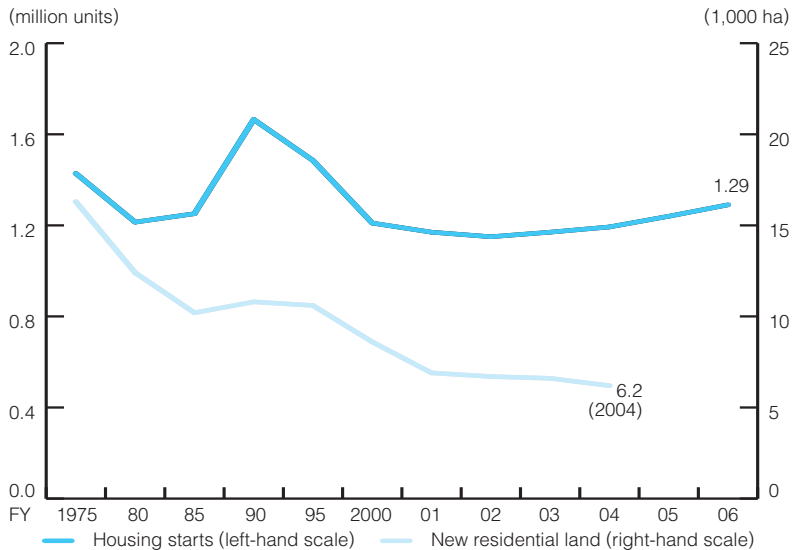


15 Housing

Housing Supply

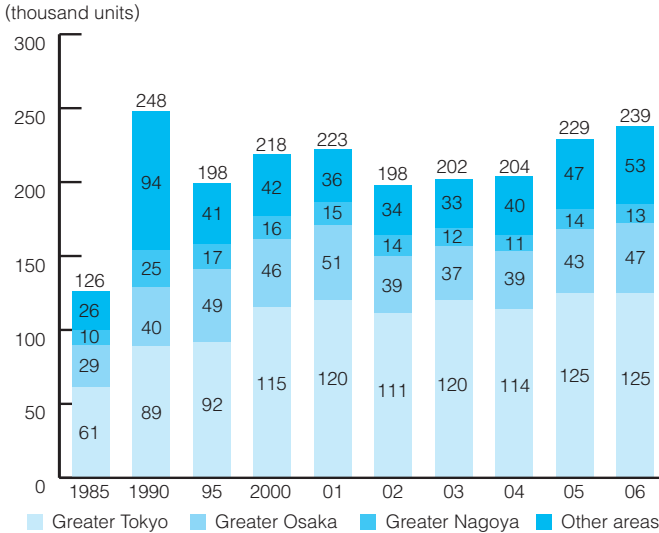
Housing starts in Japan began to increase from fiscal 1984, and the figure remained high at between 1.66 and 1.73 million units a year between 1987 and 1990, when land prices soared. In 1991 the effect of high interest rates that lingered even after the collapse of the bubble economy resulted in a sharp drop to 1.34 million units, but the figure recovered to 1.63 million units in 1996 due to such factors as low interest rates and the demand for reconstruction after the Great Hanshin Awaji Earthquake. In fiscal 1997 and 1998, however, the figures decreased because of job insecurity resulting from corporate restructuring and gloomy economic prospects. In fiscal 2003 the figure increased 0.8% to 1.16 million, the first increase in three years, helped by such factors as lower interest rates on loans and the improved economic situation. In 2006 the figure reached 1.29 million, up 4.4% over the previous year, marking an increase for four consecutive years.

Supply of Housing and Residential Land



Source: Ministry of Land, Infrastructure and Transport.

Housing Starts—Condominiums



Source: Ministry of Land, Infrastructure and Transport.

