EVOLUTION OF URBAN LAND POLICY IN POSTWAR JAPAN

By

YUJI JINNOUCHI KOBAYASHI

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Department of Community and Regional Planning
The University of British Columbia
Vancouver, Canada

Date September 9, 1989
Abstract

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Yuji Jinnouchi Kobayashi

Japan achieved miraculous, rapid economic growth after World War II to become the second ranked major economic power in the world. However, general housing conditions and the standard of living in large cities have not improved as expected. Japanese housing has been referred to as "rabbit hutches" by the O.E.C.D. Extremely steep inflation in the price of land, to an extent that is unprecedented in other developed nations, has largely contributed to this sorry state.

This paper analyzes land policies and land use controls enacted in postwar Japan, examines the trends in land price hikes after the war, and evaluates the social impact of recent inflation in the price of urban land.

Chapter I describes the purpose and rationale of this study. Chapter II analyzes the land policies and land use controls that have failed to control land prices and facilitate the effective use of land. There are four fundamental reasons for this failure: the absolute trust of policy makers in virtually unregulated market capitalism in urban land; a national land planning process designed to support accelerated economic development; the Liberal Democratic Party's policy of protecting
landowners; and the so-called "land-standard economy."

Chapter III examines the trend toward land price hikes after the war. There have been three phases. The first phase (beginning around 1960) began with price increases for industrial districts. The second phase (in the early 1970s) witnessed significant land price increases not only in large cities, but also in other parts of the country. The third phase (since the mid-1980s) featured a sudden and dramatic jump in land prices in central Tokyo and adjacent areas of the Greater Tokyo Metropolitan.

Chapter IV evaluates the social impact of recent land price hikes centered in and around Tokyo. Social overhead capital programs have been delayed largely due to land price hikes. The physical characteristics and social fabric of residential areas have both been changing drastically and suddenly in the Tokyo area. The hikes in land prices have even resulted in the closing of embassies of developing countries in Tokyo.

Chapter V summarizes and concludes this study.
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This work is dedicated to my parents and Shinoko.
Chapter I. INTRODUCTION

This paper analyses evolution of urban land policy and land use control, examines trends in urban land price increases, and discusses the social influence of land price hikes in postwar Japan.

DEFINITIONS

1) Land Policy

Policy, according to Ham and Hill, is the "output of a political process" as well as the process itself. Hence, land policy is the political process and its output concerning land. Charles Abrams also defines land policy as a policy concerning land instituted by a governmental body. According to Abrams land policy assumes various forms such as a planned intervention, hands-off policy and others. Motivations of a government body for instituting a land policy are many such as to regulate speculative land transactions, to supply housing, to prevent illegal occupation, to eliminate substandard housing and slums, to revitalize abandoned areas, to suppress increases in land prices and others.

2) Land Use Control

Land use means a possession or usage of land in order to gain returns or other benefits. Land use is also the legally controlled usage of land for achieving the most beneficial and
efficient development of a community. Hence, land use control can be defined as a regulation or governmental effort to establish an efficient use of land to benefit a community and to develop a community efficiently.

According to Yukio Noguchi, land use control based on the City Planning Law, the National Land Use Planning Law and related legislation is one of the methods for carrying out land policy: others are the creation of housing sites and land reclamation areas by the public sector and land taxation.

3) Urban Land Price

Land is a nation's common basis supporting the economic and social activities, and urban land is generally defined as the land in urban areas.

Land price is closely related to land use and they affect each other. In general, land is used efficiently and intensively in an area where land prices are high, and it is used more carelessly in low priced area. This becomes obvious when the conditions of a central part of a large city and of a rural area are compared.

In Japan there are four official land prices: the land price evaluated and announced by the National Land Agency (Land Price Publication or Koji Chika); the prefectures standard land price (Todofuken Kijun Chika); the land value assessed based
upon street value indicator (Rosen-ka); and the appraised value of the fixed assets (Kotei Shisan Hyoka-gaku). Koji Chika and Todofukken Kijun Chika come closest to the actual land transaction price—about 20 percent lower than actual price, while Rosen-ka and Kotei Shisan Hyoka-gaku are 20 - 50 percent lower. In addition, Koji Chika was started in 1970, five years earlier than Todofukken Kijun Chika. Hence, in this paper Koji Chika shall be used to analyse trends in land price hikes, and other data shall be used only when Koji Chika does not provide a sufficient data.

Throughout this paper, “yen” is used; therefore, equivalent of Canadian dollar is not included. (For reference, 1 Canadian dollar fluctuated around 120 - 130 yen in 1988.)

RATIONALE

About 40 years ago Japan was defeated in war and the cities were largely destroyed. Today Japan is the leading economic power of the world and still growing. In major cities skyscrapers shoot into the sky, office buildings shine, commercial districts bustle with people, and it seems people are well off and enjoying their life. Behind these golden scenes, however, most average income citizens in large cities are living in substandard housing which was once referred to as “rabbit hutches” by an 0.E.C.D. official, and they are compelled to endure incon-
What is the main cause for this dark side of Japan's miraculous economic development? One of the major causes is land price inflation, which is especially evident in urban areas. Land price inflation throughout Japan closely followed trends in the Gross National Product during the post-war era. However, the urban land price index, set at 100 in 1955, increased to 3,800 in 1980. This means that urban land price has risen at a rate twice the national income and seven times the consumers' price during the same period. This skyrocketing inflation in urban land prices has impeded the improvement of housing and the overall environment in urban areas.

