deduction of ¥15 million concerning specified sector housing development projects.	Financial Instruments and Exchanges Law enacted. Tokyo Midtown, Shin-Marunouchi Building, Kasumigaseki Common Gate and other buildings completed.

Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2008	Inauguration of the Aso Cabinet; Effects of the financial crisis stemming from the U.S. subprime loan problem spread across the globe.	National Sustainability Plan (national plan) approved at a Cabinet meeting.	Emergency Measures for Activation of Housing/Real Estate Market announced.	Extension of decreased tax rate of registration and license tax of houses and special measures to reduce stamp tax on purchase and sale agreement, etc. for real estate transactions; Extension of system of special deduction of ¥15 million concerning specified sector housing development projects.	Law for Prevention of Transfer of Criminal Proceeds enacted. Real estate companies successively go under.
2009	H2N1 virus spreads from around springtime; Citizen judge system begins in May; DPJ wins the Lower House elections by an overwhelming majority in August; change of government for the first time in 16 years; Inauguration of the Hatoyama Cabinet in September; Inauguration of the Consumer Affairs Agency in September.	National spatial strategy (regional plan) approved by the minister.	Policy Package to Address Economic Crisis announced. Emergency Economic Countermeasures for Future Growth and Security announced. Eco-point system for housing established. New Growth Strategy (basic policies) announced.	Tax Reduction System for Housing Loans extended and expanded, Tax Reduction System for Long-term Excellent Houses established, etc.; Special income tax deduction for barrier free and energy conservation renovations of existing houses established; Tax rate for registration license tax related to real estate transactions left unchanged; Special measures to arouse demand for land during the economic recovery established.	Real Estate Market Stabilization Fund established. Both land prices that were published and land prices according to surveys by prefectures decrease nationwide. The number of new housing constructions falls under 1 million units to 780,000 units for the first time in 42 years. Completion of construction of Mitsubishi Ichigokan.
2010	Inauguration of the Kan Cabinet in June; Bank of Japan announces its "Comprehensive Monetary Easing Policy" in October.	Low Carbon City Development Guidance created (MLIT).	Increased interest-rate reduction from "Flat 35S"; "MLIT Growth Strategy" announced; "New Growth Strategy" announced; "Three-Step Economic Measures for the Realization of the New Growth Strategy" announced.	Expansion of measures for exemption of donation tax for housing purchases and other funds, etc.; Extension of special measures concerning donations of funds for housing purchases, etc. in the tax system for settlement at the time of inheritance, etc.; Extension of exceptions for fixed asset tax reduction for newly constructed housing.	Completion of construction for Coredo Muromachi, Yuito, etc.; RECAJ formulates the "RECAJ Action Plan for Low Carbon City Development" and "Future Urban Development Strategy" for the Growth of the Housing and Urban Development Sectors; "Tohoku Shinkansen" opens in December.
2011	Great East Japan Earthquake in March; Yen records highest post-war value in March; Inauguration of Noda Cabinet in September; World population hits 7 billion.	Establishment of "Comprehensive Special Zone System"; Revision of Special Measures Act for Urban Renaissance (establishment of emergency development areas designated for urban reconstruction).	"Serviced Silver Home System" begins; Implementation of Registration System for Rental Housing Management Operator; Establishment of system for Flat 35S Eco Points and Recovery Support/Residence Eco Points.	Establishment of special measures for specific urban redevelopment emergency development areas; Establishment of special measures for international strategy comprehensive zones; Extension of the tax system for the promotion of construction of prime rental senior housing upon restructuring as targeting senior housing with services.	Complete opening of Kyushu Shinkansen Kagoshima Route; Keiji Kimura (President of Mitsubishi Estate) inaugurated as the president of the Real Estate Companies Association of Japan; Adoption of "Five Principles of Removing Antisocial Forces such as Crime Syndicates from Real Estate Transaction."
2012	Tokyo Skytree, the world's highest free-standing tower (643m), opened in May; Summer Olympics held in London during July and August and Japan wins 38 medals, its most ever; Inauguration of the 2nd Abe Cabinet in December.	Partial revision of enforcement order of Special Measures Act for Urban Renaissance; Statistics for stock of buildings subject to special easing measures for extension announced; Buildings with new earthquake resistance standards becomes 67%.	Disaster Reconstruction Support and Eco Point System for Housing System starts accepting applications; Maximum of loan rate for Flat 35 lowered from 100% to 90%; Standard apartment contract revised; Law concerning the promotion of low-carbon cities established; First announcement of the real estate price index (residence); Formulation of total plan for renovation of existing homes; Compilation of proposals of Real Estate Transaction Market Vitalization Forum.	Extension of exceptions for replacement purchases of business assets in long-term ownership of land; Extension of exceptions for fixed asset tax reduction for newly constructed housing; Enhancement and extension of exceptions for donation of funds for acquisition of housing, etc. Establishment of special measures to promote Approved Energy-Saving Houses.	Terms for display of real estate advertisement, etc. changed; Existing homes allowed to display double price; Shibuya Hikarie and Tokyu Plaza Omotesando Harajuku completed.



Year	Political, Social and Economic Events	Land Planning, City Planning, Architectural Regulations, etc.	Land and Housing Policy	Land and Housing Taxation	Real Estate Industry News
2013	Introduction of Special Reconstruction Income Tax (until 2037) in January; Prime Minister Abe declares intent to participate in TPP negotiations in March; Tokyo selected as host of the 2020 Summer Olympics/Paralympics in September; in October, it is decided to raise consumption tax to 8% starting 2014.	Passage of National Strategic Special Zone Law; Passage of Industrial Competitiveness Enhancement Act; Passage of Basic Law of National Land Enhancement;	Ministry of Land, Infrastructure, Transport, and Tourism formulates Inspection Guidelines for Existing Housing; City of Tokyo implements Special Development Zones to Advance Fire Resistance and creates housing subsidy system; Amendment to the Real Estate Specified Joint Enterprise Act passed; Revised Seismic Retrofitting Promotion Law passed; Implementation of 100% financing for Flat 35 mortgages, and further lowering of Flat 35S interest rate; Finalization of Japan Revitalization Strategy.	Measures accompanying consumption tax rate hike (relating to home buying, etc.); Extension of the Urban Renewal Promotion Tax system; Creation of special exceptions in order to strengthen disaster-prevention capacity of cities; Creation of tax system-related preferential measures for intensive urban development projects; Extension and expansion of special exceptions for stamp tax on real estate transaction contracts.	City of Osaka opens Grand Front Osaka redevelopment of former Umeda Freight Station site; Completion of Otemachi Tower; Japan Association of Home Suppliers and National Federation of Housing Industry Associations merge to form the National Housing Industry Association.
2014	Consumption tax increased to 8% in April; Basic Policies for Economic and Fiscal Management (Big-Boned Policy) approved by Cabinet in June; Bank of Japan approves additional monetary easing in October; Postponement of next consumption tax hike announced in November; Third Abe Cabinet inaugurated in December.	Implementation of Law to Revise Portions of the Special Measures Act for Urban Renaissance; Passage of City, People, and Job Creation Act; Passage of Law to Revise Portions of the Local Revitalization Act; Implementation of Law to Revise Portions of the Basic Act on Disaster Control Measures; Passage of Law to Revise Portions of the Act on Sediment Disaster Countermeasures for Sediment Disaster Prone Areas; Passage of Vacant Houses Special Measures Act.	Publication of Individual Residence Rental Promotion Investigative Committee report; Information Stock System Basic Plan; Publication of Guidelines for Application of Health Care REITs; Finalization of revised Japan Revitalization Strategy; Formulation of Japan Construction and Real Estate Industry Strategy Based on Market Analysis by International Region; Passage of Vacant Houses Special Measures Act; Implementation of revised Act on Facilitation of Reconstruction of Condominiums.	Extension of system for carrying forward transfer losses in cases of residential property replacement, etc.; Extension of system for carrying forward transfer losses on specified residential properties; Extension of measures to reduce fixed asset tax for newly constructed housing; Extension of measures to reduce registration license tax for registering ownership of certified long-life quality housing; Extension of measures to reduce real estate acquisition tax on housing and land.	Abeno Harukas is completed, becoming the tallest building in Japan; Completion of construction of Toranomon Hills; Passage of revised Building Lots and Buildings Transactions Act.
2015	Battleship Island and others granted World Cultural Heritage Status in July; Third Abe Cabinet is reshuffled and adopts the slogan "A Society with 100 Million Active Citizens" in October; In December, the LDP agrees with the Komeito to introduce a reduced tax rate with the raising of the consumption tax rate to 10%; In December, an agreement is adopted at COP21.	Passage of the Act on Improvement of Energy Consumption Performance of Buildings; Changes to National Spatial Strategies approved by Cabinet.	Publication of Existing Home Market Vitalization Round Table report; Passage of bill proposing partial amendment of the Act on National Strategic Special Zones and Act on Special Districts for Structural Reform; The number of certified low-carbon houses surpasses 9,000 units; Start of pilot program to provide Explanation of Important Matters documents using IT.	Extension of special measures on replacement of commercial property concerning land owned over the long term; Extension of measures to adjust burden of real property tax on land; Extension of urban renaissance promotion taxation system; Enhancement of special measures relating to National Strategic Special Zones; Enhancement and expansion of special measures relating to donations of funds for housing purchases, etc.	Opening of Hokuriku Shinkansen line between Nagano and Kanazawa; Change of terminology to "real estate transaction specialist" based on enactment of partial amendment to Building Lots and Buildings Transaction Business Act; Real Estate Transaction Modernization Center Foundation changes name to Real Estate Transaction Promotion Center; MIPIIM held in Japan for the first time; Completion of Dai Nagoya Building.

