Relation Between the Tokyo Olympics and Real Estate Industry

Report 2015

On the Occasion of Publication

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In September 2013, Tokyo was selected as the host city for the 2020 Olympic and Paralympic Games (hereinafter referred to as the Olympics) at the meeting of the International Olympic Committee. It is still fresh in our memories that not only the citizens of Tokyo but also people throughout Japan were thrilled with joy.

The All Japan Real Estate Association, Tokyo head office, has been making survey studies related to condominium policy, regional disaster prevention, and city planning, as well as proposals based on such studies through the research institute it established, Zennichi Tokyo Academy, headed by Professor Yasushi Aoyama of Meiji University Graduate School and the former vice governor of the Tokyo metropolitan government.

The Zennichi Tokyo Academy has been studying the topic of the relation between the Tokyo Olympics and the real estate industry over two years since the decision came that the Olympics will be held in Tokyo.

While it is expected that there will be even more real estate transactions by foreigners ahead of the Olympics, on the other hand, we are seeing more and more vacant dwellings due to the declining birthrate and depopulation and this is becoming a social problem. At the Zennichi Tokyo Academy, discussions have been advanced under the recognition that in addition to making Tokyo a city that will prosper in terms of business, it is important to maintain and expand Tokyo as a city that is safe, secure, and easy to live in even as it internationalizes.

The members of the Study and Research Subcommittee conducting the actual study and research consists of the president of the Academy and the board members of the Tokyo head office, and in addition, we asked persons of experience and learning who are active in various fields such as lawyers, administrative officials and professionals from the real estate industry to participate. The Study and Research Subcommittee visited development sites and invited practitioners of various fields as well as those involved in city planning for interviews and lively discussions.

Our studies and research were performed from the perspective of seeking the direction Tokyo should head considering the Olympics as another opportunity to further internationalize and change, as well as the necessary measures to achieve the goal. Discussions were held with consideration to the social conditions, namely the coming of the low birth rate, aging, depopulating society. As we enter the era of depopulation, we are starting to see a direction that it is desirable to make the secondhand market more mature from the standpoint that we should utilize existing properties rather than make new ones.

Furthermore, we conducted a questionnaire survey among the members of the Tokyo head office consisting of more than 8,000 companies with the aim to understand the current situation of real estate transactions by foreigners and were able to receive a considerable number of responses despite their busy schedule. Some facts have been made apparent and issues have been raised from these results that are quite interesting.

This report not only makes policy proposals to the government and different institutions but also discusses and summarizes what we as the Toyo head office should work on. We would be pleased if the report could contribute to solving the issues that Tokyo will face as it evolves by hosting the Olympics.

We hope you will have a good read and provide us with your opinions and advice. Moreover, we hope you will support us in solving the issues.

To conclude, I would like convey my deep gratitude to all the individuals and organizations that have provided us their tremendous support to our studies and research activities.

Our Policy Proposals

Yasushi Aoyama
President, Zennichi Tokyo Academy
Professor, Meiji University and former Vice Governor, Tokyo Metropolitan Government

The All Japan Real Estate Association, Tokyo head office, has made policy proposals on issues including the rapidly increasing numbers of dilapidated apartment houses or on the widening of narrow streets for the purpose of disaster prevention, from the standpoint of small and medium-size business operators in the real estate business in their respective areas of Tokyo.

Despite efforts being made by the governments of Tokyo and its local municipalities as well as individuals involved, the situation seems to be worsening.
Under such circumstances, Tokyo is seeing and increase in visitors ahead of the Tokyo Olympic and Paralympic games in the year 2020. As a result, real estate transactions by foreigners are increasing, especially in the center of Tokyo, while we are seeing more and more vacant dwellings in the surrounding areas.

The experiences of real estate operators in Tokyo who are actually in the businesses tell us that the rise in real estate acquisition by foreigners raises future concerns over the payment of taxes, management fees and reserve funds for maintenance and repair, as well as participation in other activities of the management association. Japan was able to establish the world's safest society precisely because these factors have functioned smoothly. If problems arise in maintaining and managing real estate, there is a high risk that slums will appear in the regional societies, as the numbers of dilapidated apartment houses arise. There are similar concerns over the increase of vacant dwellings in the surrounding areas.

Members of the All Japan Real Estate Association, Tokyo head office, have been operating in the region with pride that Tokyo is the world's most comfortable city to live in. From this standpoint, this fiscal year, we have held repeated discussions at study meetings on the relationship between hosting the Tokyo Olympics and the real estate industry, in interviews with relevant individuals and at site visits to prepare this report.

Our proposals are made not from the standpoint of a third party but rather from the viewpoint of a party concerned that therefore the report consists not only of demands for the governments but also how we as the All Japan Real Estate Association, Tokyo head office, or as its member operators, would like to tackle these issues.

In other words, the report is prepared with the strong wish that the government will make full use of the business operators of the All Japan Real Estate Association, Tokyo head office, who actually handle real estate transactions in their respective areas. I sincerely hope all those involved will kindly take note of the purport of these proposals.

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Foreword

With the decision on the coming Tokyo Olympic and Paralympic Games, Tokyo is attracting greater attention from the world. Tokyo has established itself as a mature international city that is full of attraction with its transportation system boasting the world's highest level of efficiency, with one of the world's safest and highest social reliability as a global metropolitan, with its clean and comfortable streetscape and public spaces, its diversity showcased in its city landscape based on urban construction supported by cutting edge technologies and historical cultural assets and space, and furthermore, its uniqueness of pop culture making it a creative city as can be seen in Cool Tokyo.

On the other hand, in light of the rapid economic growth of Asian cities in today's borderless global economic market environment, there is the aspect that Tokyo's relative standing in terms of international competitiveness is declining. As global competition between cities will accelerate and intensify even further, the situation requires the enhancement of efforts to improve its presence as an international city and to strengthen its ability to attract various resources from around the world as a city that leads the world's politics and global economy.

With the recent decision that the Olympic Games will be held in Tokyo, there are more opportunities for city diplomacy to inform the world of the advantages of Tokyo as an international city and the chances of a ripple effect on economic activities and new business opportunities have definitely increased. There are great expectations for a dramatic improvement in Tokyo's competitiveness as an international city as urban renewal will progress by making the wide-area transportation more sophisticated with the completion of the three ring roads, by enhancing the attractiveness and asset value of new urban spaces through the renovation of old urban areas, and also by utilizing private capital for apartment building constructions in the bay area or for private developments inspired by the decision on the Olympics.

While new urban spaces will be constructed through urban renewal, it is also essential to further promote the improvement of the residential environment from the perspective of putting emphasis on stock to ensure Tokyo will remain a mature city after the Olympics with considerations for the declining population. In 2006, the provisions related to the planning of supply of housing land in the Act on Special Measures concerning the Promotion of the Supply of Houses and Housing Lands in Urban Districts and the Housing Construction Planning Act that had been the basis of the policies for planned supply of housing land after the second world war were repealed and the new Basic Act for Housing was established from the viewpoint of ordinary citizens. In the current Basic Act for Housing, revised in March 2011, promoting liquidity of secondhand housing and developing the market for remodeling are among the points raised as a basic direction. In order to achieve these goals, it is required that the direction of urban development of shifting focus from prioritizing new buildings to utilizing existing assets is recognized once again and promoted even stronger in urban development from the viewpoint of ordinary citizens as well as in urban development with an emphasis on stock.

This year, our academy held a series of discussions based on various perspectives, including the viewpoint on life after the Olympics, on a broad range of issues regarding what Tokyo should be doing now for the Olympics, what are the challenges that need to be met for the further development of the real estate market of Tokyo as an international city, and what the directions of urban development in Tokyo should be going forward with regards to daily life in general and the residential environment which are the basis of urban life. As a result, the discussions introduced in this report have been consolidated into the following three points that need to be tackled in particular.

First, metropolitan Tokyo is required to accelerate international urban development as global politics and the global economy become borderless, and in order to do so, the promotion of urban policy and city diplomacy shall be further enhanced based on the standpoint that Tokyo is an international city that is globally unique. Second, regarding the real estate market in Tokyo as an international city, new challenges involving real estate transactions with foreigners are becoming evident, and it is necessary to begin studying these challenges at an early stage. Third, when considering daily life in a major city, countermeasures against vacant houses and vacant rooms in Tokyo as a whole are urgently required, in particular, measures against vacant houses and rooms of rental properties are imminent, a scheme to jointly manage housing land without a known owner is necessary, and what to do with the decrease in farmland and fragmentation of land as urban farmland is converted to housing land. In the final chapter, an outline of some specific proposals for Tokyo's urban development going forward is given and references are made on efforts by the All Japan Real Estate Association to potentially give back to society.

Now is the time to make the grand transformation in the direction of the City

Planning Act, which is the basis of land use, as well as the business model prioritizing new buildings, for the urban development of Tokyo as a mature, international city. We hope that the effects of the urban renovations implemented in light of the decision on the Tokyo Olympics will not be something of a transient nature but that a new urban development for Tokyo in line with the times of a decreasing population would promptly be realized. It will be our great joy if this report will contribute to this goal.

1 Urban Development in Tokyo ahead of the Tokyo Olympics

1-1 Hosting the Tokyo Olympics and the anticipated economic impact

(Outline of the Tokyo Olympics)

Approximately a year and a half has passed since it was decided in September 2013 that the 2020 Summer Olympic Games will be held. Tokyo was selected as the host city after 56 years at the International Olympic Committee's meeting to select the host city (voting took place on September 8, 2013, Japan time) where Tokyo's strength in operating events, financial ability, and public safety was highly recognized. It will be the fourth Olympics to be held in Japan, including the winter games held in Sapporo in 1972 and Nagano in 1998. It was also decided that the Paralympic Games for athletes with disabilities will be held concurrently. The financial resources and planning of the competition venues have been re-evaluated and preparations are being accelerated. The 2020 Tokyo Olympics will aim to be an event in which all visitors will be able to "Discover Tomorrow" and experience a dynamic celebration in the heart of one of the world's most forward-thinking and safe cities. (Tokyo 2020 Olympic and Paralympic Bid Committee, 2013)

Table 1 Outline of Tokyo Olympic/Paralympic Games

[Tokyo 2020 Olympic Games Outline] - Official Name of Event: The Games of the XXXII Olympiad - Period: Friday, 24 July – Sunday, 9 August 2020 - Number of Sports: 28
[Tokyo 2020 Paralympic Games Outline] - Official Name of Event: XVI Paralympic Games - Period: Tuesday, 25 August – Sunday, 6 September 2020 - Number of Sports: 22
[Overall Concept of the Olympic Games] – A compact Games held in the heart of the city - To hold one of the most compact Games ever taken place in the heart of a big city that is mature yet still evolving. - A compact and concentrated venue allocation putting the Olympic Village at the center of the city ensuring minimal travel - 85% of venues and all IOC accommodation to be located within 8km of the Village - Build a new Olympic Stadium in the Heritage Zone, home to the legacy of the 1964 Tokyo Olympics - Build nine new permanent competition venues in the Tokyo Bay Zone (waterfront) which will symbolize Tokyo's future development

Source: Prepared based on Tokyo 2020 Olympic and Paralympic Bid Committee (2013) Candidature File Volume 1

(Impact of the Tokyo Olympics)

Since it was decided that the Olympic Games will be held in Tokyo, expectations are mounting for its economic effects.

The Tokyo metropolitan government Bureau of Sports Promotion (currently the Bureau of Tokyo 2020 Olympic and Paralympic Games Preparation) has announced its projection of a rise in demand and economic ripple effects (production inducement) over the seven years between 2013 and 2020 from hosting the Games.

The Tokyo metropolitan government's projection of a rise in demand from hosting the 2020 Games is calculated based on its 2005 Input-Output Table and includes capital investments (only those for related facilities such as competition venues and the Olympic Village, does not include urban development and infrastructure improvement unrelated to the Games), as well as the secondary indirect spillover of consumer spending (cost of operations, consumer spending by staff and visitors, household consumption expenditures related to the Games and goods).

As a result, the rise in demand from hosting the Games is estimated to be approximately 960 billion yen in Tokyo and approximately 260 billion yen in other regions, or a total of 1.22 trillion yen for the nation as a whole.

The economic ripple effect (production inducement) would be approximately 1.67 trillion yen for Tokyo and approximately 1.29 trillion yen for other regions, or a total of approximately 2.96 trillion yen for the whole of Japan. The Games are expected to produce approximately 84,000 jobs in Tokyo and approximately 68,000 jobs in other regions, or a total of approximately 152,000 jobs nationwide.

While the Tokyo government has announced projections, including secondary indirect spillover effects, most private research companies tend to forecast the spillover effects in various industries throughout Japan.

For example, in terms of the differences in the calculation basis with the Tokyo metropolitan government, Mori Memorial Foundation (2014) has reflected knowledge gained from the London Olympics, in addition to the perspective of the items and asset areas projected by the Tokyo government, and anticipates a broad range of ripple effects to overall economic activities, including (1) expansion of national consumption (dream effect), (2) Impact on urban development mainly in Tokyo (implementation of works ahead of schedule, etc.), (3) Vitalization of corporate activities and increased employment (creation of new industries, vitalization of MICE, increase in foreign visitors to Japan, investments in construction of lodging facilities, etc.) As a result, it estimates production inducement of approximately 19.4 trillion yen and employment creation of approximately 1.21 million jobs (approximately 120,000 jobs per year on average).

According to a projection focusing on the ripple effects as of the three different timings of before, during, and after the Olympic Games ((1) preparation period, (2) during the Games and (3) after the Games) (Japan Research Institute, 2013) it is estimated that in the (1) preparation period, 3.4 trillion to 6.1 trillion yen worth of demand will be generated, 5.9 trillion to 10.9 trillion yen worth of production will be induced, and 339,000 to 617,000 jobs will be created; while (2) during the Games, 0.6 trillion yen worth of demand will be generated, 0.9 trillion yen worth of production will be induced, and 58,000 jobs will be created. However, in the period (3) after the Games, both the positive effects (more tourists from abroad, higher growth ability in light of improvement in urban functions from redevelopment) and negative effects (reduced construction spending due to repercussions after completion, risks of restraints on economic activities in light of increased debts) are projected.

Results of another estimate of the economic effects by industry (Mizuho Research Institute, 2014) show that based on examples of previous host countries of the Olympic Games that have taken the event as an opportunity to successfully strengthen their tourism policies, if campaigns promoting tourism to Japan succeed, the number of foreign visitors to Japan as of the year 2020 will double to 21.69 million from the current number, and the government's target of 30 million visitors could come within range in 2030. The market for foreign visitors to Japan consists of a broad industry base and a wide range of businesses will benefit from the ripple effects of travel consumption. In particular, production inducement of 802.6 billion yen in the field of transportation (air transportation, road transportation), 830.1 billion yen in personal service industries (entertainment, food, lodging) and 683.9 billion yen in manufacturing (fibers and papers, chemical products, oil and coal, electronics and machinery, precision instruments, etc.) are some of the major projected impacts.

A report studying the areas benefiting from spillover effects (Taniyama 2014) estimates that in the case of the London Olympics, neighboring areas had half to a third of the benefits that London enjoyed and therefore similar spillover effects can be anticipated in the Kanto region for the case of Tokyo.

As for spillover effects to areas outside the host city, studies based on forecasts of tourism demand from abroad and within Japan are good references.

According to the Development Bank of Japan, while the number of foreign visitors to Japan is estimated to grow significantly (200,000 to 400,000 for the purpose of attending the Tokyo Olympics), domestic business travel demand is expected to initially decline (due to working population decline) and demand for domestic tourism is seen to fall gradually (because the participation rate and frequency of travel of those in their 60s and 70s are high.) Therefore going forward, tourism strategies targeting foreign tourists will become all the more important, and in order to attract foreigners, accommodation information accessible online (for example, there are over 1,900 hotels in Tokyo but the number of lodging facilities registered on travel websites are less), as well as customer service segmented according to the region of origin (domestic, Asia, Europe and the U.S.), class (executive or economy), purpose (business or leisure), and type of travel (individual or group) will become most important. With effective tourism strategies, the tourism industry may fare better in the years before and after than the actual Olympic year considering the success of the London Olympics. It is important that each regional area is capable of planning and executing strategies that stick with targets such as those that pursue effects consistent with the local culture and history. Ripple effects to areas outside Tokyo and not Tokyo-takes-all, is seen as possible depending on the strategy. (Development Bank of Japan 2014)

1-2 Where Tokyo stands in international city rankings

(Tokyo's rating in international city rankings)

The Tokyo metropolitan government formulated and announced a long-term vision for the period of approximately 10 years (until 2024) as the new guideline for its operations in December last year. (Tokyo metropolitan government, Office of the Governor for Policy Planning, 2014) It aims to make "Tokyo the world's best city" as the future vision for the city and outlines two basic goals, five viewpoints of the policy, and eight urban strategies. It states that while using the Tokyo Olympic and Paralympic Games as a springboard for urban development, the metropolitan government will at the same time resolve the mounting social issues in a depopulating society, maintain and enhance vitality of Tokyo as a global city, promote countermeasures against dilapidated infrastructures and metropolitan express ways, and further advance the development of a safe and secure city in order to realize the sustainable development of Tokyo, which was the metropolitan government's existing policy. Specifically from the aspect of tourism policy, it plans to implement measures to establish the "Tokyo brand" by enhancing promotions for tourism, prepare the environment as a global city of tourism (improving multi-lingual guidance and providing Wi-Fi environment), and develop attractive resources for tourism in order to make "Tokyo the world's best city."