For Japan, the urban land problem is also a national problem since about 45 percent of the entire population lives in three metropolitan regions (Tokyo, Nagoya, and Osaka). These three are the center of business and government activities. Further, it is expected that more than 70 percent of whole population will live in urban areas by the beginning of 21st century. In short, Japan is a "city state."

Then, lies the question of land policies and land use controls the Japanese government has taken after the war. Finding answers for the above question is the central task of this paper since it may have significant implications for other nations which are experiencing urban land problems. Trends in
urban land price increases and their social impacts are also examined in order to identify the damaging consequences of ineffective land policies and land use controls.
Notes


3  Ibid., p. 33.


7  In Japan there are four different land price indexes announced by the public sector. The land prices evaluated and announced by the National Land Agency (Land Price Publication or Koji Chika) are the prices of land per square meter as evaluated by the real estate appraisers (appointed by the Land Appraisal Committee of the National Land Agency) on January 1st of each year. The Land Price Publication Act of 1969 requires the annual publication of land prices with details of the land concerned. The objective is to provide factual information to help stabilize the real estate market. There were 16,820 points


With a rapid and large influx of people into large cities such as Tokyo, Nagoya, and Osaka, which was escalated by the Comprehensive National Development Plan of 1962, and without adequate and workable land policies and land use controls, Japan has suffered from rates of land price inflation which are unprecedented in other developed nations.

The above three factors (influx of people, insufficient land policies and land use controls, and inflated land prices) have resulted in low-quality urban housing, inadequate funding for social improvements and an unpleasant urban environment. The failure of land policies and land use controls must be blamed since they are among the public tools for creating a better urban environment.

Land policies may have been destined to fail when Japan's new constitution was adopted. Article 28 of the constitution drafted by General MacArthur's staff stated that "the ultimate fee to the land and to all natural resources reposes in the State as the collective representative of the people." However, State Minister Kunimatsu ordered this part deleted because he thought it sounded marxist. Thus, the new Japanese constitution was written to include "land" in the article regarding respect for private property rights. Land policies in postwar Japan
have attached special importance to Clause 1 of Article 29 on private property rights, and have neglected Clause 2, which restricts private property rights to promote social welfare. If Article 28 of the constitution drafted by Gen. MacArthur's staff was not deleted, postwar Japan may not have experienced the land price increases that have caused such profound social problems.

This chapter examines land policies in postwar Japan and the land use controls (i.e., the City Planning Law of 1968 and National Land Use Planning Law) that are the most important methods of implementing land policies.

II - 1. LAND POLICIES IN POSTWAR JAPAN

The essential role of government land policy is to ensure the most rational and effective use of land by solving problems caused by the unique characteristic of land. Without the support of the populace, however, such a public role in land cannot be served. In addition, the concepts of landownership and land use rights are key to securing popular support for effective land use planning. In other words, when the concept of public land use planning among the population is stronger than that of private landownership rights, it is easier to promote the effective use of land.

However, land policies in postwar Japan are closely related
to Clause 1 of Article 29 that prescribes the respect for private property rights as stated above. Land policies, in short, have viewed private property rights as an absolute condition.

Why are land policies implemented that only respect private property rights? The major reasons are explained as follows.

1. **Policy Drafters' Absolute Confidence in Capitalism**

Policy drafters in postwar Japan have had absolute confidence and trust in the market dynamics of capitalism. The fundamental theory of capitalism is based on an optimism which holds that resources will be efficiently used as long as competition based on self-interest is not hindered. In the case of land, a landowner, motivated by self-interest, always thinks about the most effective use of his land to maximize profit. Consequently, landowners who use their land ineffectively will be displaced by the market mechanism. Based on the above thinking, land policy must be laissez-faire in substance.

2. **The Liberal Democratic Party's Position on Protecting Land Owners**

The Liberal Democratic Party (LDP) was established in 1955 and has been the controlling party in the Diet ever since. It has established strong ties with business, and has reflected the needs and desires of big business when drafting policies. With regard to land, the LDP has maintained a position of leaving land alone. This position applies to privately owned land, and
land owned by corporations.

Farmland reform after the war resulted in a large number of farmers possessing small farms. It, therefore, became important for politicians to protect the landownership rights of these farmers to obtain their votes. Naturally, the LDP maintained its support of farmers for political reasons.

3 National Land Planning for Economic Development after the War


However, these national programs were designed to promote economic development, and consideration was not given to social reform through implementation of regional development planning as the basis of national land planning. For example, the main purpose of the 1962 Comprehensive National Development Plan was to spur the development of the heavy, chemical, and steel industries, and to promote electric power development as key industries instead of agriculture, forestry and fishing according to rapid economic development policy. This was to be
done by concentrating capital, labor, and new technologies into such new key industries. This national plan also included a policy that attracted people to large cities. The New (1969) and Third (1977) Comprehensive National Development Plans were also designed essentially for similar purposes.

Thus, Japan's national land planning was an industrial policy, and failed to address the effective use of land.

§ Land-Standard Economy

One of the major factors for the rapid economic growth after the war is the so-called "land-standard economy," and a land policy designed to protect landownership was needed to support this concept that is uniquely Japanese.