# Overview of Present Land and Housing Taxation

	Personal	Corporation																		
Acquisition	○ Income tax (national tax) ○ Personal residential tax (local tax)																			
	• The Housing loan tax deduction system: If taking out a mortgage to buy a house, for a 10-year period 1% of the mortgage balance at the end of each year is deducted from income tax. If deduction from income tax is not possible, a portion will be deducted from residence tax.																			
	<table><tr><th>Applicable Tax Rate</th><th>Maximum Loan Amount Covered by Deduction*2</th><th>Deduction Rate</th><th>Deduction Period</th><th>Maximum Amount Deducted from Income Tax*2</th><th>Maximum Amount Deducted from Residence Tax</th><th>Main Requirements</th></tr><tr><td>8% or 10%</td><td>¥40 million (¥50 million)</td><td rowspan="2">1.0%</td><td rowspan="2">10 years</td><td>¥4 million (¥5 million)</td><td>¥136,500 per year</td><td rowspan="2">1) Floor space must be 50 m<sup>2</sup> or more 2) Loan repayment period must be 10 years or more</td></tr><tr><td>Person other than the above</td><td>¥20 million (¥30 million)</td><td>¥2 million (¥3 million)</td><td>¥97,500 per year</td></tr></table>		Applicable Tax Rate	Maximum Loan Amount Covered by Deduction*2	Deduction Rate	Deduction Period	Maximum Amount Deducted from Income Tax*2	Maximum Amount Deducted from Residence Tax	Main Requirements	8% or 10%	¥40 million (¥50 million)	1.0%	10 years	¥4 million (¥5 million)	¥136,500 per year	1) Floor space must be 50 m <sup>2</sup> or more 2) Loan repayment period must be 10 years or more	Person other than the above	¥20 million (¥30 million)	¥2 million (¥3 million)	¥97,500 per year
	Applicable Tax Rate	Maximum Loan Amount Covered by Deduction*2	Deduction Rate	Deduction Period	Maximum Amount Deducted from Income Tax*2	Maximum Amount Deducted from Residence Tax	Main Requirements													
	8% or 10%	¥40 million (¥50 million)	1.0%	10 years	¥4 million (¥5 million)	¥136,500 per year	1) Floor space must be 50 m <sup>2</sup> or more 2) Loan repayment period must be 10 years or more													
	Person other than the above	¥20 million (¥30 million)			¥2 million (¥3 million)	¥97,500 per year														
	*1 Applied in cases where housing is acquired based on application of the 5% consumption tax rate and in cases where existing housing is acquired via a transaction between individuals.																			
	*2 Figures in parentheses are for long-life quality housing and low-carbon housing.																			
	• Transfer losses accompanying the disposal or replacement of residential property deducted from income and carried forward for 3 years. Recognized as deductions carried forward for 3 years according to calculations of profits and losses during the year the transfer was made as well as income tax and residential tax. This covers transfers through the end of December 2015.*1																			
	○ Real estate acquisition tax (municipal tax): 3% of real property tax assessment amount on housing or land purchasers (limited measure through March 2018) and extension prolonging special measures on residential land taxation standards (1/2; limited measure through the end of March 2018) (*There are special reductions for acquisitions of certain houses and lots). *Refer to 10.																			
○ Stamp tax (national tax):Taxation in accordance with contract amount on the preparation of sales contracts, etc.																				
○ Registration and license tax (national tax): Taxed when registering real estate (*Special reduction measures exist for certain houses).																				
(Inheritance)	○ Inheritance tax (national tax):Taxation of 10-50% depending on the inheritance tax assessment amount.																			
(Gift)	○ Gift tax (national tax):There are special tax exemption cases if gift funds for purchasing a home are received from a lineal ascendant (temporary measure until June 2019)																			
Ownership	○ Fixed asset tax (local tax): Annual tax of 1.4% of the real property tax assessment amount levied on owners of land and buildings (there are certain measures for adjusting the burden).																			
	○ City planning tax (local tax): Annual tax of 0.3% of the valuation amount of fixed asset tax that is levied on land and building owners in city districts (same as above).																			
	○ Land value tax (national tax): Annual tax of 0.15% on valuation amount under inheritance tax law levied on landowners and leaseholders *Application has been suspended for the time being (from 1998).																			
Transfer	○ Income tax (national tax and capital gains) ○ Personal residential tax (local tax and capital gains): 1) General transfer after long-term ownership: Uniform tax rate of 20% on capital gains of land owned for more than 5 years (income tax 15%*2 + residential tax 5%). 2) Superior transfer after long-term ownership: The following applies to capital gains on specific land owned for more than 5 years. 14% on a portion ¥20 million or less (income tax 10%*2 + residential tax 4%) 20% on a portion more than ¥20 million (income tax 15%*2 + residential tax 5%). *Special measure through the end of December 2016 3) Transfer of residential property: After subtracting the special deduction of ¥30 million on capital gains from residential land and buildings owned for more than 10 years; 14% on a portion ¥60 million or less (income tax 10%*2 + residential tax 4%); 20% on a portion more than ¥60 million (income tax 15%*2 + residential tax 5%).	○ Corporation tax (national tax): Only corporation tax regardless of possession period *Special measure through the end of March 2017 ○ Corporate inhabitant tax (municipal tax) ○ Corporate enterprise tax (municipal tax)  4) Short-term transfer: 39% of capital gains on capital gains from land owned for 5 years or less (income tax 30%*2 + residential tax 9%). However, 20% for transfers to the State, etc. (income tax 15%*2 + residential tax 5%).																		

\*1: Item for which an extension of the applicable period is expected based on 2016 tax system revisions.

\*2: From 2013 to 2037, a reconstruction tax of 2.1% will be added to the calculated tax amount.

## The following revisions are anticipated regarding the land and housing tax system in the 2016 revisions

### ■ Tax policy supporting the formation of quality housing stock

1. 2-year extension of special measures reducing real property tax on new housing
2. 2-year extension of special measures for replacement/sale of residential properties
3. 2-year extension of special measures for real estate acquisition tax relating to acquisition of housing or residential land
4. 2-year extension of special measures relating to long-life quality housing
5. 2-year extension of special measures relating to certified low-carbon housing
6. 2-year extension of special measures relating to promotion of rebuilding of aging condominiums
7. 2-year extension of special measures for registration license tax relating to purchase and resale of housing
8. Extension and expansion of special measures for renovations relating to earthquake-proofing, energy-saving, and barrier-free conversion
9. 1-year extension of extra depreciation deduction system relating to serviced elderly housing
10. Creation of special measures relating to renovation work for housing to accommodate three generations of the same family

### ■ Tax policy supporting the enhancement of cities' international competitiveness

1. 2-year extension and expansion of special measures relating to National Strategic Special Zones
2. 2-year extension of special measures relating to International Strategic Comprehensive Special Zones
3. Extension of special measures to develop urban capacity aimed at enabling restructuring of cities
4. Expansion of consumption tax exemption system for foreign tourists
5. Creation of support measures to help attract and host international conferences

# Real Estate-Related Data

## Land Prices

### History of Year-on-Year Changes in Published Land Prices

(unit: %)