As for the establishment of a city brand, the Tokyo Metropolitan Government White Paper 2013 (Tokyo Metropolitan Government, Bureau of Urban Development) points out the importance of further advancing the international status of Tokyo and outlined the diverse attractiveness of Tokyo as an international city. The white paper cites four city rankings announced by four global institutions and the results of a survey conducted by a U.S. computer software company on creative cities as an introduction to the global reputation of Tokyo. Especially in the Quality of Life Survey (a ranking of the world's 25 most easy-to-live-in cities) (global information magazine Monocle), Tokyo was recognized among Europe's high amenity and welfare-oriented medium-sized cities as a place that is easy to live in even though it is one of the biggest large cities in the world. Some of the points Tokyo was highly ranked for included its "high quality public transportation," "high ratio of developed public roads," "strong lineup of restaurants and shopping facilities," "quiet back streets and the friendly atmosphere of traditional commercial and working-class neighborhoods," "low crime rate," "improved convenience with Haneda Airport being opened to international flights," and "diligent and polite nature of the people." Furthermore, the ranking by Mori Memorial Foundation (2014) emphasizing the "intangible values of the city" also gave Tokyo high scores for its “sense of safety in public places,” “kindness of residents,” “on-time performance of international airport,” and “ease of transportation.” The fact that interest in Tokyo is rising can also be seen in the international media coverage (Figure 1) and international city rankings (Table 2).

(Cited from the lead of the website on the right)

50 reasons Tokyo is the world's greatest city

2014.01.01 Wed. posted at 09:46 JST

(CNN) Tokyo, a city to be proud of in the world. Huge celebrations broke out across Tokyo over the weekend with news that the iconic city was chosen by the International Olympic Committee (IOC) to host the 2020 Summer Games. Not convinced they made the right choice? These 50 reasons Tokyo is the world's best city might sway your vote.

<The “50 reasons Tokyo is the world’s greatest city” cited by CNN>

1. The world's most sophisticated railways, 2. The Emperor will see you now, 3. Tongue-gasmic food porn, 4. Street crossings are like a battle scene from *Braveheart*, 5. Youth fashion stores by the hundreds, 6. Sky-high one-upmanship, 7. You can eat dirt, 8. More Michelin stars than anywhere else, 9. The electronics stores are like theme parks, 10. You can commute to the mountains, 11. Earth's biggest fish market is in its best sushi neighborhood, 12. Even the serious museums are weird, 13. Take me out to the ball game (again and again ...), 14. You'll never want for expensive antique robot toys, 15. The K-Pop boom is old news, 16. The public parks are as pretentious as it gets, 17. It's the best place to shop if you're over 60, 18. You can blow an entire year's salary on a round of drinks, 19. Highway rest stops are destinations, 20. Personal service is borderline stalky, 21. Noodles you can dream about, 22. You can spend every waking hour surrounded by comics, 23. Bats you don't have to be afraid of, 24. You can ride the world's shortest escalator 8,000 times a day, 25. The cuddliest cafés, 26. Cyberpunk infrastructure, 27. It's mod tailoring's last stand, 28. The most absurdly priced retail establishments on one block, 29. Religious experiences for cat lovers, 30. No need to leave the airport, 31. Porn shops are like video games with increasing levels of freakiness, 32. Water is just an excuse for the bridges, 33. Taste the teeniest, tiniest haute cuisine, 34. Behold the least impressive statue of a giant monster, 35. Apartments are like MC Escher drawings, 36. Its red-light district is the least dangerous, 37. You have to work for high-end tempura, 38. It's home to the world's best fashion chains, 39. The most bars per square-meter, 40. Cocktails are maniacally fresh, 41. The world's best service 42. You'll never see a more expansive sake list, 43. Onsen with the best feng shui, 44. Monumongous supercute mascot characters, 45. You can eat like a sumo wrestler, 46. The most prolific festivals, 47. The most fiscally reckless, visually spectacular fireworks displays

48. Vegan food fit for meat lovers, 49. The finest art cafes, 50. The best riverboat entertainment

Figure 1 Tokyo’s 50 attractions as reported by CNN

Source: http://www.cnn.co.jp/travel/35041240.html Last viewed on December 1, 2014

Table 2 Tokyo's ratings in international city rankings

Reviewer	Adobe Systems	Moncle	Mori Memorial Foundation	World Bank	Economist Intelligence Unit
Name of survey	Global Benchmark Study	Quality of Life Survey	Global Power City Index	DOING BUSINESS 2015	Best Cities annual liveability index
Year	2012	2014	2014	2014	2014
Evaluation viewpoint	Creativity	Ease of living from the standpoint of ordinary citizens	Comprehensive power of the city	Business environment (assessment of progress in deregulation etc.)	Liveability of the world's cities (basis of calculating corporate expats' benefits)
No. 1	**Tokyo**	Copenhagen	London	Singapore	Melbourne
No. 2	NY	**Tokyo**	NY	New Zealand	Vienna
No. 3	Paris	Melbourne	Paris	Hong Kong	Vancouver
No. 4	London	Stockholm	**Tokyo**	Denmark	Toronto
Tokyo Japan	No. 1	No. 2 No. 4 last year	No. 4	No. 29 Japan	N/A No. 6 in 2012
No. of subjects	5 cities	25 cities	40 cities	189 countries and regions	140 cities
Evaluation benchmark	None	8 axis	70 benchmarks	11 benchmarks	5 areas
Topics of evaluation for Tokyo/ Japan	By country, Japan > US > Germany > France >UK. Japan/Tokyo received high scores from European respondents	Public trans-port/road maintenance, availability of commercial facilities, low crime rate, more conveni-ent intl. flights	No. 8 (2013) → No. 6 for "Cultural Inter-action," No. 3 in comprehen-sive ranking emphasizing intangible values	Japan: No. 2 in resolving debt default, No. 26 in executing contracts, No. 122 in high-income tax payment	Dropping in liveability according to City liveability index since 2009 Paris> Tokyo>London> NY

Source:

- Adobe (2012) State of Create Global Benchmark Study
- Monocle (2014) Film Affairs quality-of-life-survey
- Mori Memorial Foundation (2014) Global Power City Index
- World Bank (2014) DOING BUSINESS 2015
- The Economist (2014) Daily chart The best places to live, Aug 19th 2014

For example, the American all-news channel CNN reported the attractiveness of Tokyo in light of the decision on the Tokyo Olympics in a report entitled “50 reasons Tokyo is the world's greatest city” in January 2014. (Figure 1)

(Characteristics of international rankings)

These city rankings are made with the reviewers’ respective evaluation standpoint, therefore are not necessarily comparable. Many of those who run a business or work or live in the cities feel a sense of discomfort in the act of ranking the cities and comparing the results to begin with. Furthermore, many of the rankings are making the evaluation mainly based on the business environment and lack the perspectives that are important to ordinary citizens such as the city’s cleanliness, safeness, attractiveness, and maturity of its culture, convenience, and attractiveness of urban living all of which Tokyo offers. For example, as can be seen in Table 2, Tokyo ranks No. 1 or No. 2 in the world in the rankings that value the city’s creativity or ease of living.

Going forward, quality will be demanded of the cities and “comfortableness” will become an important perspective. (Nikkei, 2014, Aoyama) From this standpoint, Tokyo has an extremely high-level city management system compared to the world and can boast its advantages not only for business but as a comprehensive international city. Moreover, Tokyo is a city that is safe, comfortable, and nice to live in from a global perspective. We hope that urban policies and city diplomacy that will strengthen the position of Tokyo as a mature international city and contribute to its development will be further promoted.

1-3 The involvement of the real estate industry in hosting the Tokyo Olympics

(Demand for accommodation facilities with the Tokyo Olympics)

With the hosting of the Tokyo Olympics, the Tokyo metropolitan government, according to its interim report on its long-term vision, aims to attract 15 million travelers in the year 2020 when the Games will be held and another 18 million travelers in the year 2024, which would be approximately triple the actual number of travelers in 2013 which was 6.81 million. (Tokyo Metropolitan Government, Bureau of Urban Development, 2014: Zennichi Academy Seventh Subcommittee materials) Specifically in regards to the Tokyo Olympics, it is anticipated that travelers of various classes from all over the world will visit Japan. Several private research companies have made projections that there is not a large deficiency in hotel sufficiency and that there should be no major shortage of lodging facilities. (Development Bank of Japan, 2014) Meanwhile, looking at the Tokyo metropolitan government's tourism survey, media report on the realities of foreign tourists' visiting Japan during and after the FIFA World Cup co-hosted by Japan and South Korea (NHK, 2013), and academic study on foreign tourists (Suzuki, 2011), there is the possibility that the supply of cheap discount hotels that will likely accommodate backpackers who enjoy long-term discount-stay travel, may be insufficient.

(Realities of foreign tourists' visit to Tokyo)

According to the Tokyo metropolitan government's survey on behavioral characteristics of foreign tourists by country (2013), the purpose of visiting Tokyo is, in general, for tourism (55.8%) rather than for business (32.3%.) (Figure 2) Furthermore, most are travelling either individually (25.6%) or in small groups of consisting of a few persons ("with spouse" 13.1%, "with family/relatives" 20.4%, "with colleagues" 21.3%, "with friends" 18.7%) as opposed to in a large group (Figure 3) and many of them did not go through travel agencies but had made arrangements individually (73.3%) (Figure 4) using the internet for example. As for the number of nights stayed (Figure 5), the biggest group was those who stayed approximately one week (32.4%) followed by those who stayed for the short-term, although the ratio of those who stayed seven nights or more was also high at 16.6%. In particular, Europeans and Americans tended to stay for the long-term with the ratio of long-term travelers being 38.0% for travelers from France, 31.8% for travelers from Spain, 28.9% fir travelers from the U.K., 27.2% for travelers from Canada, 25.8% for travelers from Germany, and 25.7% for travelers from Italy. As for tourists from Taiwan, Hong Kong, Thailand, Singapore, Spain, Australia, and Canada, the percentage of those visiting Tokyo for tourism is higher, accounting for approximately 70%, than those visiting for business purposes. Even among the abovementioned Europeans and Americans whose length of stay is one week or more, the purpose of visit is almost half-half between business and tourism as opposed to long-stays for business purposes accounting for an extremely large portion, implying that further demand can be expected for long-stay tourism as well.

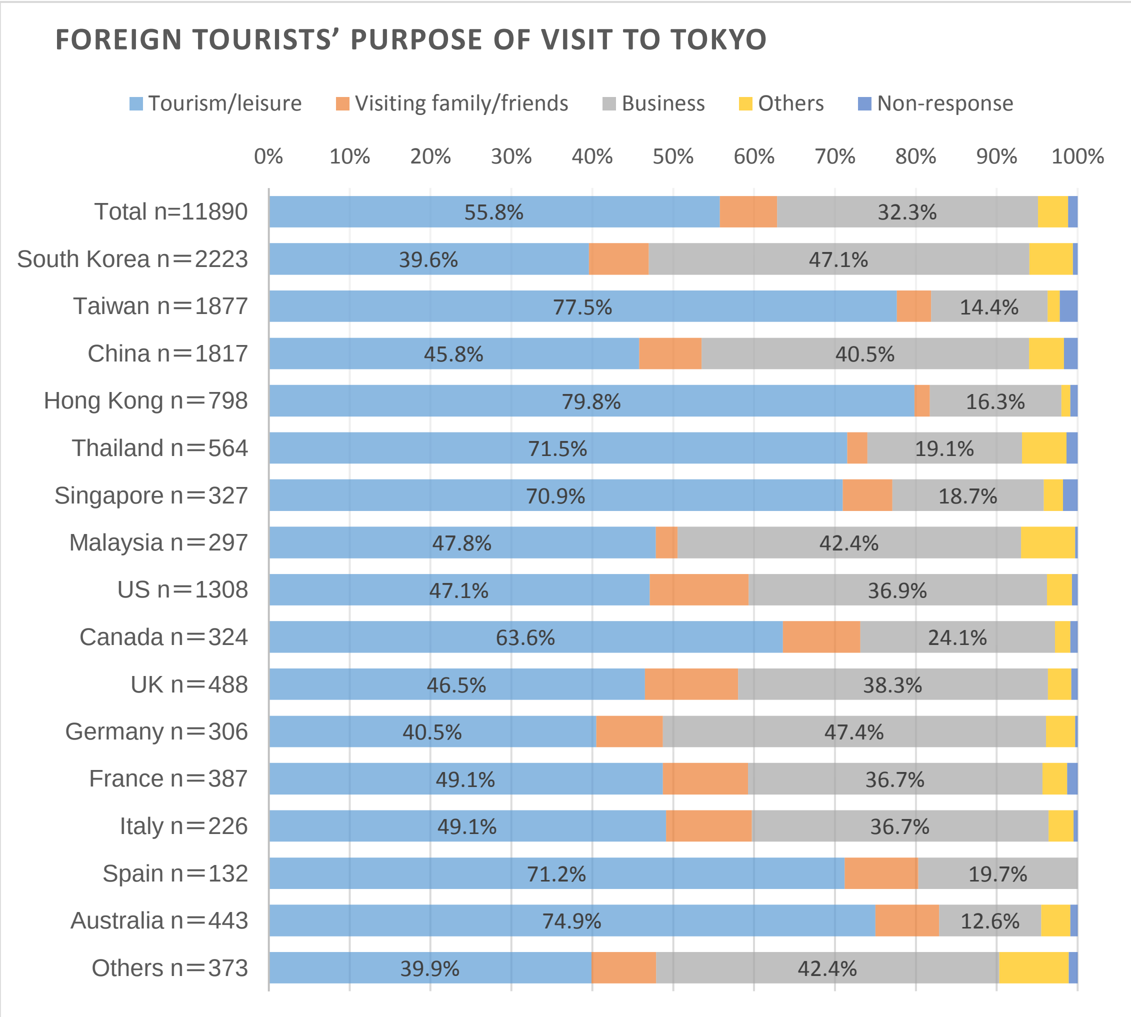
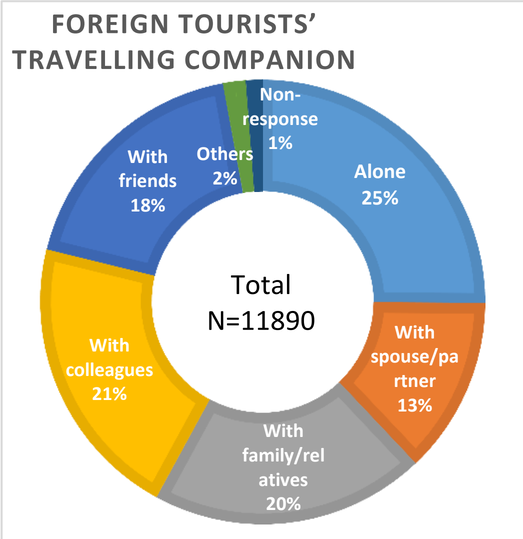


Figure 2 Foreign tourists' purpose of visit to Tokyo

Prepared from the Tokyo metropolitan government's survey on behavioral characteristics of foreign tourists by country (2013)



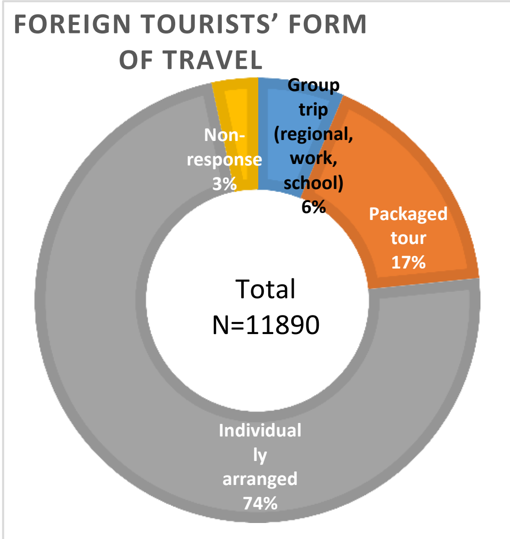


Figure 3 Foreign tourists' travelling companion

Figure 4 Foreign tourists' form of travel

Prepared from the Tokyo metropolitan government's survey on behavioral characteristics of foreign tourists by country (2013)

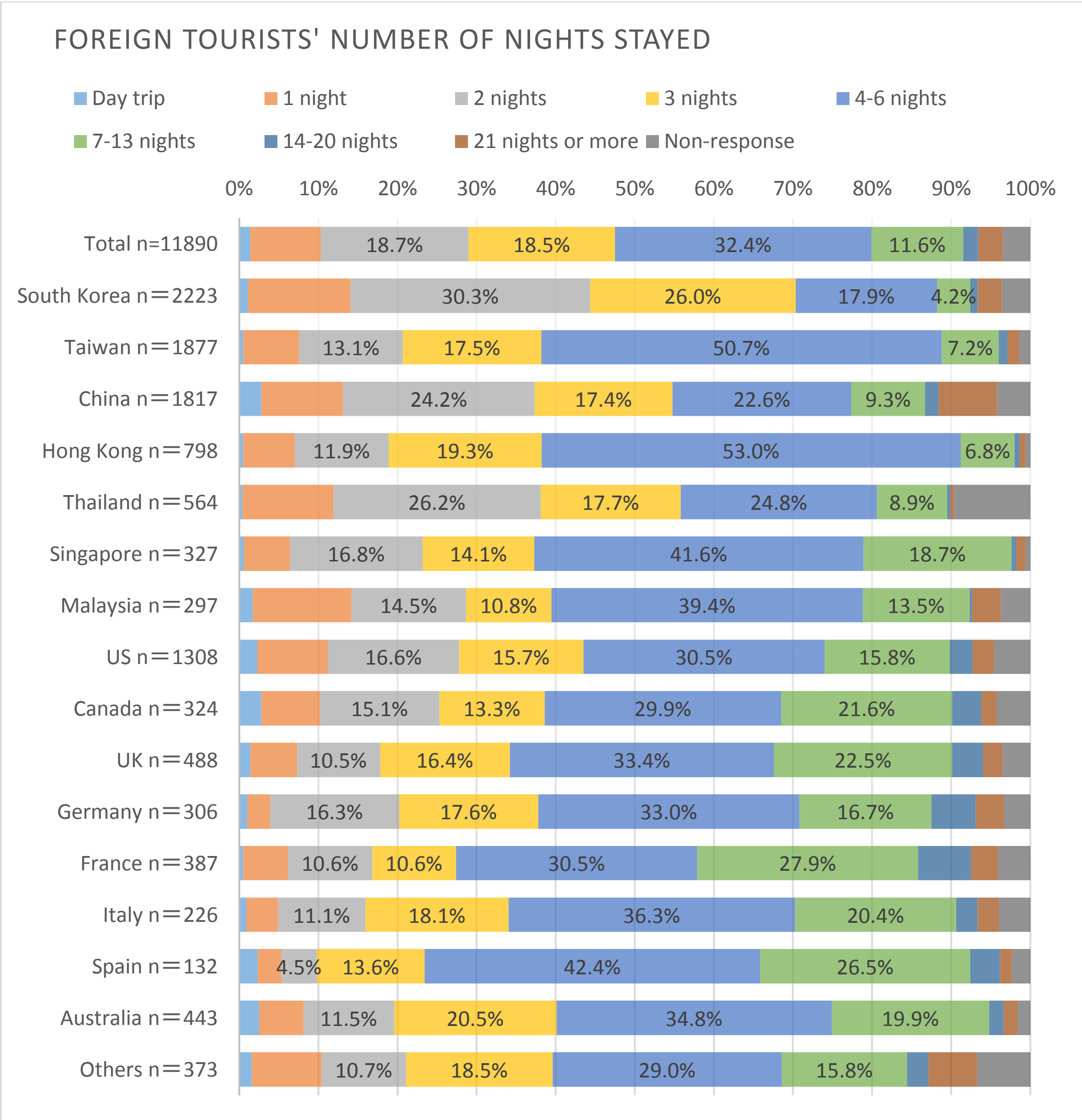


Figure 5 Foreign tourists' number of nights stayed
Prepared from the Tokyo metropolitan government's survey on behavioral characteristics of foreign tourists by country (2013)

As for the place of lodging (Figure 6), until now, hotel stays dominated accounting for 80.5%. One idea to attract various travelers visiting Tokyo for tourism may be to promote long-stay. For this purpose, it is important that there is a wider selection of cheap and safe lodging.