Financial institutions have traditionally made loans to firms that use land as collateral. This is the basis of the land-standard economy. By using their land as collateral, corporations borrowed funds for equipment investments from banks after the war. This financing helped initiate the miraculous, rapid economic growth of postwar Japan.

The land-standard system remains the basis of corporate growth. As a result, politicians supported by the business world are reluctant to plunge a scalpel into this mechanism.

From the above it is clear that land policies enacted in postwar Japan would pose many problems. In addition, the National Land Agency (established to administer national lands
with the 1974 enactment of the National Land Use Planning Law did not have absolute authority to implement land policies.

The following section describes the major land policies instituted in postwar Japan, and groups them according to the first phase (1945 to the mid-1950s), the second phase (mid-1950s to the late 1970s), and the third phase (1980s).

II - 1 - 1. The First Phase (1945 to the mid-1950s)

1) Farmland Reform

Shortly after Japan's defeat in August 1945, a farmland reform proposal was drafted to abolish absentee landlords and tenant farmers, and to foster owner-farmers. The government bought land from landowners and sold them to tenant farmers. This reform began in 1947 and was completed in 1950. This farmland reform was the most successful reform after the war. However, it caused some problems in major cities and their suburbs. One problem was that this reform hindered the development of planned building sites to absorb the heavy inflow of people moving to the cities because it subdivided farmlands into small lots. Consequently, too much time was taken to resolve conflicting rights.

2) Urban Policy and Housing Site Supply shortly after the War

The first land policy for urban areas was the Temporary Housing Construction in 1945. Landownership, land leasehold,
and house leasehold, however, remained the same as before the war.

As part of a national housing plan, the Housing Loan Corporation was instituted in 1950 to make private home loans, and the Public Housing Law was enacted in 1951.

During the postwar reconstruction period, many effective housing and land policies were instituted in other nations such as West Germany and the U.K. In Japan, however, none of the urban land policies implemented during the same period had significant impact.

II - 1 - 2. The Second Phase (mid-1950s to the late 1970s)

1) Changes in Housing Policies

The housing policies of this phase were designed to provide basic housing to accommodate the large numbers of people moving to the large cities, without emphasis placed on housing quality.

Following the enactment of the Public Housing Law in 1951, the Housing Loan Corporation started making home loans to individuals in 1954. The Land Readjustment Law was also enacted in 1954, and the Japan Housing Corporation was established in 1955. Since its inception, the Japan Housing Corporation has played an important role in residential construction in large cities.

In 1962, the New Urban Residential Built-up Area Law was enacted for constructing large new towns. This construction
continued to flourish ever since the Senri New Town was constructed in Osaka. In 1965, the Local Government Housing Corporation was established, and the House-Building Program Law was enacted in 1966.

Through these housing supply measures, the supply of housing began to exceed demand, and by the late 1970s, the focus of housing supply policies was changed to improving the quality of housing instead of simply meeting housing demands. Nevertheless, such housing-related problems as high prices, poor environment and inadequate quality remain serious in large cities.

2) Land Demand Control

The most significant land demand and land use controls instituted in this phase were the City Planning Law of 1968 and the National Land Use Planning Law of 1974. Both laws are explained in section II-1. Other land demand controls are explained as follows.

In 1960, the Ministry of Construction instituted a comprehensive housing site measure. This measure was based on the reasoning that the land problem was a housing site problem, caused by the unbalanced supply of and demand for housing sites. This measure proposed the following:

1 reduce the demand for housing sites by distributing some functions of large cities, such as industries, to
local areas;

② moderate the demand for housing sites by making more public housing available;

③ efficiently use housing sites through effective land use planning and the promotion of urban renewal;

④ increase the supply of housing sites; and

⑤ maintain fair market transactions of housing sites.

In short, this measure can be summarized as one that reduced the demand for housing sites, increased the supply of housing sites, and maintained fair market transactions for housing sites. This measure has become a model for subsequent land price measures, such as the National Land Use Planning Law.

Another land demand control was established by revising the Building Code Law in 1970. Through this revision, housing lots were decreased by about 30 square meters. For example, before this revision about 143 square meters of housing lot was required to construct a house of about 70 square meters building area, but the revised Building Code Law requires only 110 square meters of housing lot to build a house of same building area. This revision was certainly effective in increasing the supply of housing sites. However, this revision also furthered the fragmentation of housing sites in urban areas. In addition, housing loans were made indiscriminately by banks. In other words, housing loans were made without checking the minimum
sizes of housing lots, housing environment standards and other such factors. There was no consideration for supporting the construction of better housing through housing loans.

II - 1 - 3. The Third Phase (1980s)

The trend in recent years is that the Nakasone Cabinet (1982-87) relied on the private sector to improve domestic business conditions. The Nakasone Cabinet especially emphasized greater private sector investments by relaxing controls. Toward this end, the Ministry of Construction brought forward the following measures:

① Promote urban renewal by relaxing urban planning and building controls;

② Promote urban development by using state-owned and public lands; and

③ Promote real estate development by relaxing land development guidelines.

These measures conflicted with many regulations and laws that were instituted to support effective national and urban planning under the City Planning Law of 1968.

These deregulation measures are one of the causes of the recent hike in land prices. The government made a serious mistake in using a short-term business program for national land and urban planning that required long-term vision.
The following section examines the City Planning Law of 1968 and National Land Use Planning Law of 1974 that have been the most important measures taken to implement land policies.