Study Year		1985	1990	1995	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential	Usage, etc.																						
	Tokyo metropolitan area	1.7	6.6	-2.9	-3.4	-3.0	-6.4	-6.8	-5.8	-5.9	-5.6	-4.7	-3.2	-0.9	3.6	5.5	-4.4	-4.9	-1.7	-1.6	-0.7	0.7	0.5
	Osaka metropolitan area	3.0	56.1	-1.9	-2.2	-1.5	-5.2	-6.1	-6.7	-8.6	-8.8	-8.0	-5.2	-1.6	1.8	2.7	-2.0	-4.8	-2.4	-1.3	-0.9	-0.1	0.0
	Nagoya metropolitan area	1.6	20.2	-4.0	-1.7	-0.8	-3.3	-1.8	-1.9	-4.4	-5.6	-4.9	-3.3	-1.3	1.7	2.8	-2.8	-2.5	-0.6	-0.4	0.0	1.1	0.8
	3 major metropolis average	2.0	22.0	-2.8	-2.8	-2.2	-5.7	-5.9	-5.6	-6.5	-6.5	-5.7	-3.7	-1.2	2.8	4.3	-3.5	-4.5	-1.8	-1.3	-0.6	0.5	0.4
	Local average	2.4	11.4	-0.3	-0.4	-0.6	-1.9	-2.3	-2.8	-4.0	-5.1	-5.7	-5.4	-4.2	-2.7	-1.8	-2.8	-3.8	-3.6	-3.3	-2.5	-1.5	-1.1
Commercial	National average	2.2	17.0	-1.6	-1.6	-1.4	-3.8	-4.1	-4.2	-5.2	-5.8	-5.7	-4.6	-2.7	0.1	1.3	-3.2	-4.2	-2.7	-2.3	-1.6	-0.6	-0.4
	Tokyo metropolitan area	7.2	4.8	-15.4	-13.2	-8.2	-10.1	-9.6	-8.0	-7.4	-5.8	-4.5	-2.5	1.0	9.4	12.2	-6.1	-7.3	-2.5	-1.9	-0.5	1.7	2.0
	Osaka metropolitan area	5.0	46.3	-15.3	-9.9	-6.8	-9.6	-11.3	-11.0	-11.3	-10.2	-8.8	-5.0	0.8	8.3	7.2	-3.3	-7.4	-3.6	-1.7	-0.5	1.4	1.5
	Nagoya metropolitan area	2.7	22.4	-12.7	-8.5	-6.2	-11.2	-7.3	-5.6	-8.1	-8.0	-6.0	-3.3	0.9	7.8	8.4	-5.9	-6.1	-1.2	-0.8	-0.3	1.8	1.4
	3 major metropolis average	5.8	18.6	-14.8	-11.5	-7.5	-10.2	-9.6	-8.3	-8.5	-7.1	-5.8	-3.2	1.0	8.9	10.4	-5.4	-7.1	-2.5	-1.6	-0.5	1.6	1.8
	Local average	2.6	15.4	-5.5	-5.4	-5.1	-6.8	-7.0	-7.0	-8.1	-8.7	-8.7	-7.5	-5.5	-2.8	-1.4	-4.2	-5.3	-4.8	-4.3	-3.3	-2.1	-1.4
All usage	National average	3.8	16.7	-10.0	-7.8	-6.1	-8.1	-8.0	-7.5	-8.3	-8.0	-7.4	-5.6	-2.7	2.3	3.8	-4.7	-6.1	-3.8	-3.1	-2.1	-0.5	0.0
	Tokyo metropolitan area	2.4	7.2	-5.0	-5.1	-3.9	-7.1	-7.4	-6.4	-6.4	-5.9	-4.9	-3.2	-0.7	4.6	6.7	-4.7	-5.4	-1.9	-1.7	-0.6	0.9	0.9
	Osaka metropolitan area	3.2	53.9	-4.0	-3.4	-2.3	-5.9	-6.9	-7.4	-9.1	-9.1	-8.3	-5.4	-1.4	2.7	3.4	-2.3	-5.3	-2.7	-1.5	-0.9	0.2	0.3
	Nagoya metropolitan area	1.7	19.9	-5.6	-3.0	-1.9	-4.9	-3.0	-2.8	-5.3	-6.1	-5.3	-3.5	-1.0	2.8	3.8	-3.5	-3.3	-0.8	-0.6	-0.1	1.2	0.9
	3 major metropolis average	2.5	22.1	-4.8	-4.3	-3.2	-6.4	-6.6	-6.1	-6.9	-6.8	-5.9	-3.9	-0.9	3.8	5.3	-3.8	-5.0	-2.0	-1.5	-0.6	0.7	0.7
	Local average	2.3	11.7	-1.2	-1.6	-1.7	-3.0	-3.4	-3.8	-5.0	-6.0	-6.5	-6.0	-4.6	-2.8	-1.8	-3.2	-4.2	-3.9	-3.6	-2.8	-1.7	-1.2
	National average	2.4	16.6	-3.0	-2.9	-2.4	-4.6	-4.9	-4.9	-5.9	-6.4	-6.2	-5.0	-2.8	0.4	1.7	-3.5	-4.6	-3.0	-2.6	-1.8	-0.6	-0.3

Source: Public Notice of Land Prices, Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. For each year, the change rate is the simple average of standard land price change rates since the previous year.

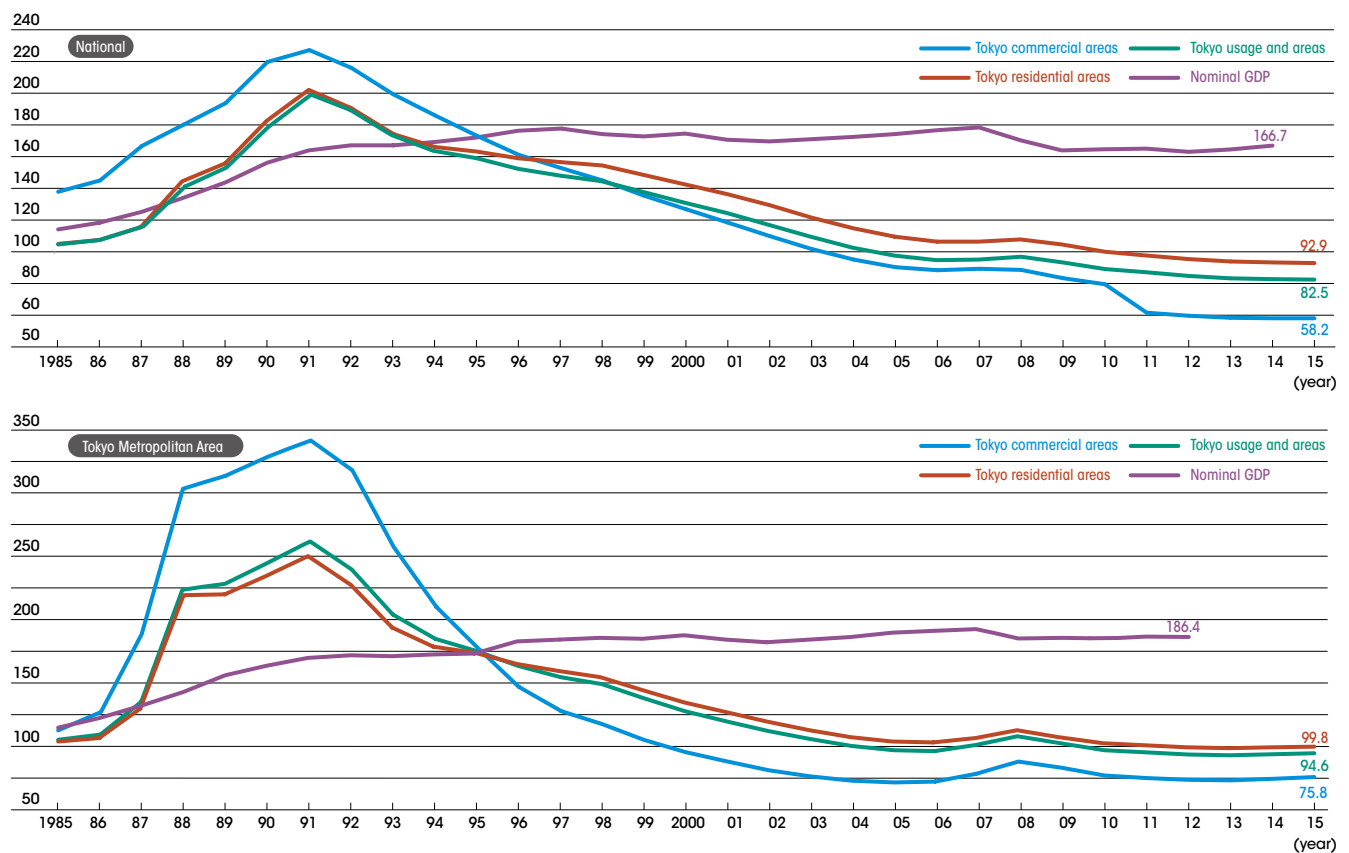
2. Land areas are divided as follows

Tokyo metropolitan area: All existing city areas and suburban improved areas according to the Tokyo Metropolitan Area Improvement Law.

Osaka metropolitan area: All existing city areas and suburban improved areas according to the Kinki Metropolitan Area Adjustment Law.

Nagoya metropolitan area: All city improvement areas according to the Chubu Metropolitan Area Adjustment Law.

### History of Standard Land Price and Nominal GDP with 1983 as 100



Source: Public Notice of Land Prices by the Ministry of Land, Infrastructure, Transport and Tourism; Annual Report on National Accounts, Annual Report on Prefectural Accounts and Quarterly Estimates of GDP by the Cabinet Office.