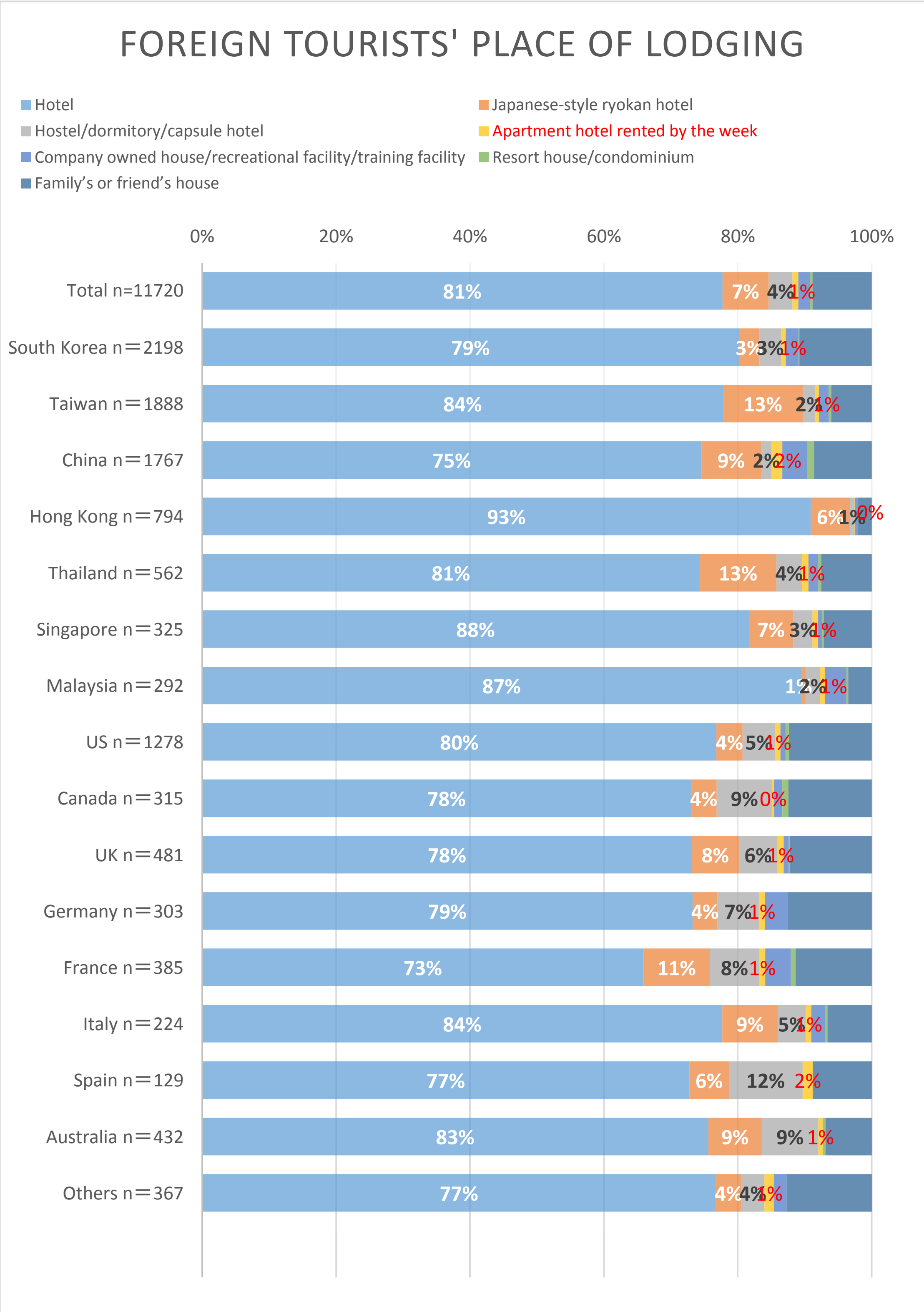


Figure 6 Foreign tourists' place of lodging
Prepared from the Tokyo metropolitan government's survey on behavioral characteristics of foreign tourists by country (2013)

(Supplying lodging facilities for long-term discount-stay travelers)

In order to broaden the options for discount lodging that is safe, clean, and comfortable, one idea may be to utilize the many vacant rooms in rental buildings that can be found in Tokyo. It would be effective to temporarily offer these vacant rooms to long-stay travelers as a place to stay. Especially in the National Strategic Special Zones, exemptions from the Inns and Hotels Act have been granted as one of the deregulations and it was made possible to use vacant houses and vacant rooms in apartment buildings as lodging facilities. If such deregulation of the Inns and Hotels Act and other laws is extended to outside the special zone, it would be totally feasible for the All Japan Real Estate Association, based on our track record of housing mediation support for disaster victims, to apply it as a city-wide effort to support the Tokyo Olympics.

Recently, individuals are opening up their vacant rooms to foreign travelers to receive them as guests. This has led to the emergence of troubles and social challenges. (Asahi Shimbun, January 18, 2015). To be more specific, the points at issue include violation of the Inns and Hotels Act, challenges related to safety and security, problems of infectious disease involving food for example, troubles with the management association in the case of staying at apartments, or not being subject to regulations because the dweller would be considered as having “moved his or her place of living to Japan” and therefore the Inns and Hotels Act would not be applicable in the case of homestays. To counter these concerns, the All Japan Real Estate Association is capable of providing a stable supply of lodging facilities as a professional real estate provider.

It is also possible to create an environment to provide rooms for rent to travelers after the Tokyo Olympics, applying the experience during the period of the Olympics. These activities will lead to effective utilization of vacant houses and rooms and may even become an example of activating the second hand market.

The consent of the property owner is essential to such activities but by having the broker mediate between the owner and the tenant (in this case the traveler), there is the possibility that the needs of both sides can be matched.

2 Real Estate Transactions by Foreigners in Tokyo

2-1 Real estate transactions by foreigners according to government statistical surveys

(Realities of the situation with real estate transactions by foreigners)

With expectations for an increase in land prices for central Tokyo ahead of the Tokyo Olympics, Asia's wealthy are buying more apartment houses in Tokyo for investment purposes. (*The Nikkei*, November 27, 2014) While the ratio of contracts concluded is declining in light of rising prices of new properties due to soaring construction costs, "foreign investors are making purchases and more and more peoples are considering buying secondhand properties mainly in the urban area that are comparatively low-priced." (*The Nikkei*, November 21, 2014)

Foreign investors are purchasing apartments in the central area of the city not only to earn revenue from renting them out but also with an eye on the possibility of selling them in the future. Economic situations, such as the fact that the yen's depreciation has made Japanese property affordable, that investment opportunities have diminished in Taiwan and Hong Kong as real estate prices have soared, and that it is no longer possible to expect previous levels of return on investment in China, which had been a favored destination, are affecting the behavior of foreign investors purchasing apartments in the city center.

According to the results of the Questionnaire Survey of Foreign Investors disclosed by the Ministry of Land, Infrastructure, Transport and Tourism in August 2014, Japan's rating as a an investment destination among foreign investors was high for its "size of the real estate market" (45.9%), "stability of the systems relevant to real estate investment" (41.5%), "level of real estate investment risks" (40.2%), and "liquidity of the real estate market" (39.9%) in that order. On the other hand, its rating for the "extent of incentives for real estate investment such as preferential tax treatments" (11.7%) and "variety of products (properties) in the real estate market" (18.1%) resulted to be low. Particularly in comparison with Asian countries excluding Japan, the rating of Japan was high for its "stability of the systems relevant to real estate investment" implying that it is highly valued for the maturity of the market overall.

In terms of existing investments, the highest scoring investment target was "actual properties" (62.7%) followed by "investments in private placement funds" (27.5%), "real-estate backed credits" (23.5%), and "J-REIT" (17.6%) and the reality can be seen from these results as well that foreign investors are actually buying up properties.

If Tokyo becomes even more international than it is now, we can expect that the number of foreign property owners and residents of real estate will rise. The real estate industry does not have sufficient experience in handling real estate transactions for foreigners in the Tokyo market, and it is necessary to further discuss how to understand in an adequate and timely manner the realities of real estate transactions by foreigners, to prepare the environment for promoting smooth business exchanges, to anticipate problems that may arise, and to come up with measures to prevent them in advance.

(Realities of foreign residents in Tokyo)

Not only are real estate investments by foreigners rising but the number of foreigners living in Tokyo is also increasing year by year. The Japanese government, in its growth strategy of July 2013, announced that National Strategic Special Zones will be created in order to improve Tokyo's international competitiveness by 2020 and specifically mentioned that topics such as the "promotion of urban habitation," "enhancement of medical treatment for foreigners by foreign doctors," and "conditions to approve the establishment of international schools" will be reviewed for deregulation or system reform as priority matters. Tokyo has been designated as the Special Zone for Asian Headquarters to accelerate the receiving of foreigners going forward. If these measures are put in practice, the number of foreign residents in Tokyo, mainly in the central area, may skyrocket.

In fact, looking at the trends of the number of foreign residents based on the number of foreign residents disclosed by the Ministry of Justice, among all municipalities in Japan, Shinjuku city has the largest population of foreigners. (Table 3) (Figure 7) (Figure 8) (Figure 9)

By age group, foreigners account for 29.8% of Shinjuku City's population aged 20 to 24. This means

Table 3 Top 100 municipalities with the largest numbers of foreign residents
Based on the Statistics on Foreign National Residents compiled by the Ministry of Justice (2014) June figures

Top 100 municipalities with the largest numbers of foreign residents (extraction of municipalities of Tokyo)

Rank in Tokyo	Rank in Japan	City	Total
1	1	Shinjuku City	36,158
2	3	Edogawa City	24,929
3	5	Adachi City	23,600
4	6	Koto City	22,746
5	7	Toshima City	20,801
6	8	Minato City	19,706
7	9	Ota City	19,472
8	10	Itabashi City	17,763
9	12	Arakawa City	16,070
10	13	Setagaya City	15,856
11	14	Kita City	15,441
12	16	Katsushika City	14,770
13	19	Nerima City	13,492
14	20	Taito City	13,458
15	23	Nakano City	11,971
16	27	Suginami City	11,325
17	28	Shinagawa City	11,068
18	33	Sumida City	9,724
19	34	Shibuya City	9,541
20	35	Hachioji City	9,472
21	46	Bunkyo City	7,606
22	51	Meguro City	7,414
23	79	Chuo City	5,401
24	93	Machida City	4,984

***As of June 2014 (from the Statistics on Foreign National Residents compiled by the Ministry of Justice)**

***There were 2,736 residents in the Chiyoda City as of June 2014.**

that the reality is, a third of Shinjuku City's residents in their early 20s are foreigners. In Tokyo, Edogawa City, Adachi City, Koto City and Toshima City have a large number of foreign residents following Shinjuku City. By nationality (Figure 10), China accounts for approximately 40%, South Korea for approximately 20%, Philippines for approximately 7%, the United States for approximately 4%, and Taiwan for approximately 3%. The number of Chinese residents in Japan has been increasing since the Nagano Olympics. (Figure 11) (Figure 12) (Figure 13)

The abovementioned class of foreign residents does not necessarily overlap with the class purchasing real estate or with the group of businessmen who will be received at the special zone, but reflects the diverse groups of foreigners including the working class and students.

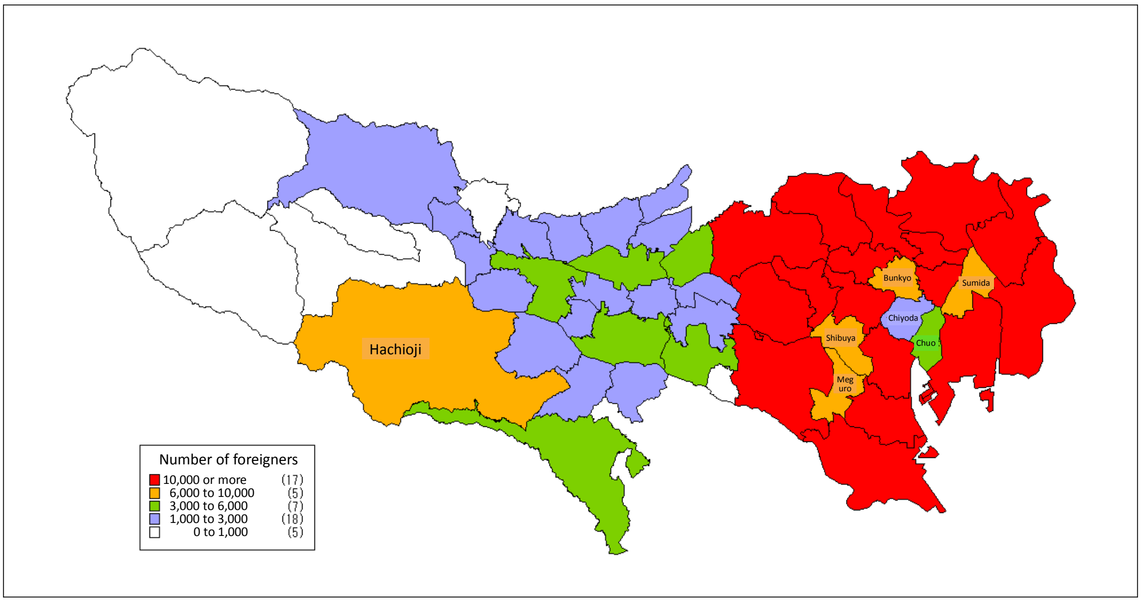


Figure 7 Total numbers of foreign residents in Tokyo

Based on the Statistics on Foreign National Residents compiled by the Ministry of Justice (2014) June figures