This section focuses on the City Planning Law of 1968 and the National Land Use Planning Law of 1974, which are considered to be the most important legal tools used to implement land policies in postwar Japan—at least up to the deregulation measures implemented by the Nakasone Cabinet.

II - 2 - 1. City Planning and City Planning Law

Yorifusa Ishida states that the history of modern city planning in Japan can be divided into seven periods: the first period—city Europeanism (1868-1887), the second period—city modification (1880-1918), the third period—city planning system establishment (1910-1935), the fourth period—wartime city planning (1931-1945), the fifth period—postwar city restoration planning (1945-1954), the sixth period—urban development without fundamental laws (1955-1968), and the seventh period—urban development with new fundamental laws (1968-1980’s).

This subsection briefly reviews the history of postwar city planning and the City Planning Law, that is, the fifth and later periods. Note that the basis of the existing City Planning Law was established in the second period of city modification (1880-
1919). This basis is one of the factors that resulted in today's poor living environment and the high price of urban land in Japan. In 1889, the Tokyo City Modification Ordinance and the Land and Building Disposal Rules for Tokyo City Modification were enacted. These ordinances and rules may be regarded as Japan's first city planning laws. The Tokyo city modification project was developed with emphasis on economic development. This basic idea placed priority on building roads, bridges and other basic structures, while neglecting housing, waterworks and necessity of life, and has been followed consistently even after World War II.

1) Process of Enacting the City Planning Law of 1968

The new constitution was enacted in May 1947 following the Local Autonomy Law established in April of the same year. The City Planning Law of 1919 that established city planning as a national project had to be thoroughly amended to set city planning as a local government concern. Even though the Urban Building Law was revised as the Building Standard Law in 1950 to shift building administration from the national government to local governments, the "Old" City Planning Law enacted in 1919 was not revised.

Revision of the City Planning Law of 1919 was nevertheless studied to some extent. In 1948, a bill to shift decision-
making for city planning based on the City Planning Law of 1919 to the "heads of prefectures" was discussed. The "Report on Taxation in Japan" (submitted by a mission headed by C.S. Shoup in August 1949) proposed the division of administrative services between the national government and local governments. This report proposed that all city planning work must be transferred from the national government to local governments.

However, the City Planning Law of 1919 was not amended. Japan's failure to establish a fundamental law for city planning in the early postwar stage was one of the reasons why Japanese cities developed in a disorderly fashion during the sixth period of Japan's rapid economic growth.

(2) Sixth Period: Period of City Development without Fundamental Law (1955-1968)

Since the U.S.-Japan Security Treaty was revised in June 1960, and the "income doubling program" was published at the end of 1960, Japan's economy entered a period of high-growth. At this time, a new concept of regional development was born. According to this concept, regional development must contribute to national economic growth, and a national economic plan (or high-growth policy) must be the basis of a national land development plan. Moreover, the national land development plan must be broken down into regional development plans as well as urban development plans. Local governments began to consider national
projects in terms of assisting local development, instead of considering individual conditions for effective regional development.

As a result of this regional development policy, the central control systems and the nation's population were being increasingly concentrated into huge city groups (i.e., the three megalopolitan areas of Tokyo, Nagoya, and Osaka). Consequently, the issue of urban overpopulation became more serious. This problem facing city development in the high-growth period was due directly to the obsolete City Planning Law of 1919 that remained in effect without being revised until 1968.

The City Planning Law of 1919 proved inadequate in terms of the following:

1. The decision-making authority for city planning belonged to the national government. Therefore, city planning remained a national project.

2. Residents were not authorized to participate in the decision-making process.

3. Institutions for land use planning were inadequate. Since there was no plan, there was no control for land utilization.

4. The financial basis for implementing of city planning projects for local governments were weakened. For example, the city planning tax was abolished in 1950.

Due to the lack of a fundamental law, various city develop-
merit project laws were enacted to promote regional and city
development as the basis of the high economic growth policy, and
various "public" enterprises other than local governments were
created. In view of this background, massive city development
projects were carried out on an unprecedentedly large scale.

(3) Seventh Period: Period of New Fundamental Laws (1968-)

Thanks to the new City Planning Law enacted in 1968 and the
complete revision of the Building Standard Law in 1970, a new
legal system for city planning was established half a century
after the old City Planning Law and Urban Building Law were en­
acted in 1919. A new fundamental legal system was required
because the high-growth policy resulted in population and
industries being concentrated into large urban areas, as well as
promoting the development of local industries. The resulting
confusion in city land use and their environments caused land
prices to rise sharply.

The City Planning Law enacted in 1968 and the Building
Standard Law revised in 1970 improved the city planning system
and city planning techniques as follows:

1. The decision-making authority for city planning was transferred to prefectural governors elected by the citizens and municipalities.

2. Residents could participate in the preparation and decision-
making process of city planning.

3. A zoning system that defined Urbanization Promotion Area (the areas to be urbanized) and Urbanization Control Area (the areas not to be urbanized) was established.

4. A development permission system was established in connection with the zoning system.

5. Zones for land usage were detailed, and floor space indexes were specified for individual zones.

According to the new City Planning Law, city planning must be applied to designate city planning areas. A city plan is prepared for each city planning area, and based on the city plan, land use is controlled and city plan projects are implemented. Table II - 1 lists the contents of city plans.