Notes: 1. The Tokyo Metropolitan Area GDP represents the sum of nominal prefectural GDP of Tokyo, Kanagawa, Saitama and Chiba Prefectures.

2. The nominal GDP and the Tokyo Metropolitan Area GDP represent figures for respective fiscal years.

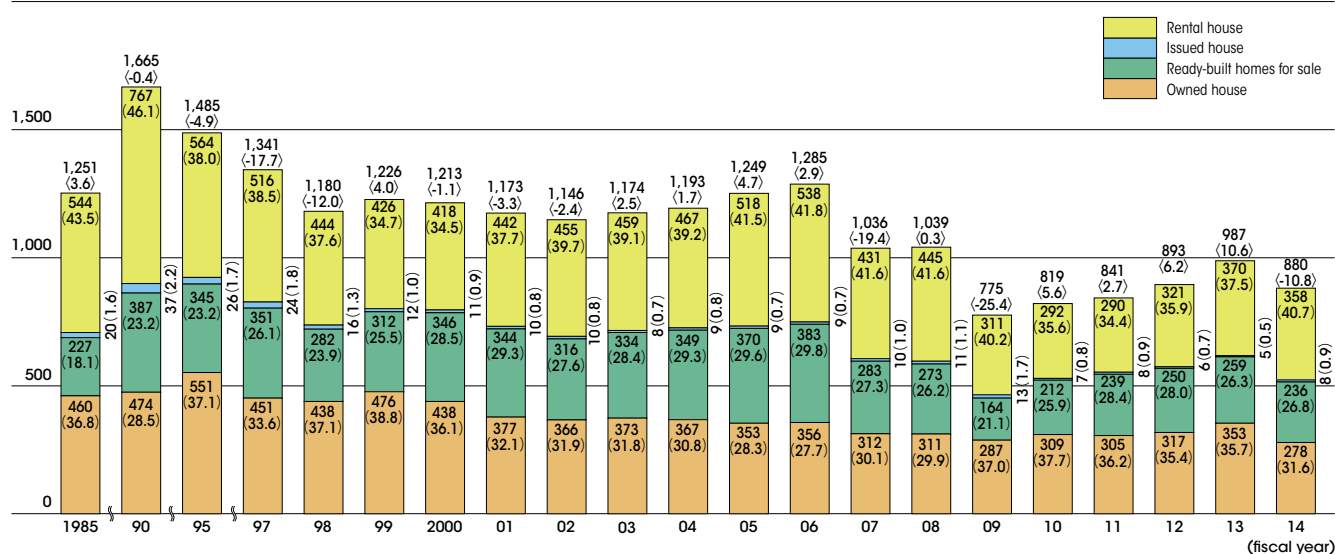
3. The nominal GDP figures were calculated based on 93SNA (fixed-base method) until 1993 and based on 93SNA (chain-linking method) for 1994 and after.



## Housing and Housing Lots

## History of Housing Starts

2,000 (thousand units)



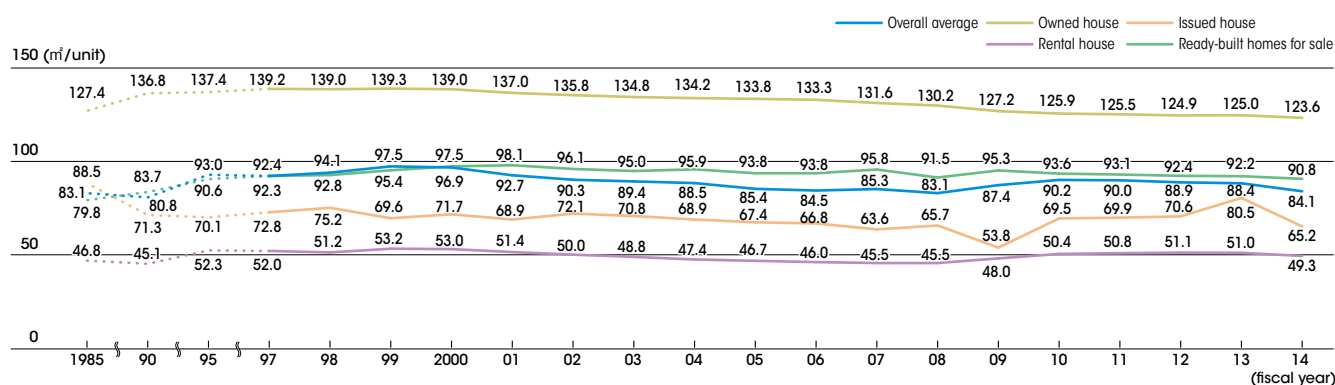
Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

Notes: 1. Owner-occupied housing is housing that the owner constructs for the purpose of residing there. Leased housing is housing that the owner constructs for the purpose of leasing it. Issued housing is housing that a company, government agency, school, or the like constructs for the purpose of having its employees, staff, teachers, etc., reside there. Condominium housing is housing constructed for selling as ready-built housing or lots.

2. There may be discrepancies in the totals due to rounding.

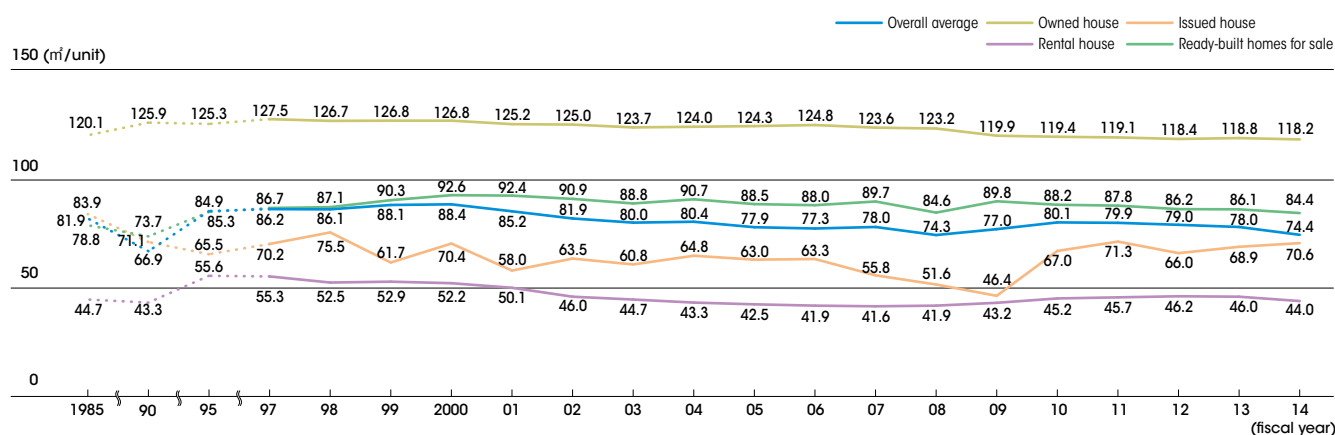
3. The figures in parentheses represent the breakdown by usage (%). The figures on the graph in parentheses are year-on-year variation (%).

## History of Floor Space per Unit for New Housing Starts (by Overall Average and Use)



Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

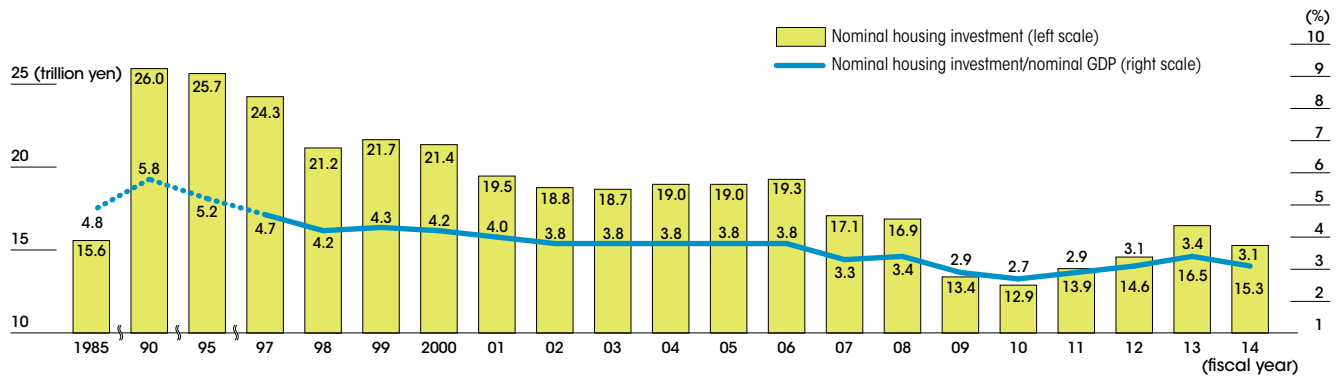
## History of Floor Space per Unit for New Housing Starts (Tokyo Area: by Overall Average and Use)



Source: Statistics on Construction-started Dwelling Houses issued by MLIT.

