

Why Tokyo is the land of rising home construction but not prices

The city had more housing starts in 2014 than the whole of England. Can Japan's capital offer lessons to other world cities?



© Michelle Thompson
Robin Harding AUGUST 3, 2016

It was the rapidity of what happened to the house next door that took us by surprise. We knew it was empty. Grass was steadily taking over its mossy Japanese garden; the upstairs curtains never moved. But one day a notice went up, a hydraulic excavator tore the house down, and by the end of next year it will be a block of 16 apartments instead.

Abruptly, we are living next door to a Tokyo building site. It is not fun. They work six days a week. Were this London, Paris or San Francisco, there would be howls of resident rage — petitions, dire warnings about loss of neighbourhood character, and possibly a lawsuit or two. Local elections have been lost for less.

Yet in our neighbourhood, there was not a murmur, and a conversation with Takahiko Noguchi, head of the planning section in Minato ward, explains why. “There is no legal restraint on demolishing a building,” he says. “People have the right to use their land so basically neighbouring people have no right to stop development.”



A street in Shinjuku, Tokyo © Jérémie Souteyrat

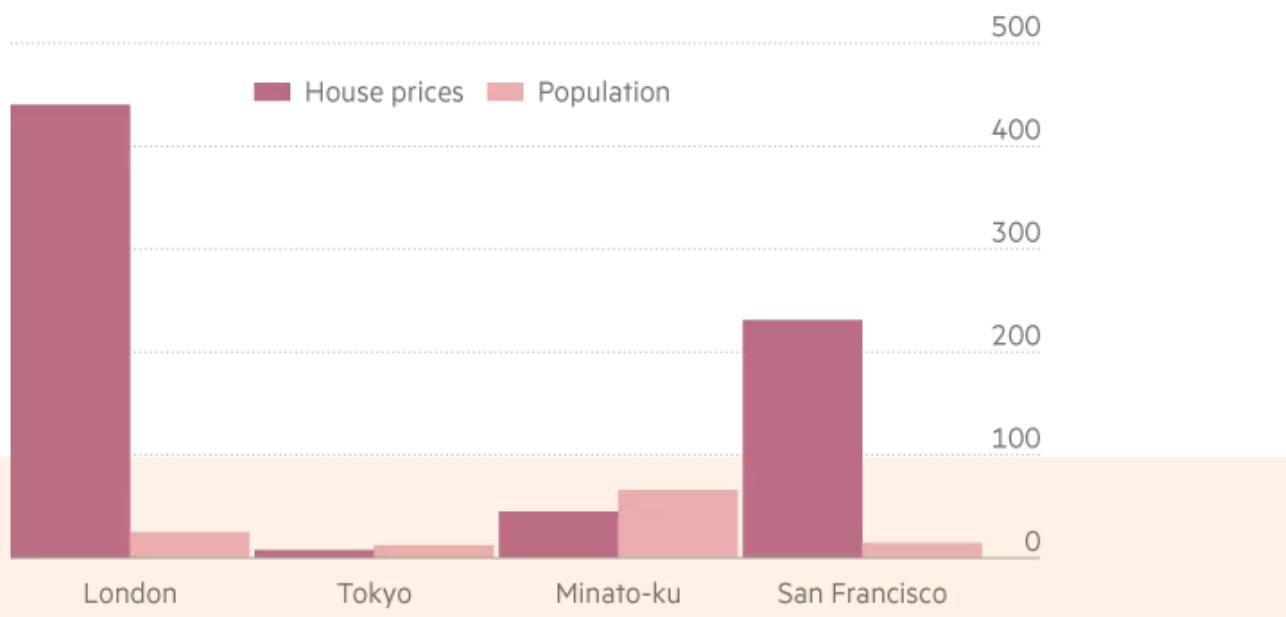
Here is a startling fact: in 2014 there were 142,417 housing starts in the city of Tokyo (population 13.3m, no empty land), more than the 83,657 housing permits issued in the state of California (population 38.7m), or the 137,010 houses started in the entire country of England (population 54.3m).

Tokyo's steady construction is linked to a still more startling fact. In contrast to the enormous house price booms that have distorted western cities — setting young against old, redistributing wealth to the already wealthy, and denying others the chance to move to where the good jobs are — the cost of property in Japan's capital has hardly budged.

This is not the result of a falling population. Japan has experienced the same “return to the city” wave as other nations. In Minato ward — a desirable 20 sq km slice of central Tokyo — the population is up 66 per cent over the past 20 years, from 145,000 to 241,000, an increase of about 100,000 residents.

Change in house price and population, 1995-2015

Per cent



Sources: Office for National Statistics; Census Bureau; Tokyo Kantei; Ministry of Land, Infrastructure & Transport

FT

In the 121 sq km of San Francisco, the population grew by about the same number over 20 years, from 746,000 to 865,000 — a rise of 16 per cent. Yet whereas the price of a home in San Francisco and London has increased 231 per cent and 441 per cent respectively, Minato ward has absorbed its population boom with price rises of just 45 per cent, much of which came after the Bank of Japan launched its big monetary stimulus in 2013.