Decisions on city plans are made by prefectural governors for large and fundamental projects, and by municipalities (i.e., wards, cities, towns, villages) for small-scale projects. Decisions on city plans involving more than one prefecture are made only by the Minister of Construction after discussions with the Local Council for City Planning in each prefecture concerned (Figure II - 1).

2) Land Use Control by City Planning Law of 1968

The use of most of land had not been controlled before the City Planning Law of 1968 was enacted. A movement toward controlling land use began based on the City Planning Law of 1968,
| Table II - 1. |
| Contents of City Plans |

| ① URBANIZATION PROMOTION AND URBANIZATION CONTROL AREA |
| ZONING SYSTEM |
| use zoning, special use zoning, building height control district, high utilization district, specified block for urban development, fireproof district, quasi-fireproof district, beautiful sight conservation district, scenic beauty conservation district, area for developing car parking facilities, port zone, special historic environment conservation area, green zone conservation area(suburban special green zone conservation area), district for physical distribution centers, productive green area, other areas |

| ② PROMOTION AREAS |
| urban redevelopment promotion area, land readjustment promotion area, residential blocks development promotion area |

| ③ URBAN FACILITIES |
| roads, urban rapid-transit railroads, car parking facilities, motor vehicle terminals airports, parks, open spaces, plazas, cemeteries, waterworks, electricity and gas supply facilities, sewerage systems, filth treatment plants, incineration plants, regional air conditioning facilities, rivers, canals, schools, libraries, research facilities, hospitals, day nurseries, markets, slaughterhouses, crematories, collective housing facilities, collective government and public office facilities, physical distribution business centers, other facilities |

| ④ URBAN DEVELOPMENT PROJECTS |
| land readjustment projects, new housing town development projects, industrial estate development projects, urban redevelopment projects, new city foundation development projects, residential blocks development projects |

| ⑤ SCHEDULED AREAS FOR URBAN DEVELOPMENT PROJECTS, ETC. |
| scheduled areas for new housing town development projects, scheduled areas for industrial estate development projects, scheduled areas for new city foundation development projects, scheduled areas for collective housing facilities with an area of 20 hectares or more, scheduled areas for collective government and public office facilities, scheduled areas for physical distribution business centers |

| ⑥ DISTRICT PLANNING, ETC. |
| district planning, road-side development planning |

Figure II - 1.

Determination Procedure of a City Planning
(City Plan determined by a Prefectural Governor)

(PREFECTURAL GOVERNOR)  (RESIDENTS)
Original Draft  Requests and Proposals

(PUBLIC AUTHORITIES CONCERNED)

Local City Planning Council of a Ward, City, Town or Village

- submission of the draft plan to the council

Ward, City, Town or Village

- hearing of opinions

Local City Planning Council of a Prefecture

- referring the matter to the council

Minister of Construction

- approval

Determination

- public notification and exhibition of the draft plan

- public hearings, etc.

- hearing of the opinions

- opinions of the residents

Source:
as well as on the National Land Use Planning Law (which is discussed in II-2-2).

This section describes the main systems involved in controlling land use according to the City Planning Law. These include lining, the development permission system, and the zoning system.

(1) Lining and Development Permission System

The City Planning Law of 1968 designates city planning areas as "such areas that must be systematically controlled, developed and maintained as a whole city" (Article 2) under "the concept that land should be rationally utilized under appropriate regulations to secure healthy and cultural urban life and functional urban activities" (Article 2).

This law classifies city planning areas into urbanization promotion areas and urbanization control areas for planned city development (Article 7 of the City Planning Law). Urbanization promotion areas are those that have been urbanized or to be systematically urbanized within 10 years with priority, while urbanization control areas are those for which urbanization is strictly controlled. Dividing areas into urbanization promotion and urbanization control areas is often called "lining" (Table II-2).

Any development activities in an urbanization promotion area or urbanization control area must be approved by the prefec-
Table II-2.
Designation of City Planning Areas (as of 31 March 1987)

<table>
<thead>
<tr>
<th></th>
<th>Number of Cities</th>
<th>Number of Towns</th>
<th>Number of Villages</th>
<th>Total</th>
<th>Number of City Planning Areas</th>
<th>Area (Km²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Planning Areas (1)</td>
<td>652</td>
<td>1,161</td>
<td>105</td>
<td>1,918</td>
<td>1,222</td>
<td>91,943</td>
</tr>
<tr>
<td>Zoning Completed</td>
<td>385</td>
<td>419</td>
<td>45</td>
<td>849</td>
<td>326</td>
<td>50,585</td>
</tr>
<tr>
<td>Use Zoning</td>
<td>240</td>
<td>353</td>
<td>5</td>
<td>598</td>
<td>527</td>
<td>3,231</td>
</tr>
<tr>
<td>Nation (2)</td>
<td>652</td>
<td>2,006</td>
<td>596</td>
<td>3,254</td>
<td>-</td>
<td>377,815</td>
</tr>
</tbody>
</table>

(1)÷(2) 100.0% 57.9% 17.6% 58.9% - 24.3%

Source:

Notes:
1) Zoning Completed in this table covers City Planning Areas where the division of areas into urbanization promotion areas and urbanization control areas have been completed.
2) Use Zoning in this table covers City Planning Areas where use zoning has been designated.
3) “Nation” in this table refers to all cities, towns and villages in Japan. All 652 cities have been designated as city planning areas, but only 1,161 towns and 105 villages have been designated as city planning areas as of March 31, 1987 when there were 2,006 towns and 596 villages.
4) The wards of Tokyo are calculated as a city.
5) Breakdowns of zoning completed city planning areas are urbanization promotion areas (13,535 square kilometers) and urbanization control areas (37,050 square kilometers).
tural governor in advance (development permission system-- Article 29 of the City Planning Law).