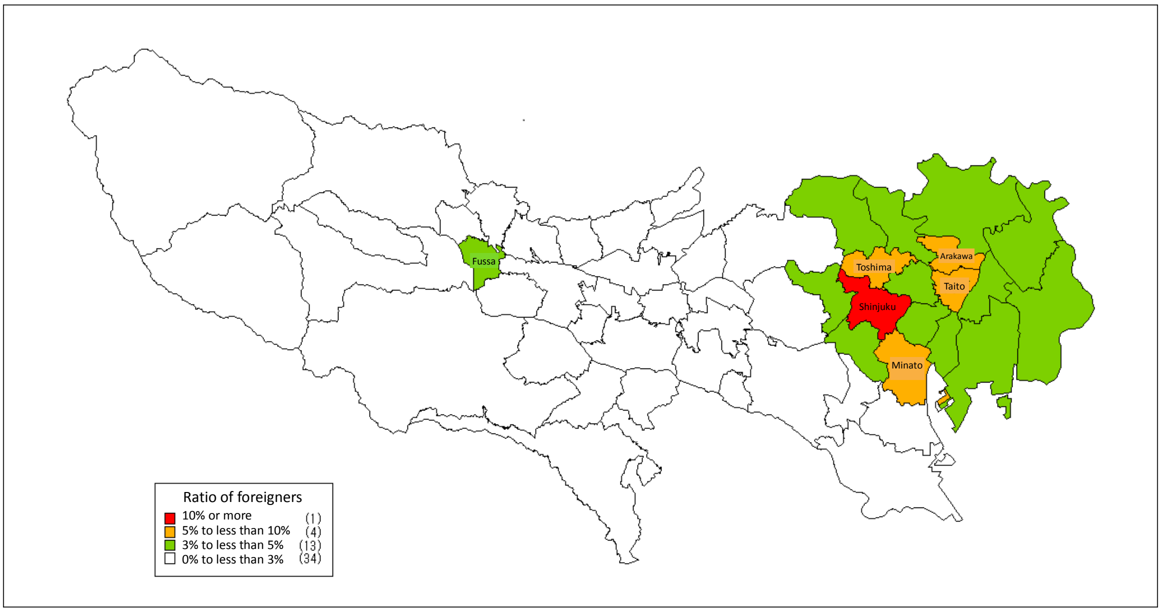


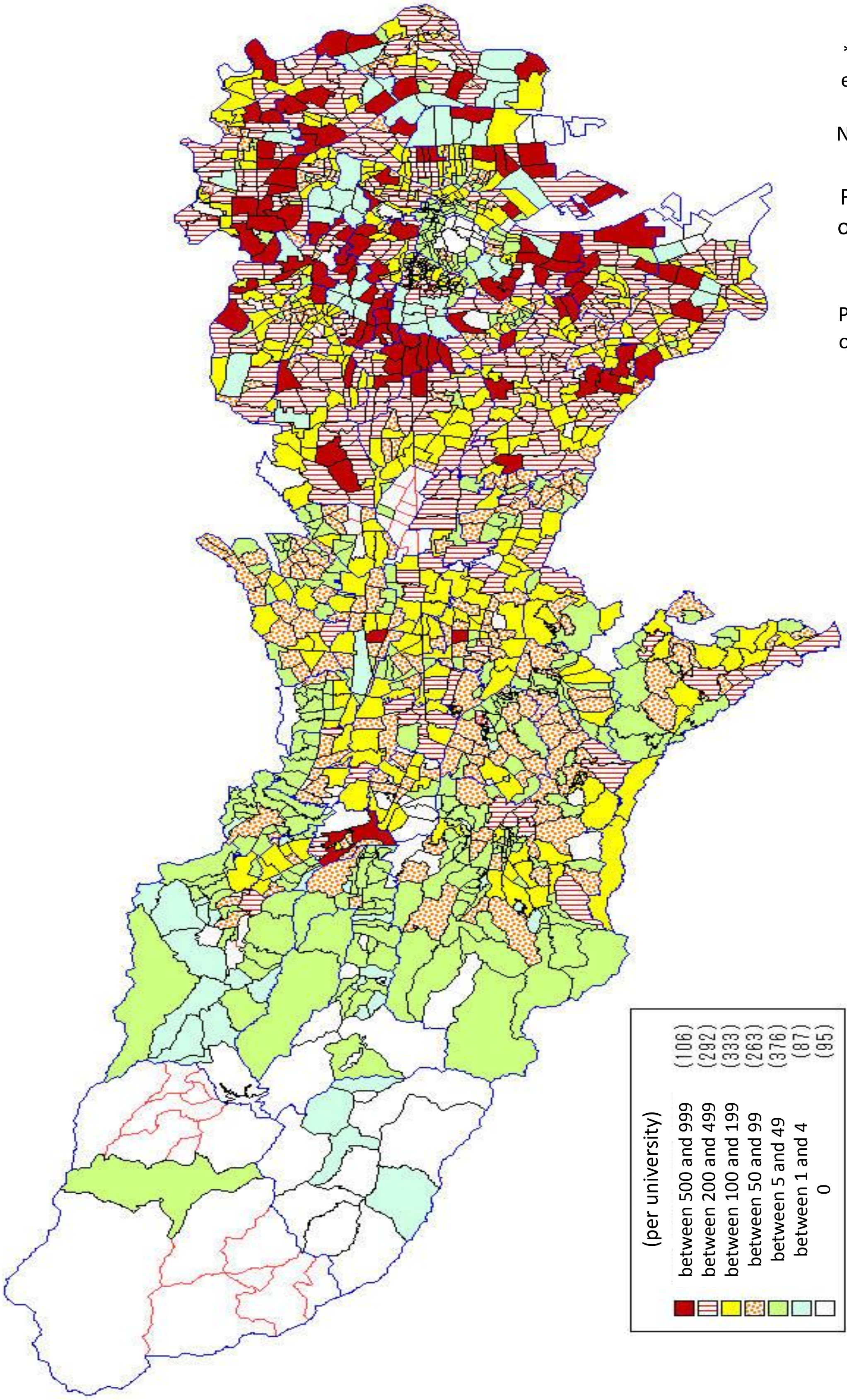
Figure 8 Ratio of foreign residents in Tokyo (proportion of foreign residents to Japanese residents in the respective municipalities)

Based on the Statistics on Foreign National Residents compiled by the Ministry of Justice (2014) June figures

* Compiled for each university based on the National Census for 2010

Figure 9 Place of residents of foreigners in Tokyo

Prepared based on the National Census 2010



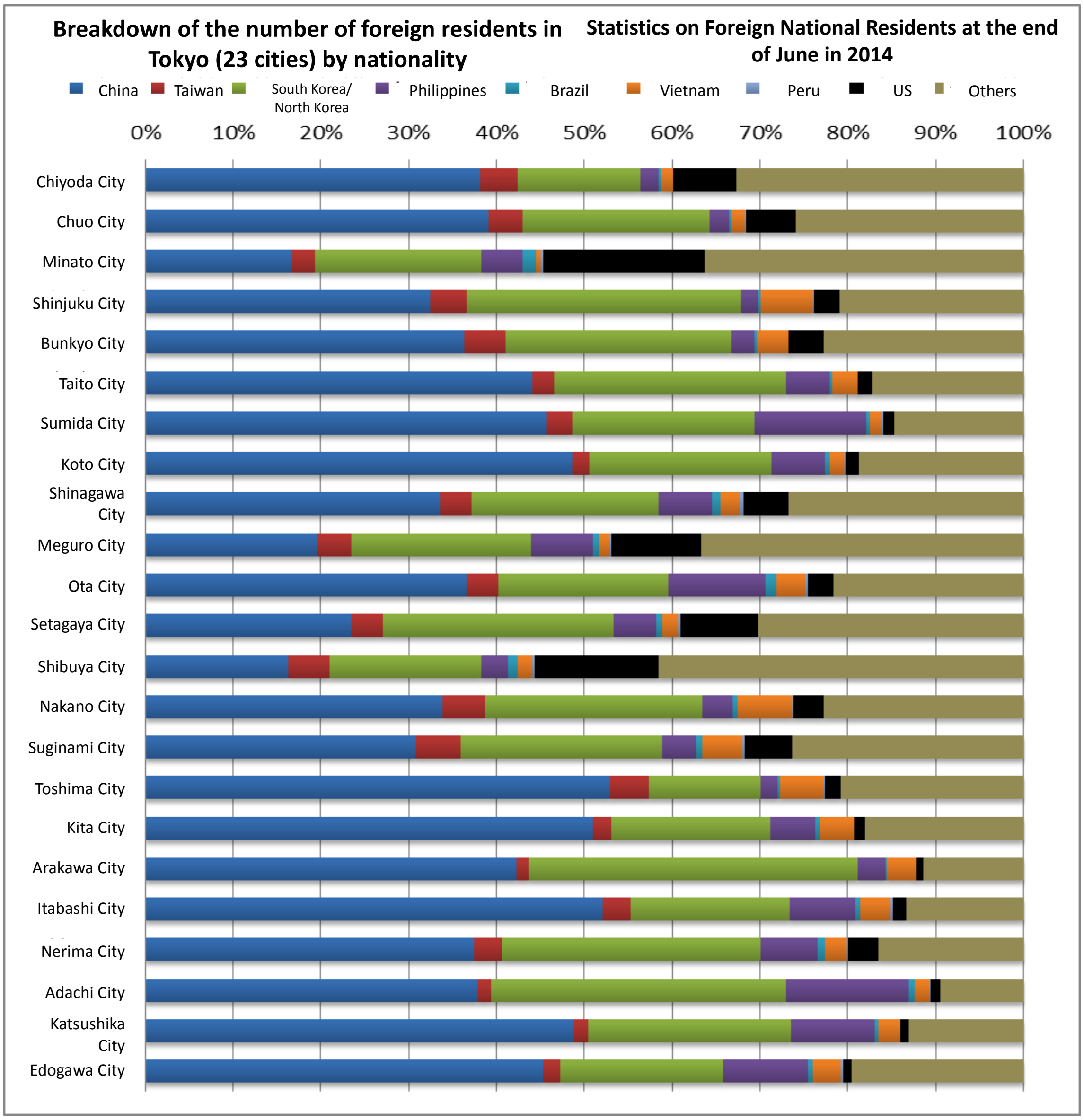


Figure 10 Breakdown of the number of foreign residents in Tokyo (23 cities) by nationality

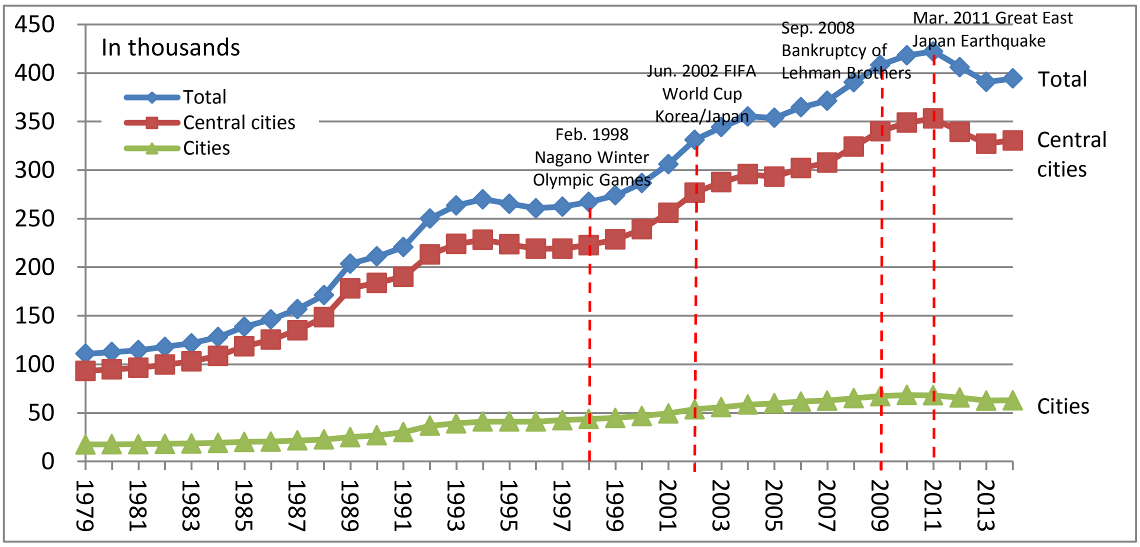


Figure 11 Changes in the total number of foreign residents

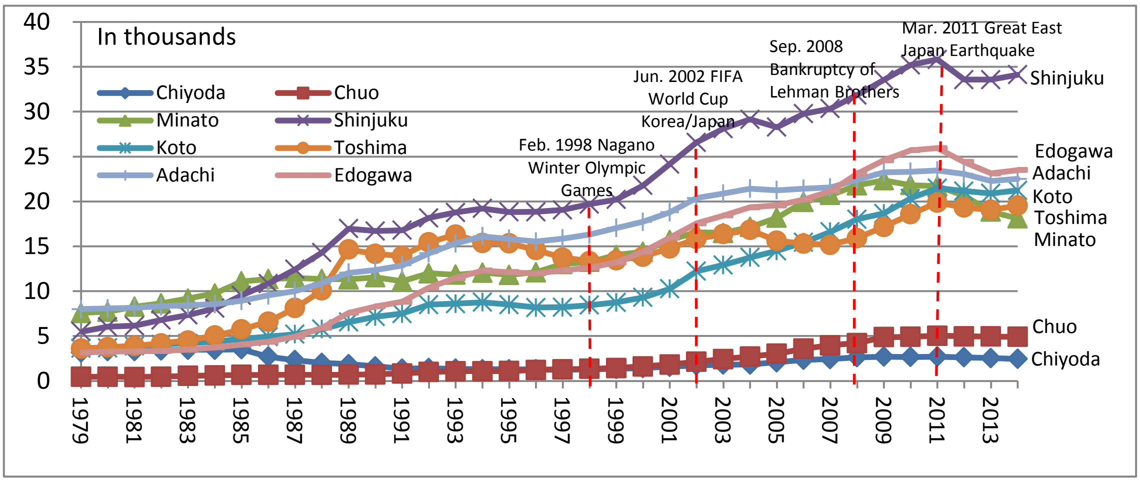


Figure 12 Changes in municipalities where the number of foreign residents has been increasing

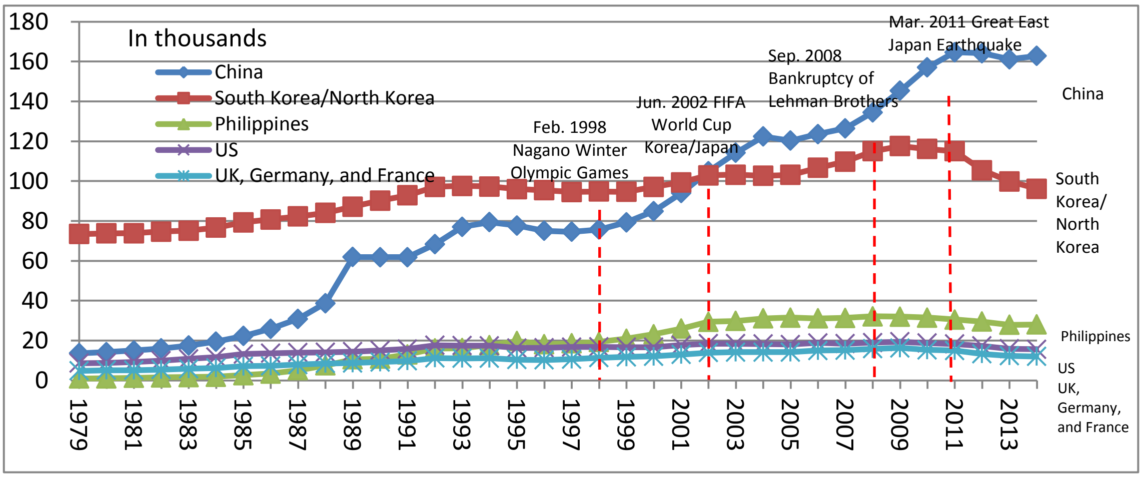


Figure 13 Changes in the number of foreign residents in Japan by nationality

Figures 10, 11, 12 and 13 are based on the Statistics on Foreign National Residents compiled by the Ministry of Justice (2014) June figures

2-2 Real estate transaction by foreigners as seen in the surveys among the members of the All Japan Real Estate Association

(Questionnaire surveys among the members of the All Japan Real Estate Association)

To understand the realities of real estate transactions by foreigners in Tokyo's real estate market, the Academy has conducted two types of surveys. First, in order to grasp the overall trends, a questionnaire survey among members entitled Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners (Zennichi Academy, 2014) was conducted and responses were received from 424 companies. (Conducted in December 2014) Furthermore, to learn more about individual and specific cases, an interview regarding the current situation of transactions with foreigners was conducted with a member that recently established a Japanese subsidiary with capital from Taiwan that has real estate transactions with customers mostly from Taiwan. Additionally, another interview was conducted with a judicial scrivener offering services related to real estate transactions with foreigners regarding the current situation and challenges of real estate transactions with foreigners and points to be noted going forward.

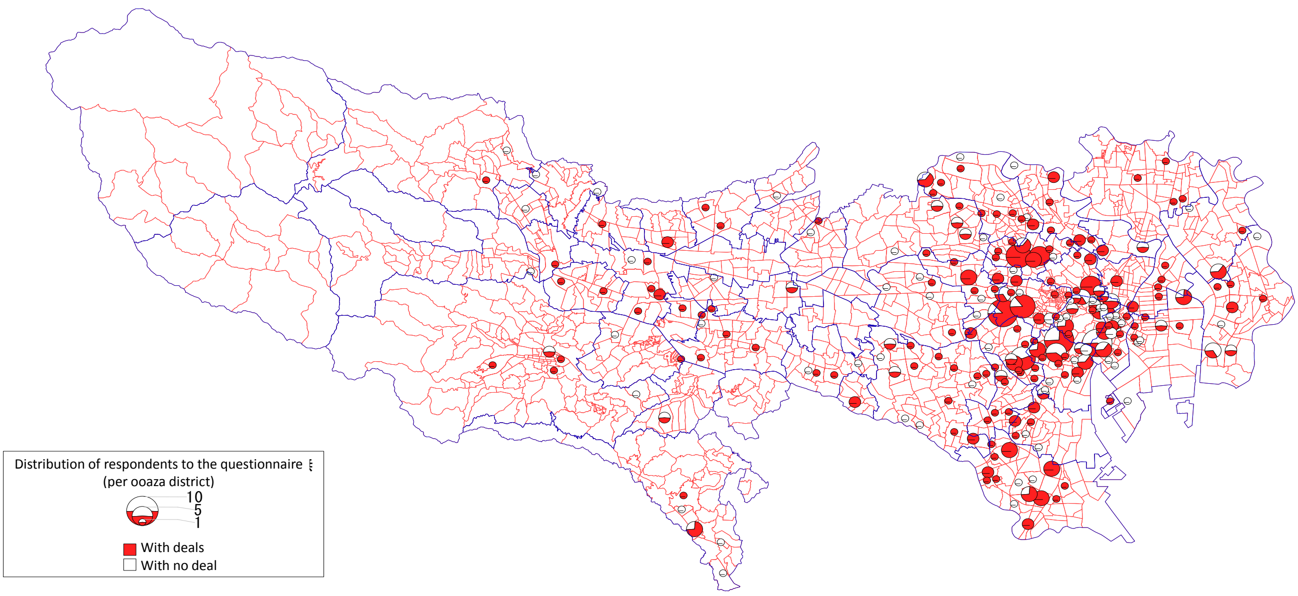


Figure 14 Distribution of respondents to the questionnaire

Zennichi Tokyo Academy (2014)

Compiled from the results of the Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners

Based on the results of the questionnaire survey among members, approximately 68% have had real estate transactions with foreigners (brokering sales or rents, seller, landlord) (Figure 15), and since 2008, the number of agents that have initiated transactions has been rising (Figure 17). As for the breakdown of the types of transactions (Figure 16), those in which the buyer of the property is a foreigner accounted for 31%, while those in which they are the tenant accounted for 47%, and the most common use of the property in the case of both purchased or rented properties were for housing, accounting for 70% of properties sold and 60% of leased properties. Looking at the housing properties involved in such deals, apartments accounted for approximately twice as much as houses in the case of sales and purchases (Figure 18), while it accounted for approximately five times as much in the case of leased properties (Figure 19). As for the location of the properties involved (Table 4), the number of transactions was high in Shinjuku City > Minato City > Setagaya City and Ota City > Toshima City > Shibuya City > Chuo City and Itabashi City > Bunkyo City > Nakano City > Edogawa City > Chiyoda City and Sumida City, and Shinagawa City in that order indicating that such deals are concentrated in the city district.