In Tokyo there are no boring conversations about house prices because they have not changed much. Whether to buy or rent is not a life-changing decision. Rather, Japan delivers to its people a steadily improving standard, location and volume of house.

In many countries, urban housing is becoming one of the great social and economic issues of the age. (Would Britain have voted for Brexit if more of the population could move to London?) It is worth investigating, therefore, how Tokyo achieved this feat, the price it has paid for a steady stream of homes, and whether there are any lessons to learn.

Like most institutions in Japan, urban planning was originally based on western models. “It’s similar to the United States system,” says Junichiro Okata, professor of urban engineering at the University of Tokyo.

Cities are zoned into commercial, industrial and residential land of various types. In commercial areas you can build what you want: part of Tokyo’s trick is a blossoming of apartment towers in former industrial zones around the bay. But in low-rise residential districts, there are strict limits, and it is hard to get land rezoned.

Subject to the zoning rules, the rights of landowners are strong. In fact, Japan's constitution declares that "the right to own or to hold property is inviolable". A private developer cannot make you sell land; a local government cannot stop you using it. If you want to build a mock-Gothic castle faced in pink seashells, that is your business.

In the cities of coastal California, zoning rules have led to paralysis and a lack of new housing supply, as existing homeowners block new development. It was a similar story in 1980s Tokyo.

"During the 1980s Japan had a spectacular speculative house price bubble that was even worse than in London and New York during the same period, and various Japanese economists were decrying the planning and zoning systems as having been a major contributor by reducing supply," says André Sorensen, a geography professor at the University of Toronto, who has written extensively on planning in Japan.

“

**All of this comes at a
price . . . the modern
Japanese cityscape — Tokyo
included — can be
spectacularly ugly**

But, indirectly, it was the bubble that laid foundations for future housing across the centre of Tokyo, says Hiro Ichikawa, who advises developer Mori Building. When it burst, developers were left with expensively assembled office sites for which there was no longer any demand.

As bad loans to developers brought Japan's financial system to the brink of collapse in the 1990s, the government relaxed development rules, culminating

in the Urban Renaissance Law of 2002, which made it easier to rezone land. Office sites were repurposed for new housing. "To help the economy recover from the bubble, the country eased regulation on urban development," says Ichikawa. "If it hadn't been for the bubble, Tokyo would be in the same situation as London or San Francisco."

Hallways and public areas were excluded from the calculated size of apartment buildings, letting them grow much higher within existing zoning, while a proposal now under debate would allow owners to rebuild bigger if they knock down blocks built to old earthquake standards.



Home under construction in Shibuya, Tokyo © Jérémie Souteyrat

All of this law flows from the national government, and freedom to demolish and rebuild means landowners can quickly take advantage. “The city planning law and the building law are set nationally — even small details are written in national law,” says Okata. “Local government has almost no power over development.”

“Without rebuilding we can’t protect lives [from earthquakes],” says Noguchi in Minato ward, reflecting the prevailing view in Japan that all buildings are temporary and disposable, another crucial difference between Tokyo and its western counterparts. “There are still plenty of places with old buildings where it’s possible to increase the volume.”

Constant rebuilding helps to explain why housing starts in the city are so high: the net increase in homes is lower. Like our next-door neighbours, however, a rebuild often allows an increase in density.

All of this comes at a price, not financial, but one paid in other ways. Put simply, the modern Japanese cityscape — Tokyo included — can be spectacularly ugly. There is no visual co-ordination of buildings, little open space, and “high-quality” mainly means “won’t fall down in an earthquake”.

Some of Tokyo’s older apartment buildings give industrial Siberia a dystopian run for its money. The mock-Gothic castle is no flight of fancy: visit the Emperor love hotel, which (de) faces the canal in Meguro ward. Most depressing of all are the serried, endless ranks of cheap, prefab, wooden houses in the Tokyo suburbs.

“The Japanese system is extremely laissez-faire. It really is the minimum. And it’s extremely centralised and standardised. That means it is highly flexible in responding to social and economic

change,” says Okata.



Omotesando avenue and Jingumae crossing as seen from the Tokyu Plaza © Jérémie Souteyrat

“On the other hand, it’s not much good at producing outcomes suited to a particular town in a particular place. It can’t produce attractive cities like the UK or Europe.” Okata wants to hand much more power to local government.

And yet. At the level of individual buildings, if you block from your vision whatever stands next door, Tokyo fizzes with invention and beauty. It is no coincidence that the country where architects can build has produced a procession of Pritzker prize winners.

Japanese urbanism, with its “scramble” pedestrian crossings, its narrow streets, its dense population and its superb public transport is looked to as a model, certainly in Asia, and increasingly across the rest of the world as well.

Most of all, Tokyo is fair. The ugliness is shared by rich and poor alike. So is the low-cost housing. In London, or in San Francisco, all share in the beauty, but some enjoy it from the gutter; others from high above the city, in the rationed seats, closer to the stars.

Robin Harding is the FT’s Tokyo bureau chief

Illustration by Michelle Thompson. Photographs by Jérémie Souteyrat