(2) Zoning System

The zoning system regulates the use and structures of buildings, and directs building activities to meet the intended purposes of city planning. The basic feature of this system is use zoning. A city plan must include the use zoning system to visualize the overall desirable picture of land use in the city, and to regulate and direct land use for buildings (Articles 8 and 9 of the City Planning Law). The Building Standard Law regulates the use of buildings, floor space indexes, building coverage, and the blocking of sunshine. Table II-3 details the zoning system.

3) Issues in the City Planning Law of 1968

As mentioned above, the City Planning Law of 1968 was intended to systematically develop city planning areas by classifying these areas into urbanization promotion and urbanization control areas. However, this law involves the following problems:

(1) Incomplete Localization of City Planning Procedure

Decision making according to the City Planning Law of 1968 is characterized by the following:

① Decision making must be double-structured as decision to be made by the prefectural governors and those to be made by
**Table II-3.**

Classification and Purpose of Use Zoning

<table>
<thead>
<tr>
<th>Classification</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1 Exclusive Residential District</td>
<td>To protect a favorable residential environment for one or two story houses.</td>
</tr>
<tr>
<td>Category 2 Exclusive Residential District</td>
<td>To protect a favorable residential environment for medium to high-rise houses.</td>
</tr>
<tr>
<td>Residential District</td>
<td>Primarily to protect a residential environment.</td>
</tr>
<tr>
<td>Neighbourhood Commercial District</td>
<td>To promote convenience of commercial and other business primarily designed for supplies of daily necessities to residents in neighborhood residential areas.</td>
</tr>
<tr>
<td>Commercial District</td>
<td>Primarily to promote commercial and other business convenience.</td>
</tr>
<tr>
<td>Quasi-industrial District</td>
<td>Primarily to promote convenience of industries which are unlikely to aggravate environment.</td>
</tr>
<tr>
<td>Industrial District</td>
<td>Primarily to promote industrial convenience.</td>
</tr>
<tr>
<td>Exclusive Industrial District</td>
<td>To promote industrial convenience.</td>
</tr>
</tbody>
</table>

Source:


the municipalities (cities, towns and villages). The prefectoral governors have greater authority.

2 The national government “participates” in the city planning of prefectures and municipalities, while prefectoral governors “participate” in the city planning of municipalities. Such participation is legally and actually very influential.
In other words, decisions for the city planning of municipalities is made by prefectural governors, while the national government legally and actually directs and supervises city planning through such financing mechanisms as granting loans and subsidies. Therefore, the new City Planning Law was not completely reformed.

(2) Weak Principle of “No Plan, No Development”

The zoning system faced the following two problems:

1. The four-area system recommended by the Sixth Report of the Building Lot System Council was changed to a two-area system. This reduced administrative flexibility and caused conflicts (Table II-4).

2. The relationships between the planning of urbanization promotion areas, urban area maintenance programs, and residential-land-level taxation on farmlands in urbanization control areas are vague. As a result, urbanization promotion areas were expanded beyond the range that can be effectively maintained by the municipalities.

The development permission system, which is based on the planning permission system of England, faces the following problems:

1. The definition of “development” is extremely narrow compared to the “planning” defined in England. The development of hills for cemeteries and golf courses was not
Table II-4.
Comparison of The Sixth Report of the Building Lot Council and the City Planning Law of 1968

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name of Area</strong></td>
<td><strong>Control</strong></td>
<td><strong>Conditions of Area</strong></td>
</tr>
<tr>
<td>Built-up Area</td>
<td>Allowance of individual development activity.</td>
<td>Conurbation. Area which is adjacent to conurbation, currently urbanizing and will become conurbation within 10 years.</td>
</tr>
<tr>
<td>Urbanization Promotion Area</td>
<td>Allowance of planned development, and that meets the specified scale only.</td>
<td>Possibility of urbanization within a certain period of time in future.</td>
</tr>
<tr>
<td>Urbanization Control Area</td>
<td>Prohibition of development as a rule.</td>
<td>Area which must not be developed.</td>
</tr>
<tr>
<td>Preserved Area</td>
<td>Prohibition of development. Control of land transaction.</td>
<td></td>
</tr>
</tbody>
</table>

Source:
Yorifusa Ishida, Nihon Kindai Toshi Keikaku no Hyakunen (100 Years of Modern City Planning in Japan), (Jichitai Kenkyusha Inc., 1987): 309, table 9-1.
included in the first stage.

2. No permission is required for a small lot of less than 0.1 hectare. This stimulates small-scale development and individual building (so-called "mini-development") that refers to very small houses built on small plots by private developers.

Due to the above problems, the zoning system and development permission system have failed to achieve the principle of "no plan, no development."