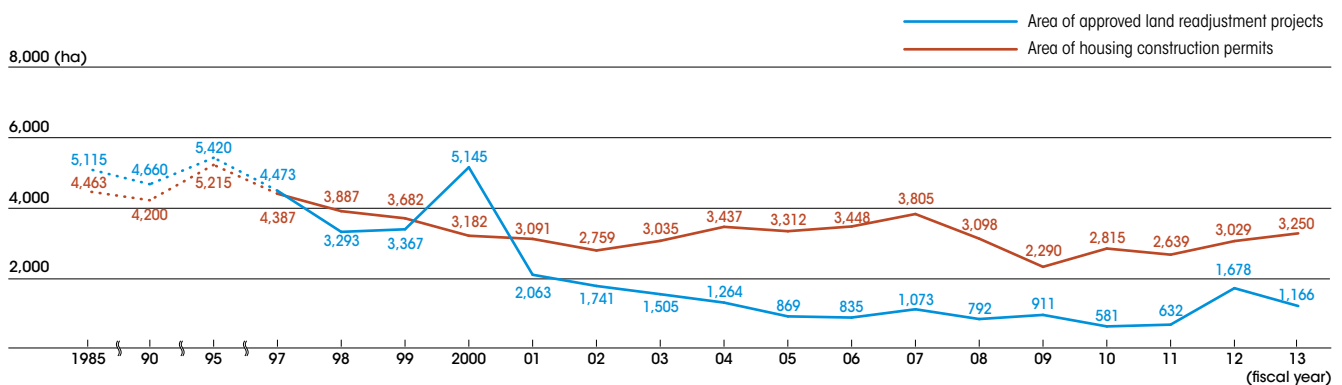
Note: Tokyo area = Tokyo, Kanagawa, Saitama, and Chiba prefectures

## History of Housing Investment



Source: Prepared from the Annual Report on National Accounts 2014.

## History of Housing Construction Permits and Area of Approved Land Readjustment Projects

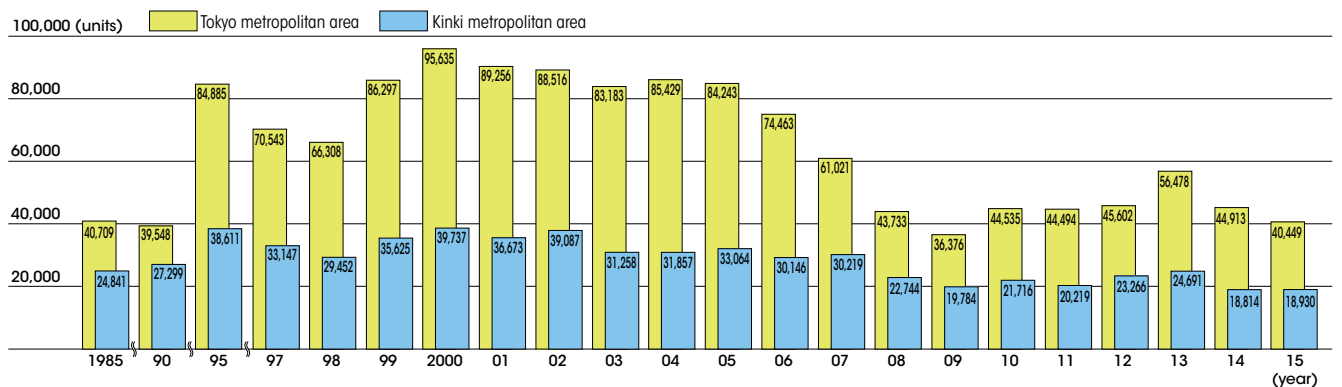


Source: Prepared from "the White Paper on Land, Infrastructure and Transport in Japan", "the Land Readjustment Annual Report" by MLIT.

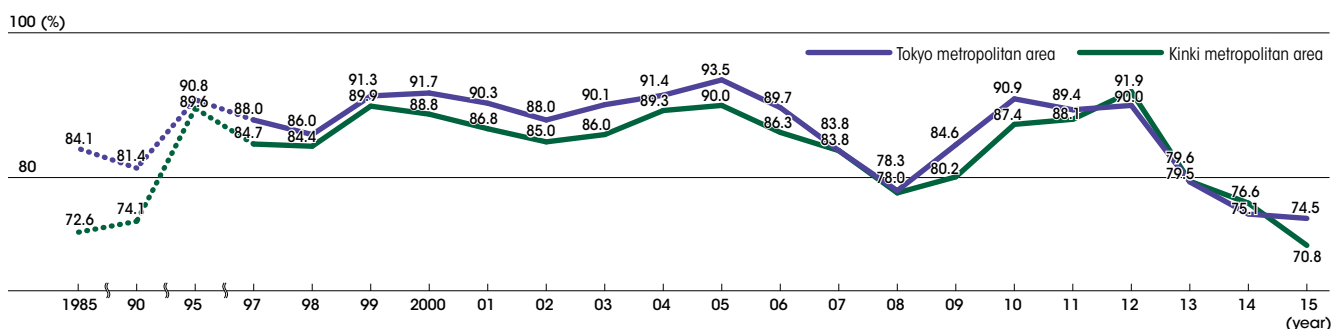
Notes: 1. The construction permit is the approval granted primarily for the objective of building a house based on the City Planning Law.

2. The area of approved land readjustment projects represents the total for individuals, joint projects, associations, government agencies, the Urban Development Corporation (present Urban Renaissance Agency), Japan Regional Development Corporation (present Organization for Small & Medium Enterprises and Regional Innovation, JAPAN and Urban Renaissance Agency) and the Local Housing Supply Corporation.

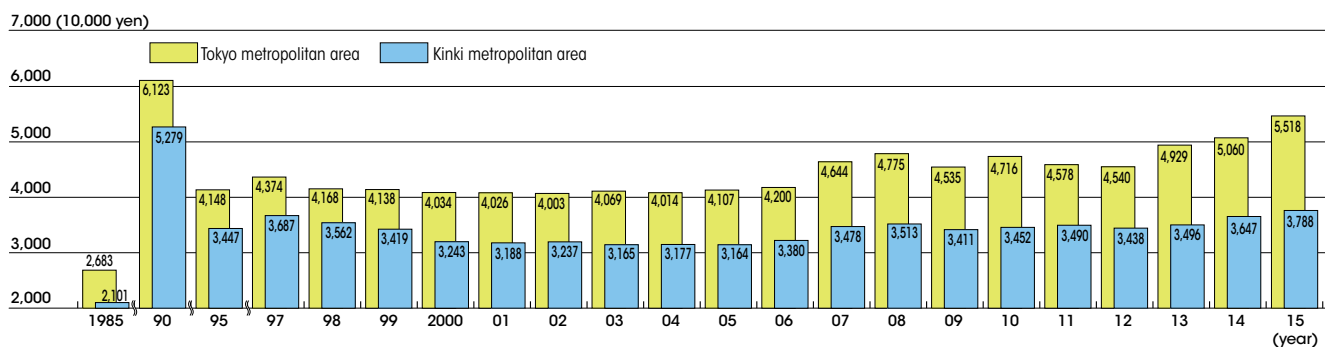
## History of New Condominium Sales



## History of New Condominium Annual Contracted Rates



## History of Average Price for New Condominium Units

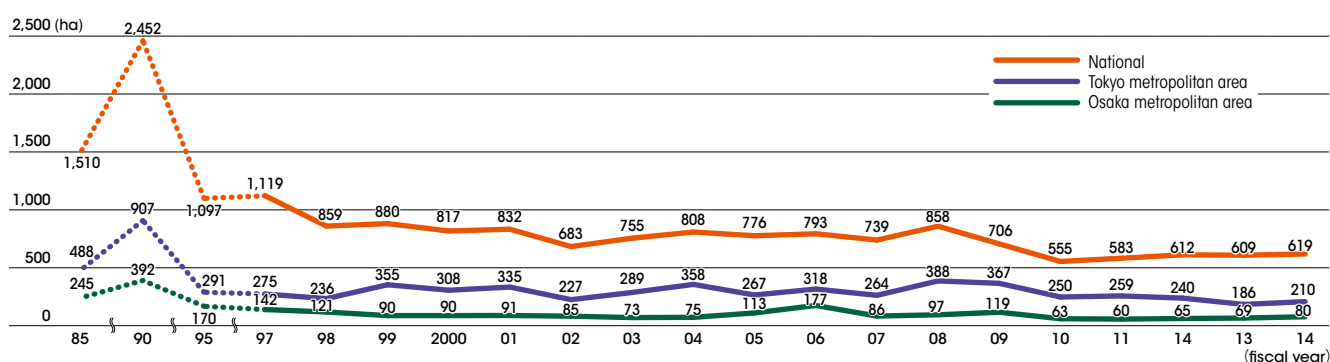


Source: Prepared using Condominium Market Trends for the Tokyo Metropolitan Area and Condominium Market Trends for the Kinki Metropolitan Area issued by the Real Estate Economic Institute Co., Ltd.