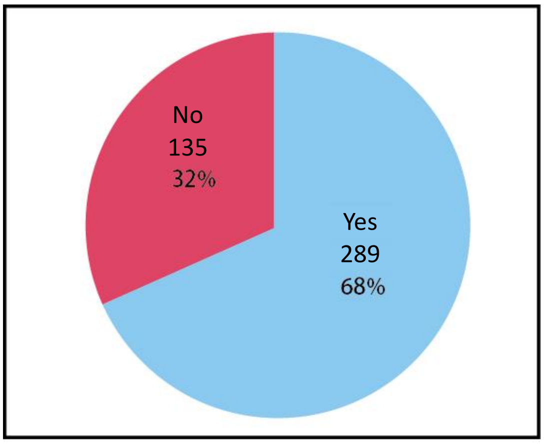


Figure 15 Does the member have real estate transaction with foreigners?

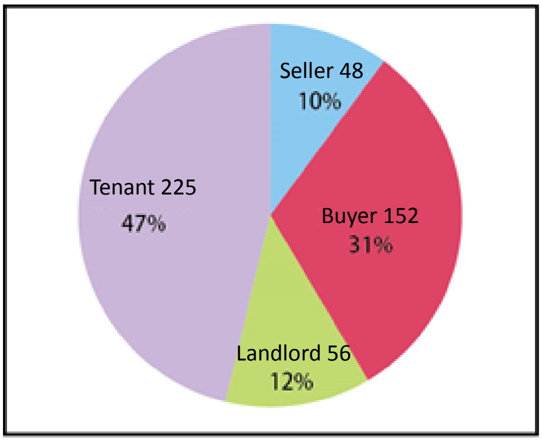


Figure 16 Attribute of the foreigners party to the deal

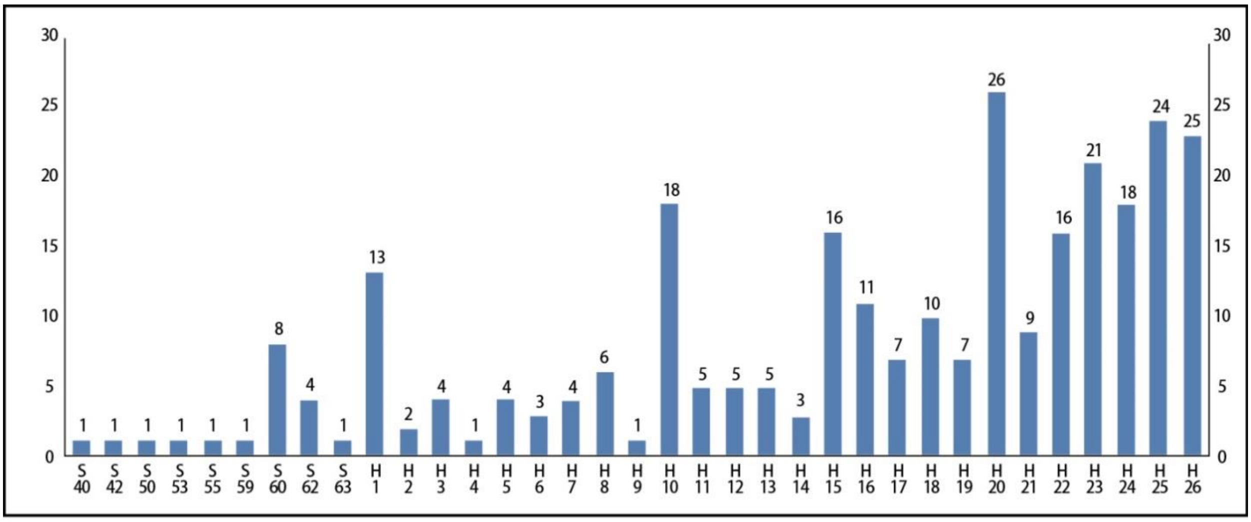


Figure 17 Year member initiated real estate transactions with foreigners

Figures 15, 16 and 17 - Zennichi Tokyo Academy (2014)
Compiled from the results of the Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners

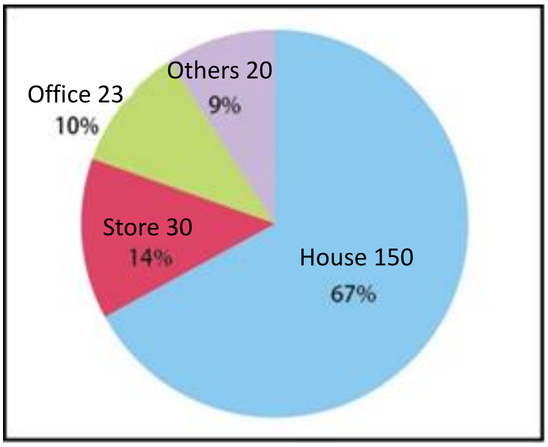


Figure 18 Breakdown of properties involved in transactions with foreigners (sales)

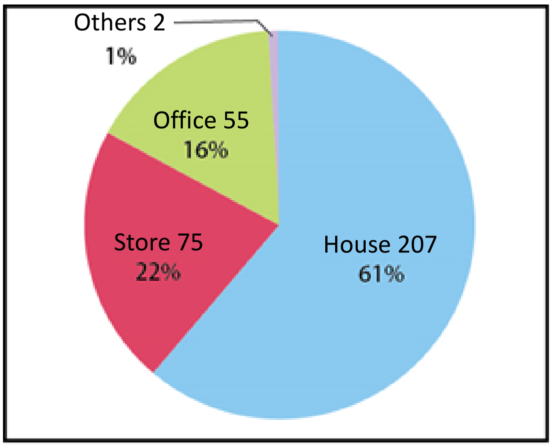


Figure 19 Breakdown of properties involved in transactions with foreigners (rent)

Figures 18 and 19 - Zennichi Tokyo Academy (2014)
Compiled from the results of the Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners

Table 4 Location of properties subject to transaction with foreigners

41 companies	Shinjuku City	17 companies	Chuo City Itabashi City	9 companies	Taito City	4 companies	Machida City
37 Companies	Minato City	14 companies	Bunkyo City	8 companies	Katsushika City	3 companies	Chofu City
27 Companies	Kanagawa Prefecture	12 companies	Nakano City		Suginami City		Musashino City
24 companies	Tokyo Metropolis		Edogawa City		Kita City		Fuchu City
22 Companies	Setagaya City		Chiba prefecture	7 companies	Arakawa City		Musashi Murayama City
	Ota City	11 companies	Chiyoda City		Nerima City	2 companies	Kokubunji City
21 companies	Toshima City		Sumida City	6 companies	Suburban Tokyo		Tama City
20 companies	Saitama Prefecture		Shinagawa City		Adachi City		Higashi Yamato City
18 companies	Shibuya City				Hachioji City		

*1 company: Kokubunji City, Komae City, Nishi Tokyo City, Tachikawa City, Higashi Kurume City, Akishima City, Ome City, Nishi Tama District, Hamura City, Fussa City, Hokkaido, Kita Kyushu City in Fukuoka Prefecture, Mito City in Ibaraki Prefecture, Niigata Prefecture, Nagano Prefecture, Shizuoka Prefecture, Tsu City in Mie Prefecture, Kyoto Prefecture, Osaka Prefecture,

Referecne

Major locations of properties outside Tokyo Metropolis

Chiba: Kashiwa City, Matsudo City, Abiko City, Chiba City, Narita City, Ichikawa City

Saitama: Toda City, Sayama City, Wako City, Urawa City, Saitama City, Niiza City

Kanagawa: Yokohama City, Yamato City, Hakone, Sagamihara City, Kawasaki City

Zennichi Tokyo Academy (2014)

Compiled from the results of the Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners

As for the nationalities of the foreigners that are party to the transactions (Figure 20), Asians accounted for 65%, of which those from China > Taiwan > South Korea accounted for the most in that order followed by other Asian nationals.

Looking at the number of transactions with foreigners within the last two years (Figure 21), although the ratio of agents who responded that the number of transactions has increased was 41% which is less than half, the number of agents who expect the number of real estate transactions with foreigners will increase accounted for as much as 78%. (Figure 22)

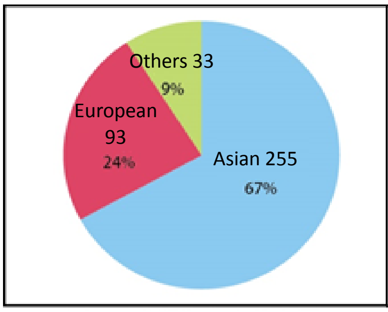


Figure 20 Changes in the number of transactions in the past two years

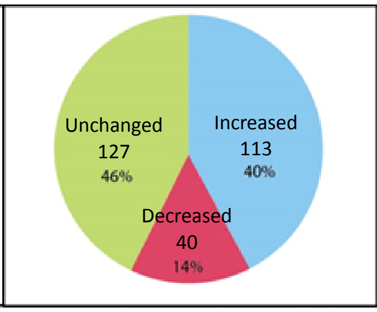


Figure 21 Expected changes in the number of property transactions with foreigners going forward

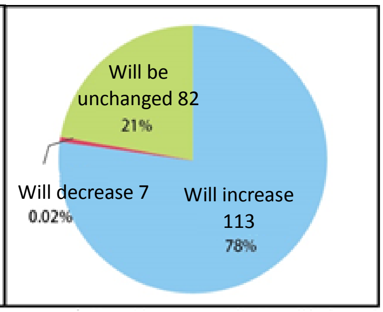


Figure 21 [Nationwide] Changes in the total number of housing and vacant dwellings

Figures 20, 21 and 22_ Zennichi Tokyo Academy (2014)
Compiled from the results of the Questionnaire Survey on the Realities of Real Estate Transactions with Foreigners

The specific reasons behind their expecting transactions to increase going forward are as follows.

<u>A Actual sense gained through practice</u>

- The number of inquiries and visits by foreigners as well as the number of deals and contracts signed are increasing
- The number of brokers who are foreigners is increasing and it is foreseen that there will be more deals with those with the same background
- With the introduction of the lease guarantee system, the hurdle of securing a guarantor has been lowered and there has been a rise in the number of properties rented to foreigners

<u>B Domestic situations</u>

- Real estate investments by foreigners have increased due to the weaker yen and heightened expectations for the Japanese economy after the decision on the Tokyo Olympics
- The stability of the Japanese real estate market and credibility of financial

institutions are valued highly by foreigners and financial institutions are enhancing loan products for foreigners

• The number of foreign visitors to Japan is increasing in light of tourism policies and deregulations of visa restrictions

• With Japanese companies expanding into foreign markets, opportunities for those abroad to access specific information on real estate investments in Japan have increased and it has become easier for individuals to purchase or invest in real estate

C　Foreign situations

- Deterioration of the economic situation and real estate market in Asian countries
- Increase in the number of wealthy people in Asian countries

On the other hand, responses expecting real estate transactions with foreigners "will decline" or that there will be "no change" were as follows.

According to the specific responses, the reasons behind the belief that real estate transactions with foreigners "will decline" was the strong intention of the Japanese people who are the counterpart of the transactions, such as (1) the willingness of the landlord or (2) the willingness of the broker, that agents felt as their actual sense gained through practice.

Their belief that there will be no change in the volume of real estate transactions with foreigners was based on their

"A. Actual sense gained through practice" from the fact that "there are already regular deals with universities, etc., and it is thought that there would be not that much increase or decrease" and the "B. Domestic situations" in light of the (1) economic situations and (2) earthquakes and the climate of Japan (including the customs of living) prompting them to project that there would be no change in the rise or fall of the number of foreigners to begin with."

As for issues related to real estate transactions with foreigners that are currently troubling agents, there were the following responses.

A　Language issues

- It is difficult to have important exchanges related to the contract, such as explaining or collating by reading out the contract and disclosure statement
- It is difficult to have a conversation or to explain orally therefore there are difficulties in explaining general matters and procedures

- There is much more work involved in preparing a foreign language contract, related materials and documents that become necessary because of items that cannot be explained orally

B Differences in the customary practices at the time of signing a contract

- Because of differences in the real estate terminology and customary practices, there is more work involved in explaining general matters. In particular, it is difficult to explain the necessity of real estate registration and the various payments such as that of levy money, brokerage fees, deposit money, settlement at the time of vacating and renewal fees
- It is difficult to secure a guarantor (such as in the case that the screening by the guarantee company is strict)

C Differences in daily manners and customary practices

- There are problems arising from the differences in daily manners, housekeeping, and the usage of the property and equipment
- There are problems arising from differences in social morals (arrears, keeping promises, or being on time)
- There are difficulties to pay the cost for restoring the original state in case the property was misused and the lessor would not pay deposit money or settlement at the time of vacating

D Cost issues

- There are difficulties in selecting the bank for the transaction
- The cost of bank transfer is high (expensive charges for remittance, longer time requirements for procedures)
- Payments are often made on behalf of the lessor and in most cases the source of funds is unclear
- There are differences in recognitions of payment of taxes and various expenses (little awareness of necessity to pay or low morals)

E Others

- Building are used in ways that are not stated in the contract without prior consent or in ways that are illegal (subleasing, using as company house for employees or as a sex trade shop)

As for general improvements that are required in order to have smooth real estate transactions with foreigners in light of the abovementioned challenges, the following responses have been received.

A　Prepare to meet the needs for multi-lingual requirements

- Considering the fact that visitors from Asian countries have been increasing in recent years, prepare various documents, signs, pamphlets, and manuals in multiple languages and make templates available for free distribution or downloadable
- Enhance translation services as an oral explanation is important at the time of concluding the contract and for daily management

B　Reviewing the contract procedures and ways of fund procurement

- Establish housing loans that can be used by foreigners without the right of permanent residence or relaxing financing regulations
- Enable payment by credit card of items such as administrative fees and maintenance fees for building repairs
- Make the procedures for real estate registration and issuing of personal ID more efficient, enhancing ways of fidelity guarantees

C　Lifestyle habits

- Thoroughly promote the understanding of foreigners on the proper way of using the property and equipment, housekeeping, daily manners (not only by distributing documents or posting notes but set up opportunities to explain directly)
- Enhance the coverage of guarantee for the use of leased property, support the costs to restore original state in particular

D　Other

- Consider restricting acquisition of land of importance for national defense
- Provide contact points for administrative assistance for landlord protection including the development of laws to define the requirements for eviction or strengthen enforceability in case of forced eviction due to illegal use

(Interview with a member of the All Japan Real Estate Association)

An interview was conducted on real estate transactions with foreigners with a member of the All Japan Real Estate Association that recently established a Japanese subsidiary with capital from Taiwan to study the realities of transactions with customers mainly from Taiwan. The findings from the interview with the Taiwanese broker are as follows.

◊ Findings from the interview with the Taiwanese broker

(1) A major Taiwanese firm providing real estate related services to customers from Greater China established a Japanese company in 2009 in Tokyo offering brokerage, investment environment information, and administrative maintenance services for properties in Tokyo.

(2) The company organizes information sessions on real estate investment in Tokyo at its Taipei head office four times per month on average (a total of 125 times over the past four years) and provides efficient brokerage and investment environment information services at its two offices in Tokyo and Taipei from operating sites to property visits in Tokyo.

(3) As part of its "general service from the time of becoming a client to after handing over the property," the company introduces properties and housing loans, supports the completion of various procedures (certifying property registration documents, getting estimates for interior decoration, preparing detailed statement of final payments, arranging the date and time of handover, giving instructions for bank payments, etc.), and provides support related to administrative services and maintenance of the property after the purchase (handling of tax payment, advertisement and management of leasehold, payment of administrative maintenance fee, payment of utility fees, and in daily life: purchasing appliances and furniture, renovation, moving, explaining facilities).

(4) The main axis of real estate transaction is the sales and purchases of apartments. The company collaborates with a Japanese firm to introduce properties and is jointly strengthening sales of apartments to customers from Greater China.

(5) The company introduces five Taiwanese banks for borrowing housing loans when the customer is purchasing a property in Tokyo.

(6) The number of contracts concluded has risen from 51 in 2010 when the Japanese subsidiary was established to 450 as of the first half in 2013 and the number of leaseholds managed has risen from 168 in January 2013 to 392 as of April 2014.

(7) Japan's real estate's stability (asset value, profitability, market tendency forecast)

and brand/status is highly valued by investors from Greater China.

(8) As for properties that have been sold or rented, customers' preferences were focused on the three cities in the center of Tokyo and Shinjuku City.

(9) The bay area and Harumi area is also popular since the decision that Tokyo will host the Olympic Games and as Tsukiji Market will move to Harumi.

(10) Properties in the central area that can be rented easily are popular for its low risk.

(11) Customers who are concerned about an earthquake that would directly hit Tokyo mostly make their purchases not in the waterfront area but the uptown hilly residential sections.

(12) Most of the buyers are wealthy and transactions are mainly of properties worth 100 million or more.

(13) In Taiwan, sectional ownership of apartments has become common and is also popular when it comes to buying properties in Tokyo; however, people have little experience in managing apartments in their homeland so they tend to be less aware of or knowledgeable about apartment management in Tokyo.

(14) When buying an apartment, the broker gives the purchaser detailed explanation on Japan's administrative management of apartments (the existence of management unions, participating in the general assembly of the management union and submission of proxy when one cannot attend, payment of reserve funds, etc.) prior to the signing of the contract.

(15) If the buyer does not understand the administrative management of apartments (especially of the reserve fund for maintenance) at the time of making the sales/purchase contract for the apartment, the company cancels the deal.

(16) It is important to continue to explain and promote understanding of Japan's tax system and administrative management of apartments so that reserve funds, administrative management fees and property tax, etc., are paid.