(3) Present Status of Use Zoning in Tokyo Metropolis

The present use zoning status in the 23 wards of Tokyo allows for exclusive residential areas, of which category 1 zoning accounts for 13,853 hectares (24.5 percent). In addition, category 2 (exclusive residential areas) accounts 11,262 hectares (19.9 percent). The present zoning system for category 1, which specifies a low floor space index and limits building height under 10 meters as a rule, is considered to be hindering the development of Tokyo. Therefore, it is argued that the 23 wards of Tokyo in category 1 (especially in the inner area of Arterial Ring Road No. 7) should be changed to category 2 to meet the demand for office floor space in the 23 wards by providing high-rise buildings and to meet the housing demands for nearby office-based workers by providing high-rise apartment buildings. (It is noted that the residents of the inner area
of Arterial Ring Road No. 7 expressed opposition to the above change and to the Tokyo Metropolitan Government that has the authority to change use zoning in its jurisdiction. There are also two groups of planners who agree with and oppose against the change.)

II - 2 - 2. National Land Use Planning Law

This subsection discusses the National Land Use Planning Law (enacted in December 1974), which along with the City Planning Law, establishes the basis for land use control in postwar Japan.

1) Process of Enacting the National Land Use Planning Law

The Tanaka Cabinet of the LDP (formed in 1972) established a nationwide land use plan to promote the decentralization of industries and population to local areas for solving the overpopulation problem in large cities and the sparse population problem in local areas, as well as to balance the demand for and supply of land. Prime Minister Tanaka, in proposing the "Reformation of the Japanese Archipelago," submitted the "National Land Overall Development Bill" to the Diet in March 1973 to restructure the Japanese archipelago. Tanaka thought that this policy would reduce the steep increase in land prices in large cities caused by the energy crisis, make low-priced land available to people moving from the cities, and stabilize
land prices throughout the country. Conversely, this policy stimulated speculative land acquisition since it sought to distribute the population and decentralize industries to local areas, because developers bought land in local areas, and since the land-holding tax imposed on corporations was very low at that time. The price of land increased, and the Tanaka Cabinet was severely criticized by the other political parties.

In response to this criticism, the Tanaka cabinet included land price-freezing techniques in the "National Land Overall Development Bill." However, the non-governmental parties, opposed to the bill, required that the LDP work out a new bill to correct the problem of increasing land prices. Therefore, the National Land Use Planning Law was prepared by completely revising the National Land Overall Development Bill to ensure proper land use and to regulate land prices. The law was enacted in December of 1974.

Before the National Land Use Planning Law, high land prices had traditionally been countered by an increase of available land. However, the National Land Use Planning Law sought to limit rises in land prices through direct control.

2) Restriction of Land Use by the National Land Use Planning Law

The National Land Use Planning Law passed in 1974 consisted of nine chapters: (1) General, (2) National Land Use Planning,
(3) Basic Planning for Land Use, (4) Permission of Transfer of Land Rights (permission for restricted areas), (5) Reporting the Transfer of Land Rights (reporting system), (6) Measures for Unused Land, (7) National Land Use Council, (8) Miscellaneous Rules, and (9) Penal regulations. Chapters (2) through (6) are explained below.

(1) National Land Use Planning

The national land use plan is prepared by the national government. Based on the national plan, prefectures and municipalities must prepare their own plans. To prepare the national land use plan, the national government must consult with the National Land Use Planning Council, as well as with the prefectures. It also stipulates that municipalities must reflect the view of residents in their plans through public hearings.

(2) Basic Planning for Land Use

Each prefectural governor must prepare a basic plan for using land in addition to the national land use plan. Based on the prefectural land use plans, Japan is classified into five area groups: urban districts, agricultural districts, forest districts, natural park districts, and natural environment preservation districts. The national land use plan provides for a long-term strategy for the nation's land use, while the basic plan for land use clarifies actual land use conditions.

Although prefectural land development is restricted and
designated by the prefecture, all restriction criteria are determined by existing laws. These existing laws include the Agricultural Development Area Control Law for farmland districts, the Forest Law for forest districts, the Natural Park Law for natural park districts, and the Natural Environment Protection Law for natural environment preservation districts.

Land use was controlled exclusively according to these laws before the National Land Use Planning Law was enacted. However, since these laws control land for individual purposes, some areas are not covered by these laws. Such areas, called "white lands," were traded speculatively. The National Land Use Planning Law, which classifies the entire country into five districts, does away with such white lands.

(3) Reporting System, Reporting System in Supervisory Area, and Permission System in Restricted Area

The reporting system in a supervisory area (or restricted area system) is the most severe rule on land trading. Because this control only allows land transactions in a restricted area to be conducted after obtaining the proper permission, it prohibits land trading at prices higher than those evaluated and announced by the National Land Agency (=Koji Chika or Chika Koji). In other words, land trading is actually frozen in restricted areas. However, no restricted areas were designated until recently because it was feared that the restricted area
system would freeze land trading and seriously affect all
economic activities in the real estate sector. Another reason
why this system has never been implemented is that it conflicts
with the Japanese constitution which promotes a free economy.