Note: Tokyo metropolitan area: Tokyo, Kanagawa, Chiba and Saitama; Kinki metropolitan area: Osaka, Hyogo, Kyoto, Nara, Shiga and Wakayama

## Offices

### History of Floor Space for Launched Office Construction



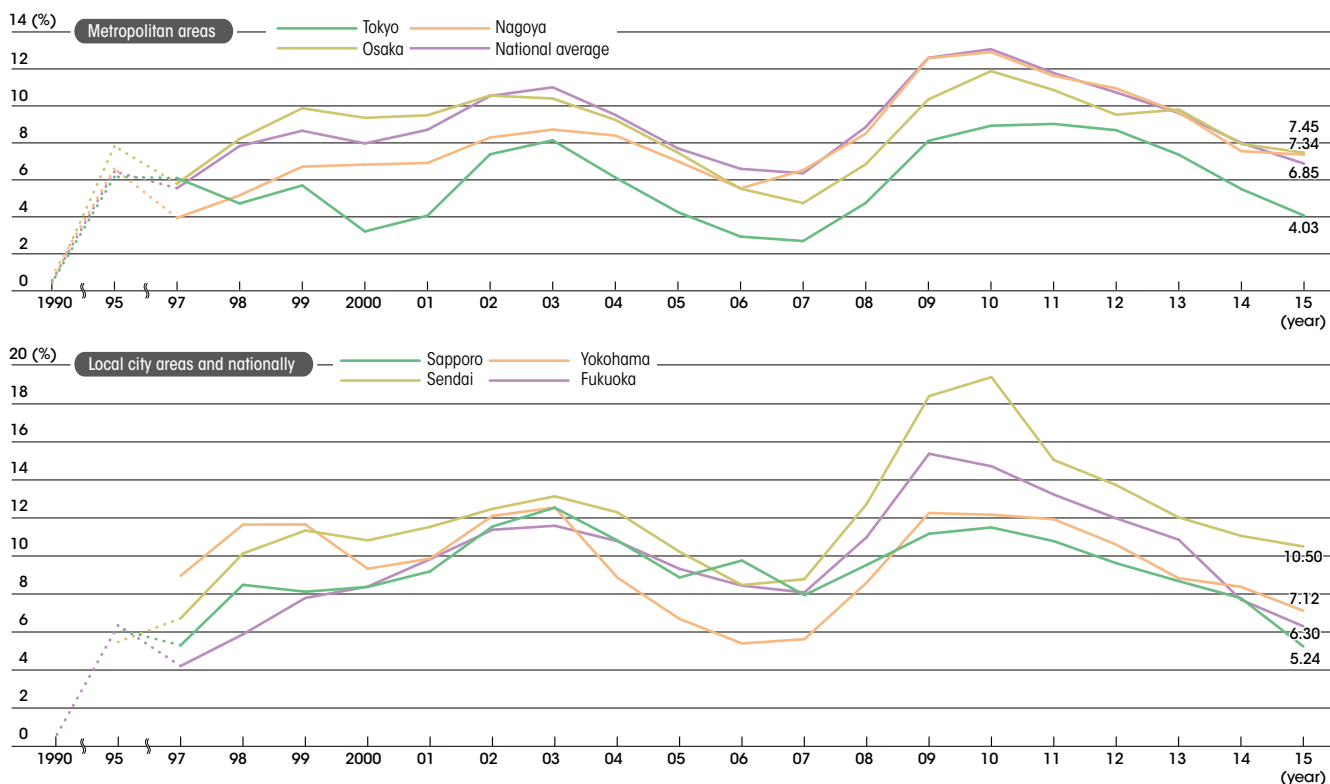
Source: Prepared using Annual Statistical Report on Building Construction by Ministry of Land, Infrastructure, Transport and Tourism.

Notes: 1. This is a compilation of offices by usage that have filed construction reports based on Article 15-1 of the Building Standards Law.

2. Lump presentation of the scheduled construction start month in the filed construction report.

3. Tokyo metropolitan area: Tokyo, Kanagawa, Chiba and Saitama; Osaka metropolitan area: Osaka, Kyoto and Hyogo.

### History of Office Building Vacancy Rates

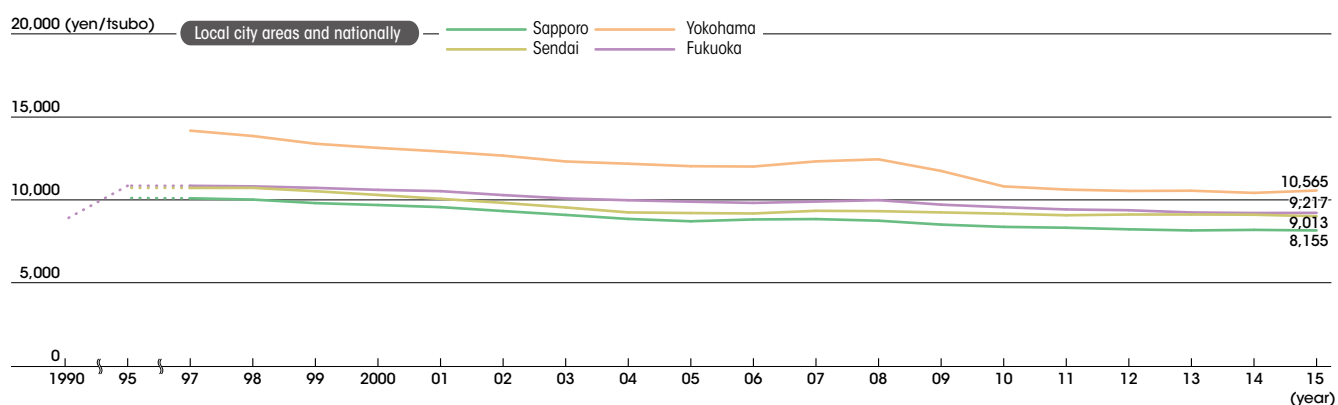
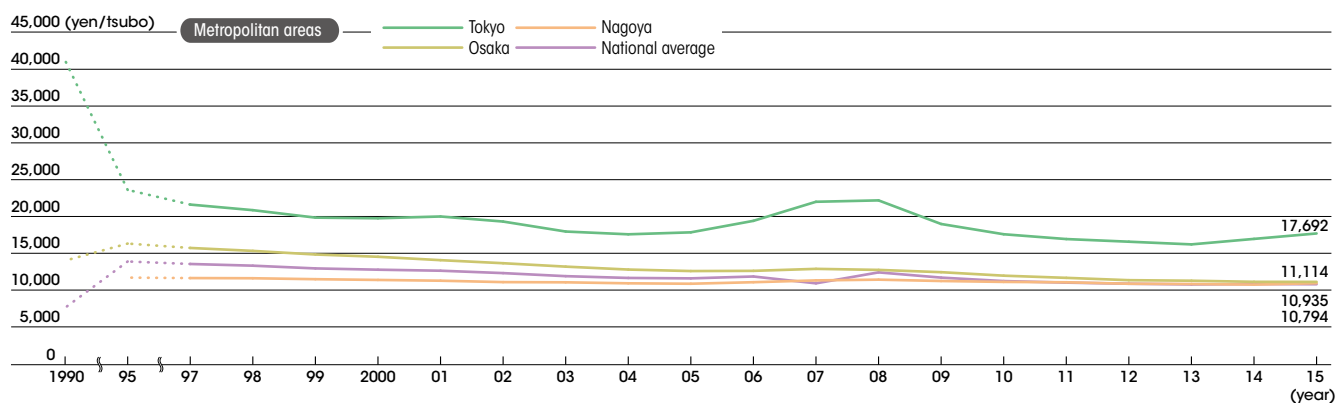


Source: Miki Shoji Co., Ltd., "Office Data."

Notes: 1. Figures as of December each year.

2. National averages calculated by the editors.

## History of Asking Rent



Source: Miki Shoji Co., Ltd., "Office Data."

Notes: 1. The areas covered in Tokyo are Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, and Shibuya Ward.

2. The buildings covered are buildings with a standard floor space of 100+ tsubo in Tokyo and buildings with a total floor space of 1,000+ tsubo in Osaka, 500+ tsubo in Nagoya, 100+ tsubo in Sapporo, 300+ tsubo in Sendai, 500+ tsubo in Yokohama, and 1,000+ tsubo in Fukuoka.