(17) The agent that was interviewed is brokering properties with significant consideration to the smooth operation of administrative management of the apartments that would be sold. However, it may be that in the future there will be agents who would not provide sufficient information about the management aspect or would not follow up after the sale is made.

(18) It is necessary to consider measures to prevent problems concerning the payment of reserve funds, administrative management fees and property tax, etc.

(19) Appropriate administrative management is beginning to spread at apartments in Taiwan as well, and it is possible that it will become easier to gain the understanding of owners regarding appropriate management of the property after the purchase has

been made.

(20) In regards to paying taxes, because their awareness and social morals are different from that of the Japanese, it is necessary to continue to strengthen efforts to promote their understanding of property tax payments.

◊ Findings from the interview with the judicial scrivener

(1) In the procedure for real estate sales or purchases to or from foreigners, documents equivalent to Japan's residence cards are required to confirm the location of the individual involved or if there is no such document issued by the person's home country, a document approved by a notary public is prepared and substituted as the residence card.

(2) In addition to the residence card, the certification of seal impression is also required; however, if the transaction is to be made with foreigners from countries where there is no certification of seal impression or where people do not use seals, it is necessary to prepare and submit a document approved by a notary public to certify the seal or signature as in the case of documents equivalent to the residence card.

(3) Since the Act on Prevention of Transfer of Criminal Proceeds of 2007 has made the procedure of ownership transfer a specified transaction, confirmation of personal identity has become mandatory and while in some cases this is done by calling the home country or sending postal mails to be received by the individual, there are cases in which it is difficult to judge whether or not the identification is true or not.

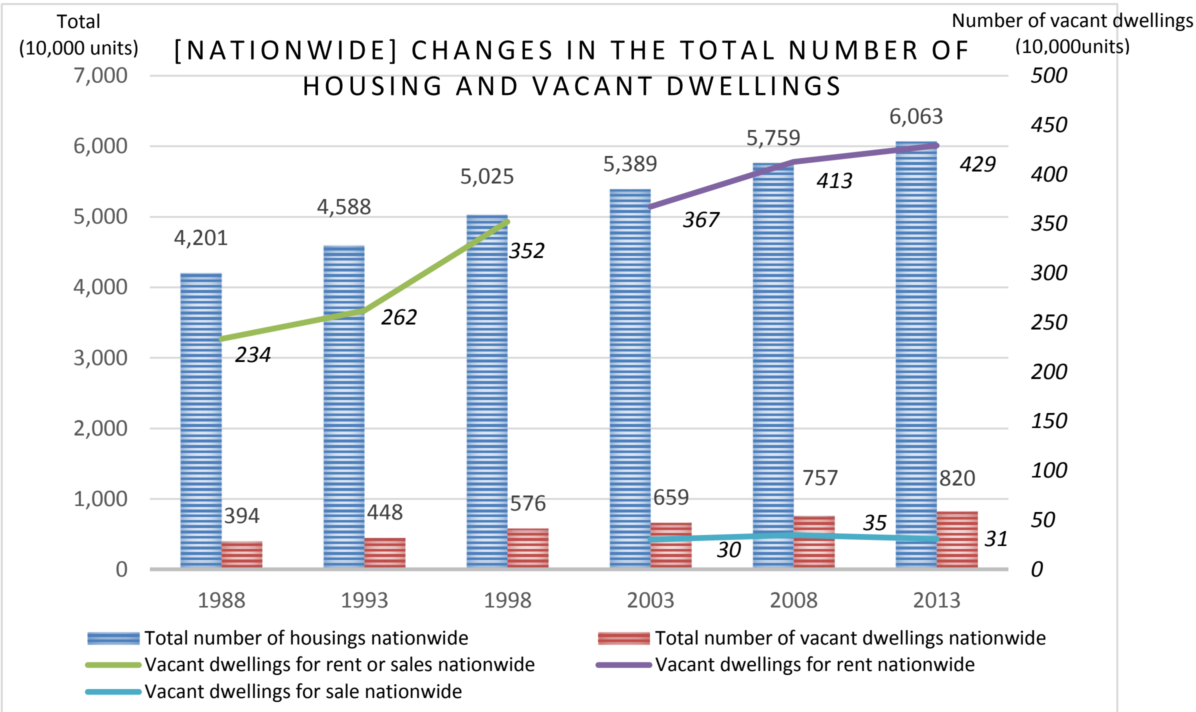
(4) All of the documents for the various procedures must be translated into Japanese from the foreign language version issued by the home country and revised to match the form of the Japanese document.

(5) As a point of concern going forward, it is necessary to consider in particular the establishment of a system for property succession by foreigners including the various procedures for the inheritance of properties owned by foreigners and verification of the heirs and successors.

3 Addressing the Issues in Urban Policy of Today

3-1 Addressing the issue of vacant houses, vacant rooms

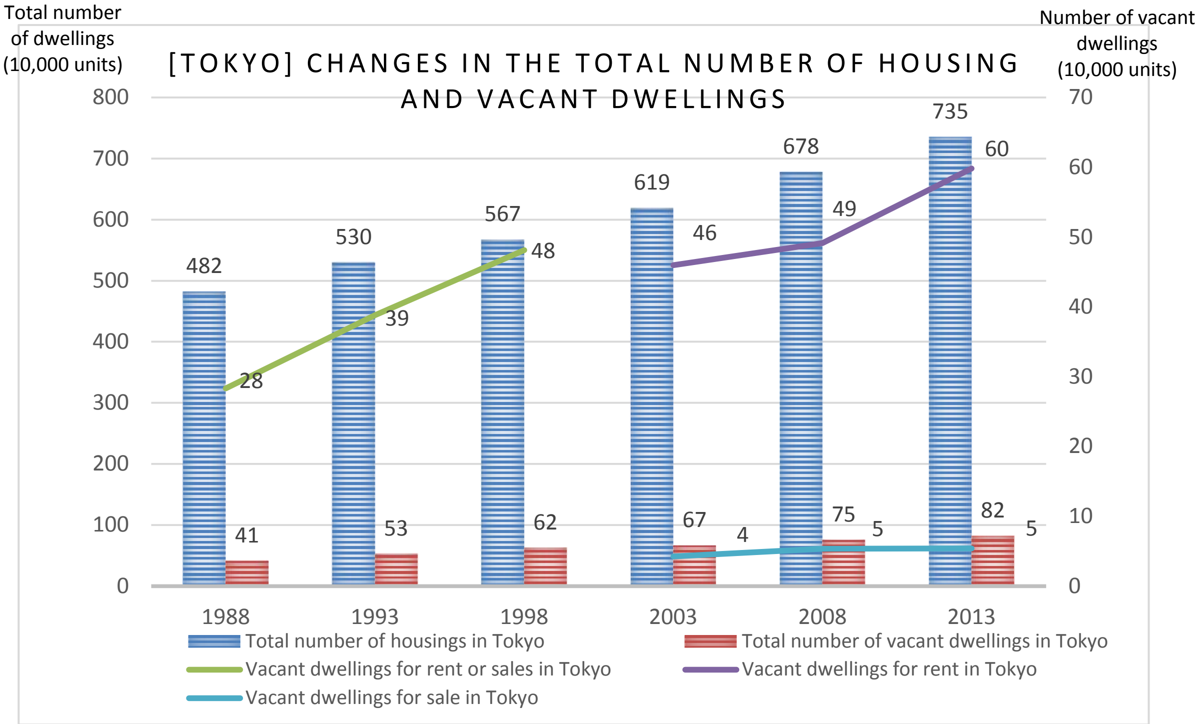
According to the Ministry of Internal Affairs and Communication's "Housing and Land Survey," the total number of dwellings in 2013 was 60.63 million units (Figure 23), which was a rise of 3.05 million units (5.3%) from the previous survey. The total number of vacancies increased 630,000 units (8.3%) from the previous survey to a record high of 8.20 million units resulting in a vacancy rate of 13.5%. In Tokyo Metropolis, the total number of dwellings in 2013 was 7.35 million units (an increase of 8.4% from the previous survey) while the total number of vacancies was 820,000 units (Figure 24) and the vacancy rate was unchanged at 11.1%. Although Tokyo's vacancy rate is below the national average (13.5%), the absolute number of vacant dwellings was the largest in the country. The rate of increase of the total number of dwellings as well as the vacancy rate is declining nationwide and the pace of the rise in vacancy rates is slowing.; however, it will be necessary to have measures ready to reduce the number of total dwellings and vacant dwellings in light of the social condition as the number of households is expected to peak out at 53.05 million in the year 2020.



Figures from (MLIT) 1966 Housing Survey, National and Prefectural editions, 1993 - 2013 (MLIT) Compiled from the 1988 Housing Survey, National and Prefectural editions, the 1993 - 2013 Housing and Land Survey (definite values for 1993 - 2008, preliminary values for 2013)

* In the 1988 to 1998 survey, figures are for "vacant dwellings for rent or for sale"

Figure 23 Changes in the total number of housings and vacant dwellings nationwide



(MLIT) Compiled from the 1988 Housing Survey, National and Prefectural editions
(MLIT) Compiled from the 1993 - 2013 Housing and Land Survey (definite values for 1993 - 2008, preliminary values for 2013)
* In the 1988 to 1998 survey, there were no classifications between vacant dwellings for rent and for sale there for the figures are for “vacant dwellings for rent or for sale”

Figure 24 Changes in the total number of dwellings and vacant dwellings in Tokyo

Looking at the breakdown of vacant dwellings in Tokyo, “dwellings for rent” accounted for 59.84% while “dwellings for sale” accounted for 5.41%, “second dwellings (such as villas)” for 1.22% and “others (houses the residents of which is away for a long period of time due to job relocation or those scheduled to be rebuilt or demolished) for 15.25%.

The risk of dilapidated vacant dwellings is one of the challenges for cities that have been discussed repeatedly at previous subcommittee meetings of the Academy. Concerns over the impacts of the increase in vacant dwellings on the surrounding environment such as the deterioration of public security, disaster preparedness and the scenery due to vacant dwellings have led to the introduction of ordinances to counter vacant dwellings.

On November 14, 2014, the Bill on Special Measures for the Promotion of Countermeasures against Vacant Dwellings was passed and the Act on Special

Measures for the Promotion of Countermeasures against Vacant Dwellings was promulgated on November 27, 2014. In order to urge the removal or appropriate management of an unoccupied home, the mayor of a municipality can exhort measures against vacant dwellings that have been left without appropriate management and the property would become non-eligible of property tax exemption for dwelling properties (reduction of property tax).

Moreover, other countermeasures against vacant dwellings had been taken by the respective municipalities prior to the passing of this law.

The measures taken in Tokyo are

(1) Conducting surveys on the actual conditions (seven cities in the central area, eight cities in the outskirts, two towns)

Bunkyo City, Taito City, Shibuya City, Suginami City, Toshima City, Kita City, Arakawa City (in the central area), Mitaka City, Ome City, Fuchu City, Koganei City, Kodaira City, Hino City, Higashimurayam City, Fussa City (in the outskirts), Okutama Town, Oshima Town

(2) Enactment of ordinances on the management of vacant dwellings (nine cities in the central area and two cities in the outskirts)

Shinjuku City, Taito City, Sumida City, Ota City, Shibuya City, Nakano City, Suginami City, Toshima City, Adachi City (in the central area), Hachioji City, Kodaira City (in the outskirts)

(3) Establishment of a vacant dwelling bank (one city in the central area, four towns and villages)

Toshima City, Hinohara Town, Okutama Town, Niijima Village, Miyake Village

(cf. Yoneyama, 2015)

The fundamental challenges of measures against vacant dwellings are said to be that (1) in some cases the owner of the vacant dwelling is difficult to specify, (2) if the owner is unknown, handling the situation becomes difficult and (3) if the owner voluntarily removes the unoccupied house, they will not be entitled to the special measure of property tax reduction, and these are the major obstacles to have vacant dwellings removed. Furthermore, from the perspective of administration and public finance, considering that the number of unoccupied dwellings will increase due to the decline in the number of households going forward, it would be difficult from a public finances standpoint to remove all privately owned vacant dwellings using public funds and there are also issues in securing the funds.

In addition, the owners tend to hold on to their vacant dwellings even if it is unoccupied until the time of inheritance so they can receive maximum tax deduction and then sell the property at the time of inheritance, therefore vacant dwellings may be owned until it is inherited. Even if the owner leaves the dwelling unoccupied, if the property is maintained and managed property, there is not much concern of a negative influence on the surrounding environment; however, if the vacant dwelling is not sufficiently managed because it is intended to be demolished or rebuilt at the time of inheritance, there are concerns of a negative impact on the regional environment.

Currently, countermeasures against vacant dwellings that are dangerous as they have become dilapidated and should be demolished are being taken according to the abovementioned Act on Special Measures for the Promotion of Countermeasures against Vacant Dwellings, as well as through the initiative of the municipalities; however, at the same time, it is also necessary to promote the utilization of unoccupied houses that can be liquidated in the secondhand housing market.

From the standpoint of community planning of the region, vacant dwellings do not surface in collective areas but appear in scattered places therefore the use of the building is restricted and it is difficult to utilize these properties as part of the community planning.

In order to have vacant dwellings managed appropriately and utilized effectively, a system to have public organizations or public interest groups or non-profit organizations manage them collectively needs to be considered. Community planning to cultivate a better environment and specific ideas for space utilization that would also contribute to the community should be sought and for this, it is desirable that the sharing of property information between the public and private sectors is promoted.

Furthermore, as an effective way of utilizing unoccupied dwellings, it is very probable that these properties could be used as a share house that have recently become popular mostly among the younger generation or as a cheap lodging house in light of the decision on the Tokyo Olympics.

In addition to getting unoccupied dwellings properly managed, fundamental efforts to reduce vacant dwellings are required in light of the social background of a shrinking population. In particular, a major transformation of the real estate business model from prioritizing new properties to focusing on the secondhand housing market is essential. The creation of an environment to strongly promote the growth of the secondhand housing market to effectively utilize vacant houses and vacant rooms is desired more than before.

The topic of the so-called issue of vacant dwellings has been taken up in this report; however, considering that there will be a sharp rise in dilapidated apartments going forward, efforts to solve the so-called issues of dilapidated apartments will become increasingly more important. According to the estimates in the “Tokyo Apartments 2009” (Tokyo Metropolitan Government, Bureau of Urban Development), the number of apartments that were built 40 years ago or even before will increase to 245,000 units in 2018 and then to 428,000 units in 2023. The Zennichi Tokyo Academy has written a report and made recommendations on this problem in January 2011 and prompt action against the issue together with the issue of vacant dwellings is desired.

3-2 Considerations on how to manage housing land without a known owner

From the perspective of community planning, one of the issues that need to be considered in addition to maturing the secondhand housing market and the management of vacant buildings, including houses and rooms, is how to manage housing land without a known owner. Specifically speaking, housing lands without a known owner or lands with borders that are not confirmed are discovered in the process of renewing the urban district. In particular, if the owner of a road built on private land in an existing urban district is unknown, it becomes a problem for redevelopment projects. If borders have to be newly confirmed due to such properties, it would cost a large amount of time and money and this has become an obstacle in advancing the renewal of urban districts.

The cadastral survey that was started in 1951 has covered 51% of the nation as of the end of 2014 but the coverage rate is a mere 9% in Tokyo's central area. Arakawa City, Hachioji City, and Kodaira City have started cadastral surveys in fiscal year 2014, and Chofu City has resumed its cadastral survey in the same fiscal year. However, eleven cities and towns, including Shibuya City currently have yet to start cadastral investigations (Table 13) (MLIT) Cadastral Survey website as of January 2015)

The factors hindering the progress of cadastral surveys are, generally speaking, that (1) boundary lines are significant information that is the basis of land property so borders need to be confirmed, and this is conducted upon the agreement of parties involved, such as the landowner that makes the measurement itself a major challenge and that (2) the confirmation of boundary lines is normally performed at the time of land transactions; however, in general, the chances of particular land trading hands are low in the first place, and even if there is a transaction, the deal can be made without cadastral, and due to this reality, understanding for the survey has not spread and (3) while the cost of performing cadastral surveys are high because of the abovementioned reasons, due to the diversifying needs of public services, as well as the financial situation of recent years, it has become extremely difficult for municipalities to secure budget and staff, and in the urban district in particular, (4) each parcel of land has been fragmented, and there are many properties that are narrow and small or have complicated right relations or were sold many times, and therefore ownership changed hands many times making it even more difficult to confirm the boundary lines, (5) landowners' awareness of rights is high in the urban districts as asset values are high, making it extremely difficult to confirm the boundary lines upon adjusting the wishes of the parties involved, and (6) as residents of cities want to avoid troubles with their neighbors, it is difficult to gain their cooperation in cadastral surveys because these surveys require the presence of a witness. (cf. MLIT, Cadastral Survey Division 2015)

As for the management of housing land without a known owner, ultimately, methods that would eventually enable collective management or integration by the public sector, public interest group, or in collaboration with the private sector should be discussed as in the case of vacant dwellings. More in-depth consideration of specific methods shall be made regarding the handling of housing land without a known owner.

As for land with unclear boundaries, various measures to determine the boundary line should be introduced including seeking the support of experts and real estate agents as a public service. In particular, in areas crowded with wooden houses, careful reconciliation between multiple right holders is required in many cases and boundary lines should be confirmed and owners should be determined immediately also from the perspective of preparing for an earthquake that would directly hit Tokyo, which is expected to occur sometime in the future. Currently, this methodology is missing; therefore, no time can be wasted to discuss the specifics of the scheme of efforts to be made.

If the landowner is unknown of a road on private property, there are cases that even at the time of inheritance, the heir, or successor is not aware the road is part of the inheritance because roads are non-taxable, and in such case, the ownership is succeeded upon being divided according to the law, which makes it extremely difficult to find the right holder, and these situations are often hindering redevelopment projects.

In general, if the heir or successor of a land or building is unknown, the property should belong to the national treasury as a general rule. However, this requires proceedings in court, such as designating a trustee, and in some cases, no one would start the proceedings and they are left untouched. Moreover, according to the estimates by MLIT (MLIT, National Land Development Council, 2011), the number of property custodians to be selected due to the absence of an heir or a successor is expected to rise sharply (based on statistics from the court of justice).