Housing Expenses and Trends

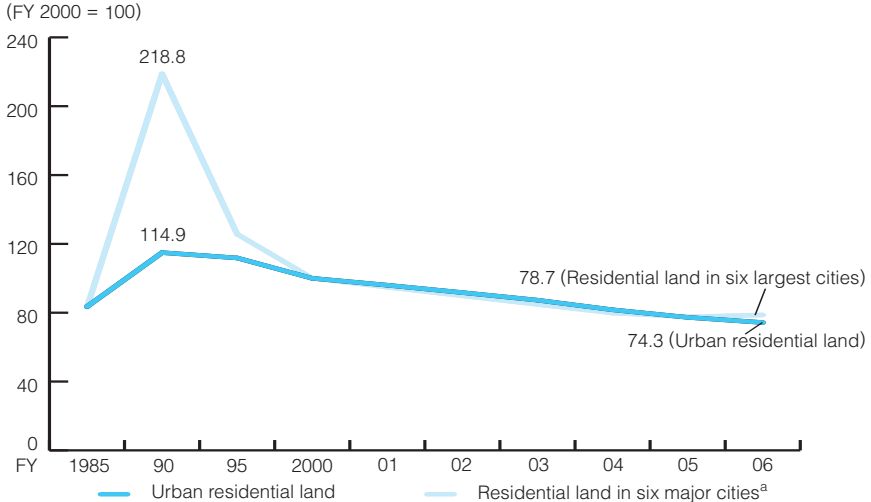
The cost of housing, especially in large cities, began to soar from the beginning of the 1980s. According to the Real Estate Economic Institute, the average price of apartments in newly developed condominium buildings in Tokyo and its surrounding areas jumped from ¥25.57 million (¥428,000 per m²) in 1983 to ¥61.23 million (¥934,000 per m²) in 1990. After the collapse of the bubble economy, the average price began to decrease with the fall of land prices, and the figure dropped to ¥40.03 million (¥513,000 per m²) in 2002, before rebounding in 2003 to ¥40.69 million (¥545,000 per m²), the first increase in six years. The figure continued to rise to ¥41.99 million in 2006, and the national average also rose to ¥35.60 million, up 2.0% from the previous year.

A government tax relief program for housing loans allowed new house owners to deduct a maximum of ¥5 million income tax over a 10-year period, but the government downsized the tax break amount from 2005.

Since the cost of housing in Japan's large cities, especially Tokyo, is exceedingly high, many workers are forced to live far from the city center and to make long commutes to and from work. Recently, however, significant population influx has been observed in Tokyo, as the cost of purchasing a home there has declined dramatically following the collapse of the bubble economy, and large-scale redevelopment projects that include high-rise apartments in central Tokyo have gained momentum. According to the 2003 White Paper on Land, Infrastructure, and Transport, the population in Tokyo's central 23 wards, which declined through the early 1990s, shifted to

a growth pattern in 1997, and in 2001 the growth rate was 0.92%, exceeding the 0.71% for the overall metropolitan area. The latest 2005 population census shows that the population of Tokyo climbed 4.2% from 2000, the largest increase among the 47 prefectures in Japan and far exceeding the national average of 0.7%.

Trends in Index of Land Prices



Source: Ministry of Internal Affairs and Communications, *Nihon tokei nenkan* (Japan Statistical Yearbook), 2007.

a. The six major cities are the 23 wards of central Tokyo, Yokohama, Nagoya, Kyoto, Osaka, and Kobe.

International Comparison of Housing Costs, January 2005

City	Detached house		Condominium	
	Cost ^a	Average floor space (m ²)	Cost ^a	Average floor space (m ²)
Tokyo	100.0	150	100.0	70
Osaka	48.9	130	96.7	70
London	163.1	140	347.7	90
Vancouver	54.8	223	69.3	70
Los Angeles	89.9	186	124.7	144
New York	59.2	177	381.7	93
Paris	80.8	120	237.1	90

Source: Japanese Association of Real Estate Appraisal.

a. Figures based on Tokyo = 100.

Commuting Time of Japanese Workers and Students, 2005

(minutes)

	Workers	Students
Greater Tokyo	67	72
Greater Nagoya	61	73
Greater Osaka	63	77

Source: Ministry of Land, Infrastructure and Transport, *Daitoshi kotsu sensasu* (Major Cities Traffic Census), 2005.

Note: One-way commuting time. Survey is conducted every five years.