## Others

## Valuation of Real Estate in Gross National Assets

(unit: trillion yen)

Category \ Year	1985	1986	1987	1988	1989	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross national assets	3,936	4,536	5,341	5,994	6,858	8,483	8,575	8,979	8,996	8,913	8,508	8,457	8,488	8,448	8,669	9,295	9,684
Valuation of real estate	1,320	1,578	2,014	2,203	2,538	1,871	1,824	1,808	1,839	1,880	1,870	1,786	1,750	1,713	1,681	1,683	1,687
	(34)	(35)	(38)	(37)	(37)	(22)	(21)	(20)	(20)	(21)	(22)	(21)	(21)	(20)	(19)	(18)	(17)
Housing	159	161	173	182	201	340	345	347	356	361	365	350	349	344	339	350	357
Non-housing buildings	156	160	169	181	201	212	212	212	214	216	218	209	209	210	207	211	212
Land	1,004	1,257	1,673	1,840	2,136	1,319	1,267	1,249	1,269	1,303	1,287	1,227	1,192	1,159	1,135	1,122	1,118
Financial assets	2,132	2,455	2,800	3,231	3,706	5,683	5,807	6,203	6,167	6,006	5,590	5,651	5,724	5,715	5,978	6,751	6,943

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1985 – 1989 and the same for 1996 and after (2014 version).

Notes: 1. Revisions to the counts were done by tracing back the data from 1992 onward and so the premise of these figures differs from that of 1989 and earlier.

2. The figures in parentheses show the percent of gross national product.

## Production by Industry and Gross Domestic Product

(unit: billion yen)

Category \ Year	1980	1985	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real estate	22,654	32,358	53,576	53,788	54,042	55,365	55,721	56,013	56,879	56,890	56,726	56,505	56,161	56,307
Construction	22,506	25,381	31,667	31,200	29,018	29,547	29,385	28,091	26,948	26,198	26,461	26,797	28,385	29,564
Manufacturing	70,232	94,672	98,914	100,915	99,699	100,268	103,565	98,666	83,351	94,333	87,284	87,948	88,319	90,149
Service	28,063	46,390	100,853	100,656	88,433	90,731	94,012	94,580	91,541	91,266	91,183	93,254	94,350	95,385
Finance/Insurance	12,440	16,971	30,799	30,383	30,789	30,215	30,808	25,082	23,742	23,766	22,430	21,865	21,482	21,089
Total for all industries	249,050	333,678	494,519	499,252	500,608	503,291	509,559	496,705	467,336	478,775	468,964	472,746	475,355	482,851
(Reference) GDP	240,175	320,418	498,855	503,725	503,903	506,687	512,975	501,209	471,139	482,677	471,579	475,332	479,084	486,939

Source: The Cabinet Office's National Economic Statistics Report (2000) was used for 1980 and 1985 and the same (2014 version) for 1996 and after.

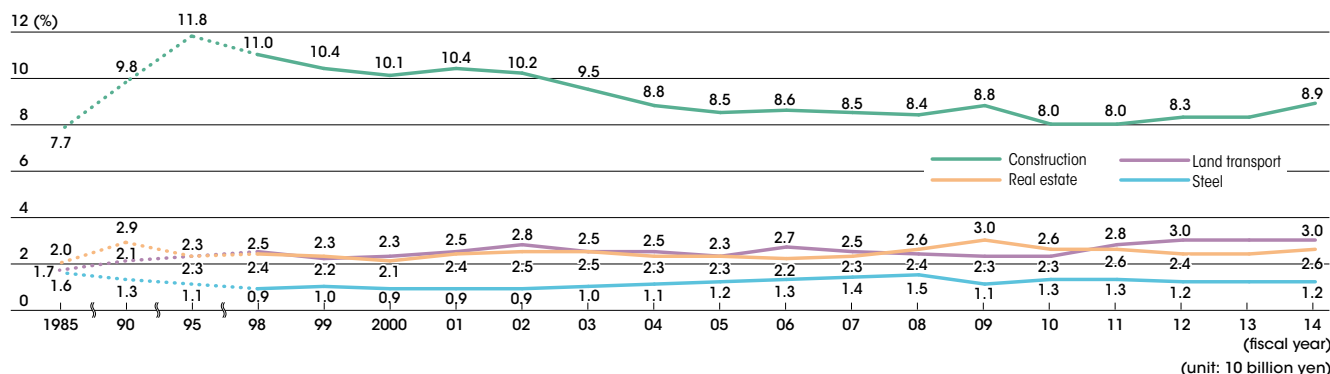
Notes: 1. The price indicated by producers is used for the production amounts of each industry. Therefore, they include indirect taxes, imputed interest, etc. and so the totals do not match the gross national product.

2. The total value also includes government service producers outside of each industry and non-profit private service producers for households.

3. The production amount for the real estate industry also includes imputed rents (imputed rents are the recording of amounts equivalent to rent as the production amount of an individual proprietorship to the gross production amount based on the judgment that the homeowner is involved in the home leasing business).

4. Revisions to the counts were done by tracing back the data from 1993 onward so the premise of these figures differs from that of 1985 and earlier.

## History of Sales Share by Industry



(unit: 10 billion yen)

Fiscal Year	1985	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All industries	105,907 (100.0)	142,818 (100.0)	148,469 (100.0)	138,134 (100.0)	138,346 (100.0)	143,503 (100.0)	133,821 (100.0)	132,680 (100.0)	133,467 (100.0)	142,036 (100.0)	150,812 (100.0)	156,643 (100.0)	158,017 (100.0)	150,820 (100.0)	136,802 (100.0)	138,574 (100.0)	138,104 (100.0)	137,541 (100.0)	140,916 (100.0)	144,784 (100.0)
Real estate	2,153 (2.0)	4,150 (2.9)	3,402 (2.3)	3,309 (2.4)	3,237 (2.3)	2,991 (2.1)	3,186 (2.4)	3,348 (2.5)	3,363 (2.5)	3,325 (2.3)	3,450 (2.3)	3,386 (2.2)	3,709 (2.3)	3,867 (2.6)	4,098 (3.0)	3,663 (2.6)	3,571 (2.6)	3,268 (2.4)	3,770 (2.7)	3,698 (2.6)
Construction	8,205 (7.7)	14,022 (9.8)	17,003 (11.8)	15,192 (11.0)	14,437 (10.4)	14,455 (10.1)	13,935 (10.4)	13,545 (10.2)	12,746 (9.5)	12,480 (8.8)	12,886 (8.5)	13,499 (8.6)	13,502 (8.5)	12,628 (8.4)	12,070 (8.8)	11,130 (8.0)	10,945 (8.0)	11,499 (8.3)	12,250 (8.7)	12,851 (8.9)
Steel	1,689 (1.6)	1,895 (1.3)	1,574 (1.1)	1,297 (0.9)	1,330 (1.0)	1,246 (0.9)	1,222 (0.9)	1,251 (0.9)	1,294 (1.0)	1,560 (1.1)	1,841 (1.2)	1,986 (1.3)	2,191 (1.4)	2,252 (1.5)	1,572 (1.1)	1,821 (1.3)	1,806 (1.3)	1,627 (1.2)	1,705 (1.2)	1,773 (1.2)
Land transport	1,804 (1.7)	3,009 (2.1)	3,352 (2.3)	3,447 (2.5)	3,049 (2.2)	3,303 (2.3)	3,334 (2.5)	3,703 (2.8)	3,399 (2.5)	3,530 (2.5)	3,514 (2.3)	4,222 (2.7)	3,980 (2.5)	3,603 (2.4)	3,212 (2.3)	3,302 (2.3)	3,857 (2.8)	4,116 (3.0)	3,929 (2.8)	4,299 (3.0)

Source: Prepared using the Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Notes: The figures in parentheses represent the share (%) versus the sales of all industries.