In particular, in existing urban districts including areas crowded with wooden housing, it is desirable, also from the standpoint of disaster prevention, to accelerate the promotion of Tokyo's plans to remove utility poles (Tokyo Metropolitan

Government, Bureau of Construction, 2014) in addition to the streamlining of roads on privately owned property, and it is essential that utility poles are removed as soon as possible, concurrently with the construction of roads by the municipalities of Tokyo. For this purpose, the respective municipalities of Tokyo must also consider formulating plans to promote the removal of utility poles. According to a report by the Ministry of Land, Infrastructure, Transport and Tourism, the proportion of areas where utility poles have been removed in cities of various countries is 100% for London, Paris, and Hong Kong; 95% for Taipei; 93% for Singapore; 46% for Seoul; and 35% for Jakarta. While moving utility lines underground had become a standard in Europe and the U.S. even before 1970, it was markedly advanced in the 1970s in Asian cities. Meanwhile, Japan is still far behind in the removal of utility poles with the ratio at 7% for the central 23 cities of Toyo and 5% in Osaka. (Ministry of Land, Infrastructure, Transport and Tourism, 2014)

Table 13 Progress rate of cadastral survey by the respective municipalities of Tokyo

Central cities	Progress
Chiyoda City	9%
Chuo City	4%
Minato City	1%
Shinjuku City	12%
Bunkyo City	3%
Taito City	11%
Sumida City	42%
Koto City	2%
Shinagawa City	5%
Meguro City	3%
Ota City	10%
Setagaya City	15%
Shibuya City*3	0%
Nakano City	3%
Suginami City	35%
Toshima City	4%
Kita City	6%
Arakawa City	0%
Itabashi City	7%
Nerima City	2%
Adachi City	2%
Katsushika City	23%
Edogawa City	5%

Cities	Progress
Hachioji City	4%
Tachikawa City*3	3%
Musashino City*3	0%
Mitaka City*4	0%
Ome City	8%
Fuchu City	0%
Akishima City *3	0%
Chofu City	2%
Machida City	9%
Koganei City	10%
Kodaira City	0%
Hino City*2	16%
Higashi Murayama City	28%
Kokubunji City	5%
Kunitachi City*3	3%
Fussa City	6%
Komae City*3	0%
Higashi Yamato City*3	2%
Kiyose City*3	0%
Higashi Kurume City*3	0%
Musashi Murayama City*4	57%
Tama City	26%
Inagi City*3	6%
Hamura City	29%
Akiruno City	34%
Nishi Tokyo City*4	0%

Towns/Villages	Progress
Mizuho Town*3	55%
Hinode Town	54%
Hinohara Town	0%
Okutama Town	1%

Islands	Progress
Oshima Town*1	99%
Toshima Village*1	100%
Niijima Village*1	97%
Kozushima Village*1	98%
Miyake Vilalge*1	100%
Mikurashima Village*1	100%
Hachijo Town*1	94%
Aogashima Village*1	100%
Ogasawara Village*2	4%

[Explanatory notes]

Completed*1	8
Started	38
Halted*2	2
Not started*3	11
Preparing to start*4	3

MLIT, Cadastral Survey Division (2015), compiled from MLIT's cadastral survey website, viewed on January 20, 2015

[Supplementary notes] *There are cases where the progress rate is not 0% even if it is not reflected in the cadastral survey. This is because there are areas with data from other surveys that are considered as having equal or greater quality as designated in Article 19, Paragraph 5, of the National Land Survey Act. *Areas shown as completed but are below 100% have been confirmed in an emergency survey.

3-3 Defining the status of urban farmlands

(Reviewing the status of city farmlands in the City Planning Act)

A reevaluation to fundamentally change the status of city farmlands based on the City Planning Act implemented in 1968 is ongoing on a national level. At the Panel on Infrastructure Development, Subcommittee on City Planning System, held 18 times in total between July 2009 and September 2012, the system of city planning as a whole was reviewed, and the direction to be taken to become the ideal city was discussed and these discussions also referred to the topic of farmland in urbanization promotion areas and the City Planning Act. The subcommittee disclosed a progress report in February 2011 and an interim report on September 3, 2012. In these reports, the multi-functionality of urban farmlands was highly valued and based on the standpoint that it was only natural to have farmlands in areas to be urbanized, it is stated that the co-existence of the city, greenery, and agriculture is the desirable direction for the future.

Furthermore, under the same axis, MAFF's study commission on promoting urban farming also compiled an interim report (August 9, 2012) recommending the promotion of urban farming.

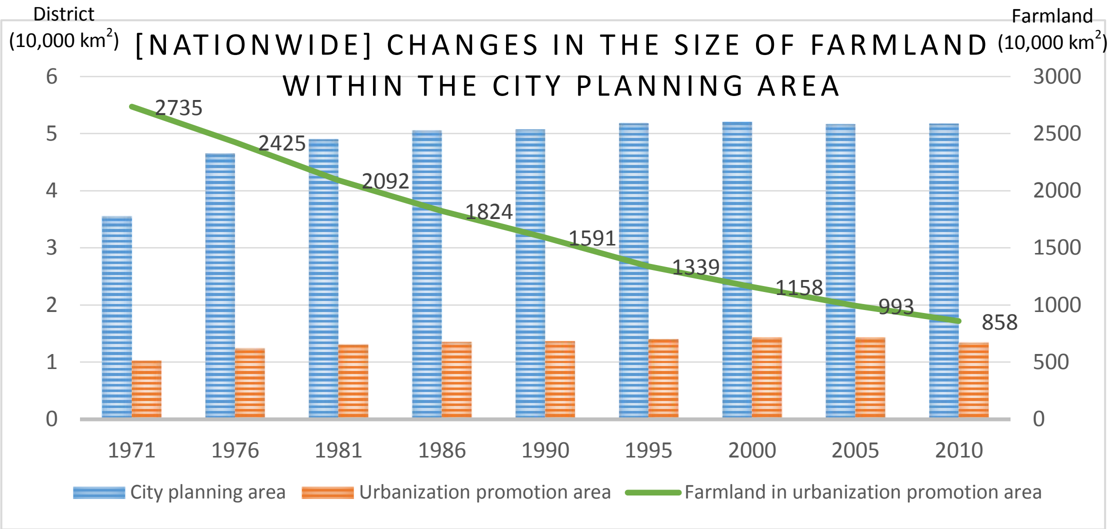
The fact that all of these discussions refer to the City Planning Act which fundamentally regulates the use of farmland makes it more advanced than the traditional discussions and studies on measures involving urban farming.

(Realities of urban farmlands)

Looking at the changes in the size of urbanized farmland (Figure 25) (Figure 26) based on the Ministry of Internal Affairs and Communications' "Outline survey of prices, etc. of immovable assets," while the size of farmland converted to housing land have halved since 1992, agricultural land reserved in the urbanization promotion area called productive green areas has remained basically flat.

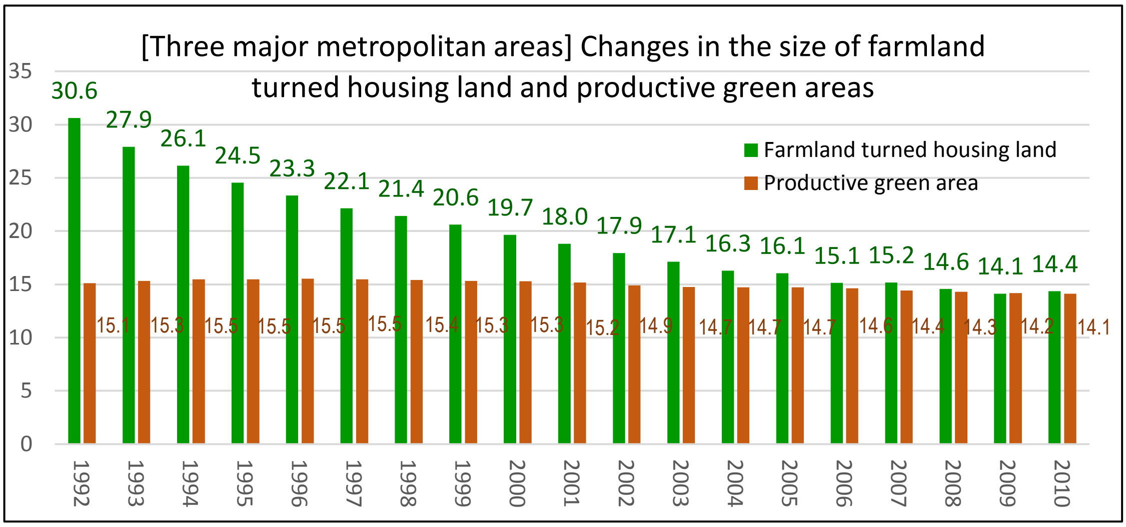
Moreover, looking at the changes in the size of farmland converted to housing land and productive green areas in Tokyo, farmland has shrank while productive green areas have remained flat (Figure 27) as was the case in the specified cities of the three major metropolitan areas.

According to a case study on cities within 20 kilometers of the Tokyo metropolitan district conducted by the abovementioned Panel on Infrastructure Development (Material 5 from the 14th Subcommittee on City Planning held on November 9, 2011), over the past 20 years, while farmlands in urbanization promotion areas have been converted to housing land, many have actually been left unused (vacant lands) and 20% of the converted land have been converted to parking lots or material storage space that are seen as a temporary use of the land.



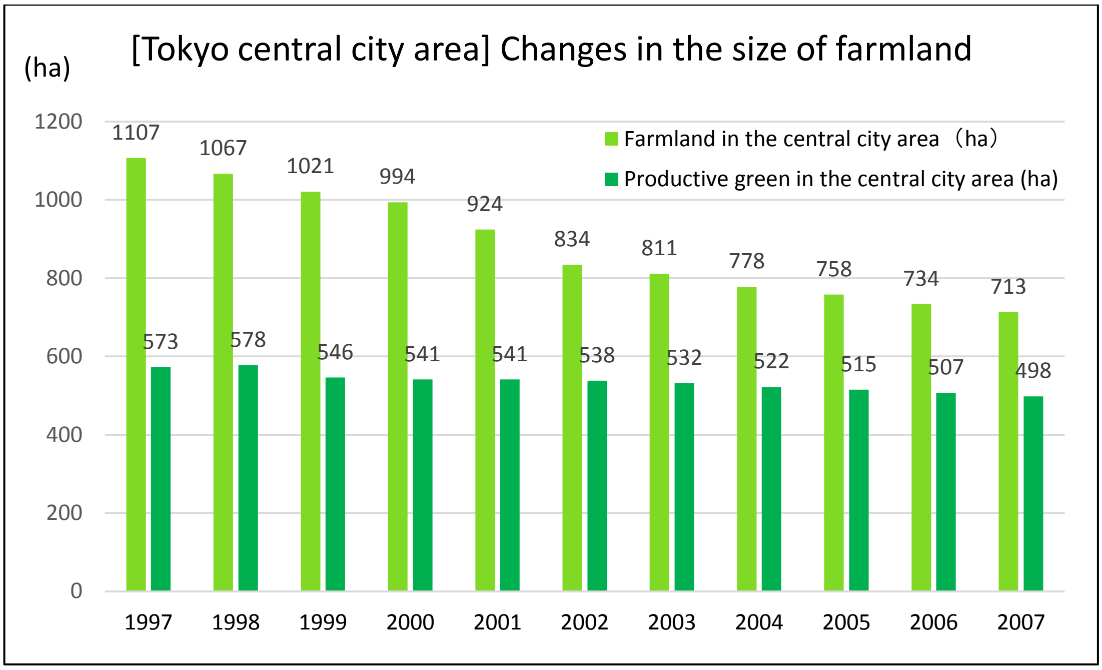
Figures for the city planning area and urbanization promotion area have been compiled from the City Planning Annual Report and figures for the farmland in urbanization promotion area have been compiled from the Ministry of Internal Affairs and Communications' Outline survey of prices of immovable assets by Furusawa (2012)

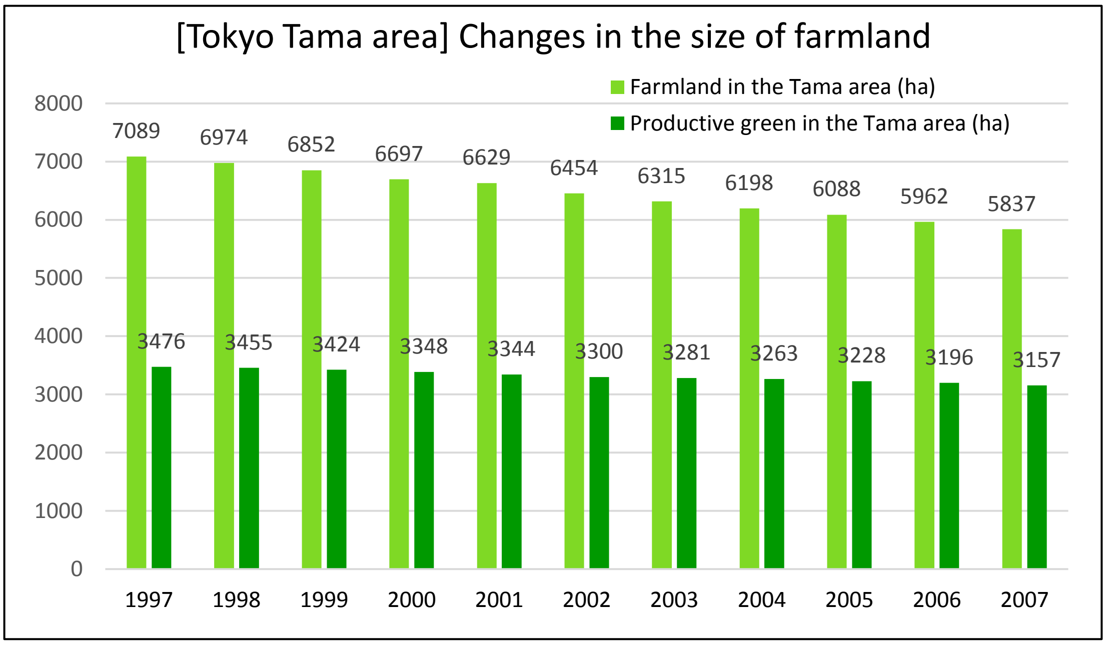
Figure 25 Changes in the size of farmland area in city planning areas



Figures for farmland converted to housing land from the Ministry of Internal Affairs and Communications' Outline survey of prices of immovable assets and figures for productive green areas from the City Planning Annual Report. Ministry of Internal Affairs and Communications' "Outline survey of prices, etc. of immovable assets" farmland converted to housing land, Productive green area; source MLIT, compiled by Furusawa (2012)

Figure 26 Changes in the size of farmland in urbanization promotion areas within specified cities of the three major metropolitan areas



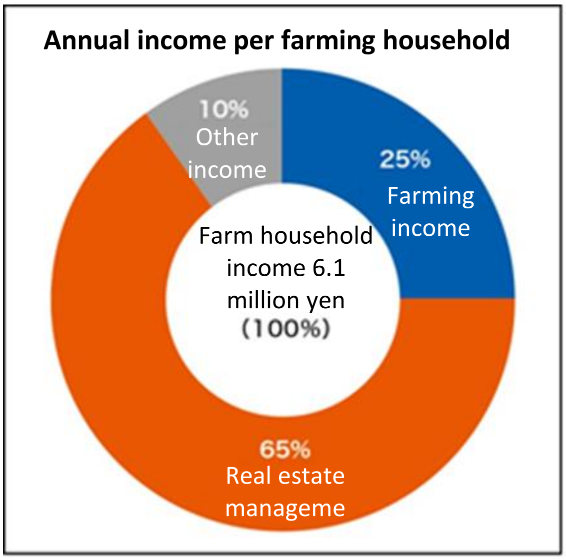


Compiled from the Comprehensive policy on securing greens in Tokyo Metropolis, special zones, towns and villages, May 2010 (2010)

Figure 27 Changes in the size of farmland in urbanization promotion areas within Tokyo

(Realities of urban farm management)

In order to secure urban farmland, it is essential that the sustainability of urban farming is guaranteed. However, the reality of managing an urban farm as seen from the breakdown of the income of farm households over the three years from 2011 in the three major metropolitan areas (Figure 28) (based on MAFF, 2011, "Study on the realities of urban farming,") is that "farming income" accounted for approximately 25% of the total income while "income from real estate management" accounted for approximately 65% and "other income" for approximately 10% indicating that real estate management income earned approximately 70% of the total composition. Furthermore, although the proportion of income from "real estate management" tends to decline if the proportion of "farming income" rose, even households with "sales" of "farming income" of 7 million yen or more (or "farming income" of 12.5 million yen or more), which is the highest category, earned approximately 55% of their income from "real estate management income." (Table 14) This means that even if the household had sales revenue of 7 million yen or more, real estate income exceeded the amount of sales in terms of income composition.