## History of Administrative Indices by Industry Type

Year		1985	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ratio of operating profit to total capital (%)	All industries	4.3	4.6	2.7	1.9	2.3	2.9	2.4	2.6	3.0	3.4	3.6	3.6	3.7	2.1	1.9	2.7	2.7	2.8	3.2	3.5
	Real estate	3.9	4.2	1.6	1.3	1.9	2.1	2.5	2.6	2.0	2.3	2.7	3.0	3.4	2.3	2.3	2.7	2.4	2.6	2.3	3.0
	Construction	3.1	5.3	2.7	1.9	1.7	1.8	1.6	1.5	1.8	2.2	2.0	2.2	2.0	1.3	1.4	1.7	1.7	2.5	3.2	4.3
Operating profit/Total capital	Steel	3.5	7.3	2.7	0.8	1.6	3.0	1.0	2.4	4.5	9.1	10.7	9.6	8.7	5.9	-0.5	2.3	1.1	-0.1	2.7	3.6
	Land transport	4.4	4.7	3.1	2.4	2.6	2.8	2.2	3.1	2.9	3.1	3.3	3.4	3.3	2.5	2.4	2.7	2.8	3.2	3.1	3.2
Ratio of ordinary profit to total capital (%)	All industries	3.1	3.5	2.0	1.6	2.1	2.8	2.3	2.5	2.9	3.5	3.9	4.0	4.0	2.5	2.2	3.0	3.1	3.4	4.0	4.2
	Real estate	1.4	1.1	-0.1	0.2	0.8	1.3	1.6	2.0	1.4	1.8	2.0	2.8	2.8	2.0	1.9	2.0	1.9	2.5	2.3	3.0
	Construction	2.3	4.6	2.5	2.0	1.8	1.9	1.6	1.6	2.0	2.3	2.1	2.4	2.2	1.7	1.7	2.0	1.9	3.1	3.7	4.8
Ordinary profit/Total capital	Steel	1.1	5.6	1.1	-0.3	0.6	2.0	0.2	1.6	3.7	8.5	10.2	9.7	8.6	5.7	-0.4	2.4	1.5	0.7	3.5	4.5
	Land transport	2.4	3.5	1.4	1.2	1.4	1.6	1.1	2.1	2.1	2.2	2.7	2.9	2.9	2.0	1.9	2.3	2.5	3.0	3.2	3.3
Ratio of operating profit to sales (%)	All industries	2.8	3.5	2.4	1.8	2.1	2.6	2.2	2.4	2.8	3.1	3.2	3.1	3.1	1.9	2.0	2.8	2.8	2.9	3.5	3.7
	Real estate	9.4	11.5	7.5	7.0	7.9	8.6	9.7	9.6	7.5	8.1	9.1	11.0	11.0	8.8	9.3	12.1	11.7	9.9	11.0	12.6
	Construction	2.1	3.9	2.2	1.5	1.4	1.6	1.4	1.3	1.4	1.7	1.5	1.7	1.6	1.0	1.1	1.4	1.4	2.0	2.4	3.2
Operating profit/Sales	Steel	3.9	8.1	3.6	1.3	2.3	4.3	1.4	3.4	5.9	10.2	11.1	9.9	8.6	5.7	-0.7	2.8	1.3	-0.1	3.2	4.1
	Land transport	3.8	5.1	4.5	3.6	4.3	4.2	3.3	4.6	4.4	4.8	5.4	5.5	4.5	3.7	4.0	4.4	4.1	4.4	4.9	4.8
Ratio of ordinary profit to sales (%)	All industries	2.0	2.7	1.8	1.5	1.9	2.5	2.1	2.3	2.7	3.1	3.4	3.5	3.4	2.4	2.3	3.2	3.3	3.5	4.2	4.5
	Real estate	3.3	3.1	-0.3	1.3	3.4	5.3	6.1	7.1	5.2	6.5	6.8	10.2	9.2	7.6	7.5	9.1	9.3	9.5	10.9	12.6
	Construction	1.6	3.4	2.1	1.6	1.5	1.6	1.4	1.3	1.6	1.8	1.7	1.8	1.7	1.3	1.3	1.6	1.6	2.4	2.8	3.7
Ordinary profit/Sales	Steel	1.3	6.1	1.5	-0.5	0.9	2.9	0.2	2.3	4.9	9.6	10.6	10.0	8.6	5.5	-0.6	2.9	1.7	0.8	4.1	5.1
	Land transport	2.1	3.8	2.0	1.9	2.3	2.4	1.7	3.0	3.3	3.4	4.4	4.6	3.9	3.0	3.1	3.8	3.7	4.1	5.0	5.0
Turnover of total capital (times)	All industries	1.54	1.31	1.12	1.04	1.08	1.11	1.07	1.06	1.09	1.11	1.14	1.14	1.17	1.06	0.95	0.96	0.95	0.96	0.94	0.94
	Real estate	0.42	0.37	0.22	0.18	0.25	0.24	0.26	0.27	0.27	0.28	0.29	0.27	0.30	0.26	0.25	0.22	0.21	0.26	0.21	0.24
	Construction	1.44	1.35	1.23	1.22	1.17	1.16	1.19	1.20	1.27	1.27	1.27	1.28	1.28	1.27	1.28	1.22	1.22	1.28	1.33	1.32
Sales/Total capital	Steel	0.88	0.90	0.74	0.64	0.69	0.69	0.67	0.69	0.76	0.89	0.97	0.97	1.01	1.04	0.71	0.83	0.85	0.82	0.86	0.88
	Land transport	1.16	0.92	0.69	0.67	0.62	0.66	0.66	0.68	0.66	0.66	0.61	0.63	0.73	0.67	0.61	0.61	0.68	0.72	0.64	0.67
Ratio of net worth to total capital (%)	All industries	17.7	19.1	18.9	19.2	22.3	25.7	25.2	27.4	28.3	29.8	30.1	32.8	33.5	33.9	34.5	35.6	34.9	37.4	37.6	38.9
	Real estate	8.0	8.1	3.5	-8.4	5.7	14.6	7.2	14.3	11.0	20.7	17.5	32.1	27.0	24.6	13.0	25.4	27.4	28.5	31.2	35.7
	Construction	15.4	15.6	18.4	21.4	22.6	21.2	22.0	24.8	27.1	28.9	26.4	29.4	29.3	29.0	30.6	30.0	29.6	32.9	31.4	34.5
Net worth/Total capital	Steel	16.1	26.1	26.1	27.4	28.3	29.9	27.9	30.2	32.5	36.1	38.7	38.8	38.1	37.5	37.5	37.0	35.3	35.7	38.3	40.8
	Land transport	14.9	23.9	18.9	17.7	20.8	20.7	19.8	22.4	22.5	22.9	27.1	24.3	25.0	26.2	26.4	27.1	26.9	30.2	32.6	32.6

Source: Prepared using the Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Notes: 1. Total capital is the total of liabilities indicated on the credit side of the balance sheet (notes payable, accounts payable, accrued payments, corporate bonds, borrowings, allowances, reserves, etc.) and capital (paid-in capital, capital surplus and profit surplus) until 2006. From 2007, it is liabilities indicated on the credit side of the balance sheet and net assets (total of paid-in capital, capital surplus, profit surplus, etc.).

2. Net worth is the total amount for the capital section on the credit side of the balance sheet.

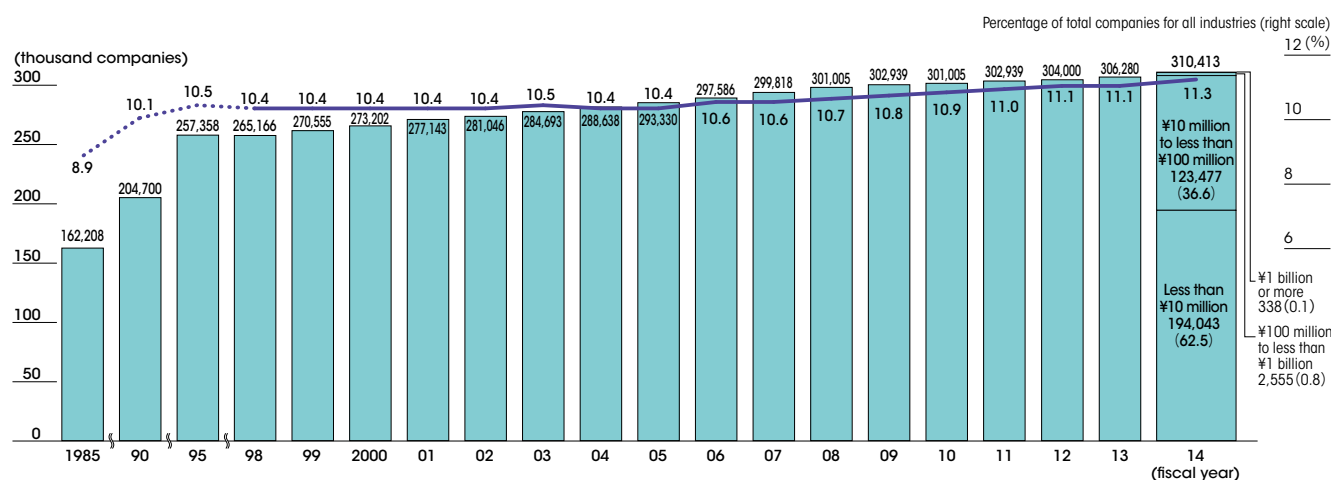
3. Operating profit is sales – (sales cost + sales expenses and general administrative expenses)

4. Ordinary profit is operating profit + (non-operating revenues – non-operating expenses)

\*Non-operating revenues are interest received, discounts, investment security interest, received dividends, capital gains from investment securities, etc.

\*Non-operating expenses are interest paid, discounts, corporate bond interest, amortization of bond issue discount, capital losses from investment securities, etc.

## History of Number of Real Estate Companies



Source: Monthly Finance Review: Annual Special on For-Profit Corporation Statistics issued by the Ministry of Finance.

Notes: 1. Corporations are unlimited partnerships (gomei kaisha), limited partnerships (goshi kaisha), joint stock corporations (kabushiki kaisha) and limited corporations (yugen kaisha) with head offices in Japan.

2. The figure for fiscal 2014 is the breakdown by paid-in capital amount. The figures in parentheses show the percentage of the total (unit: %).

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