MAFF (2011) Compiled from the Study on the realities of urban farming

Figure 28 Annual income of urban farms per household

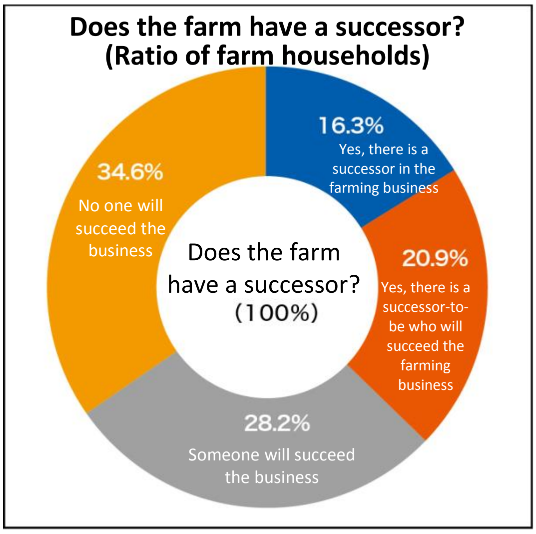
Table 14 Breakdown of income categorized by the sales value of urban farms per households

Farm household income per unit					
Category		Farm household income	Farming income	Real estate management income	Other income
Overall		6.1 million yen (100%)	Approx. 25%	Approx. 65%	Approx. 10%
Sales value	Less than 1 million yen	2.6 million yen (100%)	Approx. 5%	Approx. 75%	Approx. 20%
	1 million yen or more	8.0 million yen (100%)	Approx. 30%	Approx. 60%	Approx. 5%
	3 million yen or more	9.4 million yen (100%)	Approx. 35%	Approx. 60%	Approx. 5%
	7 million yen or more	12.5 million yen (100%)	Approx. 45%	Approx. 55%	0%

MAFF (2011) Compiled from the Study on the realities of urban farming

As for whether or not the farms have successors for the farming business (Figure 29) (Table 15) the ratio of those "with successor or successor-to-be for the farming business" tended to be higher (66.5%) among those with higher sales value in the specified cities within the three major metropolitan areas, but in reality, there is the problem that farmlands are sold at the time of inheritance taxes to serve the purpose of other developments or building demand. As a result, although the ratio of vacant dwellings in the city is rising, "3,000 to 4,000-something hectare of farmland continues to be converted to housing land annually." (MAFF, 2012, Study commission on promoting urban farming, Interim Report")

Moreover, currently, as the population of the elderly grows, the number of deceased per annum is also rising (Cabinet Office, 2011, Annual Report on the Aging Society 2011); therefore, the chances of farmland being sold due to inheritance are increasing. The current situation is that more farmlands are converted to housing land through inheritance and the chances of land being fragmented are increasingly higher.



MAFF (2011) Compiled from the Study on the realities of urban farming

Figure 29 Whether or not urban farms have successors

Table 15 Whether or not urban farms have successors (categorized by sales value)

Does the farm have a successor? (Ratio of farm households)						
Category		There is a successor/prospective successor in the farming business	There is a successor in the farming business	There is a prospective successor to succeed the faming business	Someone will succeed	No one will succeed
Overall		37.2%	16.3%	20.9%	28.2%	34.6%
Sales value	Less than 1 million yen	30.7%	8.9%	21.9%	28.8%	40.5%
	1 million yen or more	48.1%	28.5%	19.6%	29.7%	22.2%
	3 million yen or more	53.3%	37.0%	16.3%	27.4%	19.3%
	7 million yen or more	61.8%	49.5%	12.4%	20.4%	17.7%
MAFF (2011) Compiled from the Study on the realities of urban farming						

(Considering measures to coordinate the use/measures to guide the use of farmland converted to housing land)

In order to maintain urban farmland, it is necessary to slow the decline of conversion from farmland to housing land and create a system to coordinate the use of land when farmland becomes needed in the urbanization promotion area. However, in reality, it is difficult to maintain farmlands because taxes are linked to land appraisal and tax burden on vacant land where there are no buildings is stronger.

If privately owned farmland is to be maintained by regulatory intervention, this would be imposing restrictions on land use; therefore, a system based on a loose agreement, such as an accord, may be more feasible. Furthermore, providing support through subsidies or buying personal property would fundamentally lead to the problem of the protection of the right of property under Article 29 of the Japanese constitution and the issue of securing funds for the administrative side.

Moreover, if the restrictions placed are loose, the conversion of land use would be practically unavoidable, and it will be less certain that farmland will be secured. On the other hand, if strict restrictions on the use of land are imposed in order to increase the certainty of securing farmland, financial support will be required. However, there is the dilemma that in reality, it is difficult to secure funding. Realistically, it is desirable that a system is considered under which a priority ranking is made for farmlands to be maintained enabling different schemes to be chosen depending on the level of the ranking. As for farmland in urbanization promotion areas, the stable use of land as farmland needs to be promoted.

In addition, a system that would lead to securing a certain volume of urban farmland is necessary with appropriate considerations to the current situation that for farming households who are the landowners, many are practically in an economic situation where they have to rely on real estate management income and the tax burden on farmland in urbanization promotion area is so hefty especially at the time of inheritance that it has become difficult to continue urban farming.

For city planning purposes, it is necessary to set the use of land as farming for farmlands that are recognized as essential to the city. Securing a certain volume of farmland in an urbanization promotion area will lead to maintaining a low density and rich city living environment, as well as to stimulating the use of unused or little used housing land and revitalize the secondhand market.

Furthermore, thinking about how urban farms should be and seeking measures that would be appropriate in the coming era will lead to deepening the discussions on how urbanization promotion areas and urbanization control areas should be and finally may even bring knowledge that can contribute to how the mature city of Tokyo could develop in the future.

4 Our proposals

4-1 Proposals

Shown below is our proposal, which is a summary of our arguments above.

(City planning for the international, mature city Tokyo)

International city rankings by international organizations are rated mainly based on the perspective of the cities' business environment and lack the perspectives that are most important to ordinary citizens, such as the sophisticated urban system and the high social reliability which it is built on, its cleanliness, safeness, attractiveness and maturity of its culture, convenience, and attractiveness of urban living, all of which Tokyo offers. Tokyo has a city management system that is extremely sophisticated by global standards and is a city that is superior not only for business but also as a comprehensive international city, and furthermore, Tokyo is a safe and comfortable city to live in by global standards. We hope that urban policies and city diplomacy that will fixate and strengthen Tokyo's status as a mature, international city, and contribute to Tokyo's development will be further promoted.

(Enhancement of the environment of Tokyo as a city of international tourism)

In order to make Tokyo a mature city of tourism, it is necessary to show willingness in inviting a wide variety of foreign travelers and to broaden the selection of accommodations and tourism resources that would satisfy a broad range of tourism needs. We seek environmental improvements for such purposes. In addition to the enhancement of multi-lingualization and internet accessibility that have been promoted so far under existing policies, it is necessary to provide cheaper lodging houses for long-term discount-stay travelers. In providing cheap lodging houses, we should also look into the 820,000 vacant dwellings in Tokyo. In particular, utilizing unoccupied rooms for rent will be effective.

At the time of the Tokyo Olympics, the use of these unoccupied rooms as accommodation facilities should be expanded to provide a stable environment to receive different classes of tourists.

Moreover, in light of the investments made by foreign investors and the recent situation that foreign real estate owners and foreign residents are increasing, the improvement of business environment that would facilitate real estate transactions with foreigners is urgently needed. In particular, the following should be considered:

- making contract documents and disclosure statements multi-lingual for foreigners;
- securing interpreters;

- enhancing pamphlets and points of consultation to provide advice on the differences in contract practices and living practices by making them multi-lingual;
- making contract procedures and funding methods for foreigners easier;
- lowering the proportion of bank loans and reducing risks;
- enhancing ways to guarantee one's status and to secure a guarantor;
- providing education to foreign tenants to raise awareness of complying to social morals at the time of signing a contract and paying rents;
- providing information and education to foreign tenants to raise awareness of complying to rules in daily living;
- enhancing the ways to guarantee one's status at the time of the deal; and
- deepening foreign real estate owners' understanding of tax obligations and ensuring tax payment.

Additionally for owners of apartment-dwellings, the following should be considered:

- deepening their understanding of administrative management systems;
- promoting their understanding of the necessity to attend management unions and to submit a proxy when one cannot attend to ensure obligations are met;
- ensuring the payment of administrative management fees, reserve funds and various utility fees; and
- the procedures and challenges of inheritance for foreign owners.

(Considering how to manage vacant houses and vacant rooms)

The problem of 820,000 vacant houses and vacant rooms in the Tokyo Metropolis is a modern urban policy issue, and countermeasures should be taken immediately. More in-depth policy measures should be considered on how to handle the situation if the owner of a vacant dwelling cannot be identified or is unknown.

On November 14, 2014, the Bill on Special Measures for the Promotion of Countermeasures against Vacant Dwellings was passed, and it was determined that certain vacant dwellings left without appropriate management will be subject to being advised that required measures be taken and would become non-eligible for the property tax exemption for dwelling properties. Some municipalities have enacted regulations on vacant dwellings, including forced removal and are seeing results; however, there are many municipalities that have yet to take any measures. It is necessary to encourage the respective municipalities to aggressively introduce measures against vacant dwellings.

Furthermore, because owners of vacant dwellings tend to keep the property vacant until the time of inheritance, which is when they can get the maximum tax deduction and because they also tend to neglect appropriate management of the property, it is necessary that the utilization of vacant dwellings for a broader range of purposes is promoted by the local community or an NPO upon gaining the approval and cooperation of the owner. Prior to the actual utilization, an information environment under which information on vacant dwellings are managed collectively and can match the owners of vacant dwellings and the properties with different classes of users based on a wide variety of needs. Moreover, as for vacant dwellings without a known owner, it is desirable that the properties are managed collectively by public organizations or public interest groups, etc., so that vacant houses and rooms that are scattered in the urban city can be used effectively or be liquidated.

In parallel to these measures, we hope that efforts will be strengthened to make the secondhand market more mature. Efforts by the government and the private sector need to be enhanced to find the clue to solving the distorted situation that vacant dwellings are increasing while the supply of new properties continues. The time is ripe for a major transformation of the business strategy from a strategy model prioritizing new properties to focusing on the secondhand market.

(Measures for housing land with unknown owners and determining the boundaries of properties)

In light of the high possibility that an earthquake would hit Tokyo directly, efforts to identify the unknown owners of housing lands and to determine the boundary lines should be accelerated particularly in the central area. The establishment and enhancement of a system under which the government and the private sector will jointly work to tackle the issue of housing land with unknown owners as well as to improve the rate of progress of cadastral surveys is desirable.

When determining ownership, careful consideration and examination of means to prevent problems with the owner or neighboring residents is required. It is necessary to consider a system that would enable efforts that are even more locally rooted by asking the support of not only existing experts but also of experts from various fields, public interest groups, or the private sector as a public service.

Furthermore, when identifying the boundary lines or the owner of roads on private property in existing urban districts, such as those crowded with wooden houses, it is desirable from the perspective of disaster prevention that municipal roads are improved in conjunction with determining the rights and utility poles are removed at the same time.

(Defining the status of city farmlands in the City Planning Act)

Today, as the multi-functionality of farmlands is highly valued, and there is demand for less crowded or dense use of land in cities in the era of depopulation, it is necessary to secure a certain ratio of farmland even in urbanization promotion areas. Discussions on maintaining and sustaining urban farmlands have been cumulated by the government, as well as experts, and measures based on these discussions have been introduced. At the root of the problem is the issue of protecting the right of property under Article 29 of the Japanese constitution and securing funds for the administrative side. It is desirable that there are deeper discussions on a system under which urban farmland is clearly defined in the City Planning Act and farmland essential to the city is preserved with priority while the balance between regulation on the use of land and investment of funds is considered, and it is possible to select different schemes depending on the level of preservation.

Clearly defining urban farmlands as farmland in the City Planning Act may again lead to situations in which farming households are forced to choose whether or not they should continue the business of farming, as was the case when the Act Concerning Agricultural Land, etc., Reserved in the Urbanization Promotion Area was established. Therefore, it is desirable that measures are introduced promptly to coordinate the use of land that would lead to securing a certain volume of urban farmland while taking into consideration the income and tax burden of farming households.

(Making Tokyo an international city in the age of depopulation)

In addition to the abovementioned proposals, we hope that the completion of the three ring roads and the creation of a disaster prevention city in areas crowded with wooden houses, measures against dilapidated infrastructure, the promotion of rebuilding dilapidated apartment buildings, the establishment of a sophisticated disaster prevention system, the creation of an international economic city, and the enhancement of the functions of central Tokyo that will support this, all of which are being implemented under existing urban policies, are accelerated and promoted swiftly. Furthermore, considering the current situation that in this age of depopulation, excess real estate is being accumulated in the market and many of the properties are left unattended and may bring new challenges for cities, we expect enhanced collaborative efforts by the government and private sector to make the secondhand market more mature. We strongly hope for stronger public support in improving the business environment to make the secondhand market more mature.

4-2 Our efforts going forward

The All Japan Real Estate Association, Tokyo head office will cooperate in taking the opportunity of the 2020 Tokyo Olympic and Paralympic Games to make “Tokyo the world’s best city” as Tokyo Metropolis’ partner. The following measures will be undertaken in terms of both infrastructure and services.

(1) Enhancement of urban infrastructure to make “Tokyo the world’s best city”

Steady improvement of major trunk roads, including the three ring roads ahead of the Olympics, is desirable; however, improving the many narrow streets are also required. Furthermore, improvements from the perspective of disaster prevention, such as making areas crowded with wooden houses, many of which are dilapidated and narrow, fire-resistant, or making buildings alongside specific emergency routes earthquake-resistant are required.

Real estate agents that are familiar with the realities of the community can contribute significantly to the improvement of roads and redevelopment projects in various ways, including handling the acquisition of land, securing the place for relocation, and mediating properties for rent. We would like to call for a system to be created so that the government and private business operators can cooperate in these projects to contribute to the enhancement of the urban infrastructure.

(2) Maintaining and developing “Tokyo, a safe, secure, and clean city that is easy to live in”

The comparison of international cities by private think tanks tend to be made from the perspective of the business environment and fail to take note of the attractiveness of Tokyo from the standpoint of the ordinary citizen. However, foreigners visiting Tokyo are impressed with “Tokyo, a safe, secure and clean city” despite being a metropolis. In order to maintain and develop the attractiveness of Tokyo in these aspects, we will undertake the following efforts.

(i) Countermeasures against vacant dwellings

The problem of vacant dwellings is an issue that cannot be overlooked from the standpoint of disaster prevention, crime prevention, and scenery. Although the ratio of vacancy dwellings in Tokyo Metropolis is lower than the national average, the absolute number of units is the highest in Japan, and the existence of vacant dwellings in urban areas has a large effect on the surrounding environment. Vacant dwellings can be sold or rented, renovated for purposes other than housing, for example as some kind of a facility, or removed and sold as land. In any case, the procedures can be processed appropriately by getting a real estate agent involved.

A real estate agent with a strong foothold in the community would know the needs of utilizing vacant dwellings and make proposals accordingly.

One option for utilizing vacant dwellings could be, for example, to renovate the property and turn it into a house for rent or a group home for the elderly who require housing support. In such a case, the government can provide significant subsidies to the owner of the building and enable the elderly to live with low rent as a result. If the area is a convenient location, perhaps some properties may be converted to accommodation facilities for foreign travelers that are expected to rise in number.

If the owner of the building is identified, we can offer support by providing consulting on renovation, renting out or selling the property.

Although the government faces the problem of not being able to disclose the owner of a building from the perspective of personal information protection, perhaps it is possible to hold opportunities for information exchange mediated by our Office, which is a public interest corporation for the utilization of vacant dwellings and land.

The Bill on Special Measures for the Promotion of Countermeasures against Vacant Dwellings attempts to guide building owners into taking appropriate action by imposing a penalty in a sense as properties designated as “specified vacant dwellings” that are dangerous are made non-eligible for property tax reductions for residential land. However, it is also necessary to provide incentives to the owners, such as subsidies for renovation to promote active utilization.

Our Office will contribute to the utilization of vacant dwellings and at the same time undertake efforts to revitalize the secondhand housing market as well.

(ii) Efforts towards removing utility poles

In comparison with developed countries abroad, utility poles along the roads are something that is not favorable in terms of urban landscape. Utility poles on narrow roads are not only inconvenient for traffic but also problematic from the perspective of disaster prevention. According to a study (end of fiscal year 2013) by the Tokyo metropolitan government, the number of utility poles along Tokyo’s municipal roads exceeded 750,000 in total, and approximately 695,000 poles or more than 90% were standing on narrow municipal roads. We will actively seek action on the part of relevant organizations to have utility poles removed and roads widened by setting back buildings and other measures.

(3) Enabling smooth real estate transactions and real estate management in line with internationalization

Real estate deals involving wealthy foreigners for investment purposes are increasing. The number of foreigners coming to Japan to study or to work and living in rented housing is also expected to rise. Troubling incidents with foreign tenants in rented apartments caused by the differences in language or practices are already being reported. In order to enable smooth real estate transactions and management by foreigners, we will supplement lease contracts by producing contract documents providing explanations in foreign languages and promoting its use.

Furthermore, we will establish a system to support smooth real estate transactions with foreigners by introducing law firms in case our members encounter difficulties in contract-related discussions with foreigners.

(4) Contribute to society as agents with a strong foothold in the community

With our belief that real estate properties are an infrastructure of the people's life, our Office has collaborated with the government through social action, including the mediation of housing to victims of the earthquake disaster and free-of-charge consultation on real estate related issues on the street. In addition to continuing such activities, we will actively work on solving the following issues going forward.

(i) Measures for child care support

In Japan, where our society is aging and the birthrate is declining rapidly compared to the rest of the world, providing an environment in which parents can feel safe to raise their children is important. Tokyo has been noted for its low birth rate in particular and enhancing childcare support will help to realize a safe, secure, and easy-to-live-in Tokyo. We will contribute to the society with an eye on collaboration and cooperation with various organizations including municipalities.

(ii) Countermeasures against quasi-legal drugs

Although Tokyo has been known abroad as a safe city, problems related to quasi-legal drugs are arising for example car accidents caused by drivers after using such drugs.

Aggressive solicitation is also a problem in the entertainment district.

The city offices and police stations have become increasingly active in tackling this problem and our Office has signed memorandums of understanding with municipalities and police stations mainly through our branch offices and begun introducing measures to prevent such actions.

Our members operating business rooted in the community have a large role to play in the development of a safe and secure city. We will enhance our efforts in collaboration with the local municipalities and police stations.

(iii) Surveys and studies on the ideal urban farmland and city planning areas

As we have seen, how to approach the issue of urban farmland in the age of depopulation is an important challenge. We will continue our surveys and studies on this topic including the more fundamental issue of the best approach to urbanization promotion areas and urbanization control areas in city planning.