The reporting system requires the reporting of estimated
land sales exceeding a certain scale to the prefectural gover-
nors, and it has been implemented in most areas of Japan. For
urbanization promotion areas, reporting was required for trading
areas up to 2,000 square meters in size. Therefore, small urban
areas sold at high prices were exempted from reporting. Since
1976, about 40,000 land transactions (involving 70,000 hectares
a year) were reported to the local governments according to the
National Land Use Planning Law (Table II-5). This figure
reveals that only about 10 percent of all transactions recorded

Table II-5.
The Number and Area of Land Transactions Reported to the Local
Governments according to the National Land Use Planning Law

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>23,024</td>
<td>31,744</td>
<td>32,858</td>
<td>35,639</td>
<td>40,502</td>
<td>41,650</td>
<td>39,023</td>
</tr>
<tr>
<td>Area</td>
<td>50,111</td>
<td>66,359</td>
<td>71,259</td>
<td>70,409</td>
<td>69,191</td>
<td>77,797</td>
<td>70,092</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>1983</th>
<th>1984</th>
<th>1985</th>
<th>1986</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>39,816</td>
<td>38,373</td>
<td>39,429</td>
<td>38,606</td>
</tr>
<tr>
<td>Area</td>
<td>75,258</td>
<td>80,119</td>
<td>77,674</td>
<td>74,477</td>
</tr>
</tbody>
</table>

Source:
Shadan Hojin Jutaku Sangyo Kaihatus Kyokai (The Housing
Industry Development Association), Tochi Jutaku Mondai (The
in the land register each year are reported. As stated before, this is because the trading of small urban areas is exempted from reporting, and this is one reason for the steep rise in land prices. Consequently, the National Land Agency initiated the supervisory area restriction system (or System of Land Price Monitoring Area) in August 1987 that requires the reporting of all land transactions in areas designated by the local government. For example, all wards in Tokyo with more than 300 meters of designated land must be reported (Figure II-2).

(4) Measures against Unused Land

According to the National Land Use Planning Law, land that is left unused for more than three years is considered "unused land" by the prefectural governors. In such cases, the owners of such unused lands are first requested to use the land. If such requests are denied, the prefecture is entitled to expropriate the land from the owner.

3) Issues of the National Land Use Planning Law

As described above, the National Land Use Planning Law initially established land trading restrictions based on three systems at its inception (the permission system in restricted areas, reporting system, and unused land system). Nevertheless, since land use basic planning depends on existing laws, the land use planning according to the National Land Use Planning Law
**Figure II-2.**

Land Transaction Control by the National Land Use Planning Law

1. **REPORTING SYSTEM**

**SUBJECTS:**

1. Land transaction over 2,000 m$^2$ in urbanization promotion areas
2. Land transaction over 5,000 m$^2$ in other city planning areas.
3. Land transaction over 10,000 m$^2$ in areas not designated as city planning areas.

2. **REPORTING SYSTEM IN SUPERVISORY AREA** (started in August 1987)

**CONDITIONS:**

Steep land price hike or its symptom.

**PREFECTURAL GOVERNOR CAN**

1. Designate the area to be reported,
2. Conduct survey on trend in land price,
3. Order a person who made land transaction contract to report the details of a contract and others.

3. **PERMISSION SYSTEM IN RESTRICTED AREA**

**CONDITIONS:**

1. Concentration of speculative land transactions.
2. Steep land price hike

---

**Source:**

itself has no sufficient basis. This is the fundamental problem of this law. This law regulates the trading of land rather than land use planning. Since the regulation of land trading has no relationship with the basic plan for land use, this law has no basis for achieving effective land use planning from the viewpoint of land trading.

Problems posed by the National Land Use Planning Law are discussed below.

1. Lack of Return of Development Profits to the Public

Although the National Land Use Planning Law seeks to directly regulate land trading prices through the permission system, reporting system, and unused land system, this law has no basis for returning development profits to the public.

2. Problems Facing the Permission System in Restricted Areas and Reporting System in Supervisory Areas

Although the permission system in a restricted area would be most effective in suppressing rises in land prices, this system has never been implemented because such implementation would actually freeze land trading.

As previously mentioned, the area of land whose trading must be reported is reduced, when the reporting system in supervisory area (or the system of land price monitoring area) was implemented, from 2,000 square meters to the area designated by the local government. However, the ratio of land trading to be
reported is still very low. For example, about 90 percent of land trading in the five central wards of Tokyo (Minato, Chuo, Chiyoda, Shibuya, and Shinagawa) comprises a land area of only up to 300 square meters. Therefore, small-size land is bought and sold without reporting, which results in, for example, the problem of so-called "pencil buildings" or buildings built on very small lots. Note that because the criterion for determining land trading prices is vague, the setting of land prices is difficult for land traders, which may inhibit smooth land trading.

This chapter has reviewed the land policies and land use controls implemented in Japan since the war. It clarified that effective land policies have yet to be implemented in postwar Japan. Both the City Planning Law of 1968 and the National Land Use Planning Law, which are the central pillars of land use control in Japan, can never be considered effective for promoting proper land use because they are insufficient.

Although Japan achieved miraculous economic growth and has developed into a world economic power, its urban living environment remains very poor. If Article 28 of Gen. MacArthur's constitution had not been deleted and its spirit had been reflected in various land policies and land use regulations, Japan would be enjoying a far more comfortable urban living
environment.

The next chapter reviews the trend toward rising land prices in Japan after the war.
Notes

1
The Comprehensive National Development Plan instituted in 1962 adopted nodal system development, and promoted the construction of new industrial cities and establishment of special areas for industrial consolidation. Due to rapid economic growth, the Development Plan resulted in rapid urbanization, overpopulated urban areas, and underpopulated local areas. Hideki Kaji et al., Gendai Toshi Keikaku Yogoroku (Technical Terms of Current City Planning), (Tokyo: Shokokusha Inc., 1986), p. 56.

2

3

4
Ibid.

5
"Kisei Kanwa de Toshii wa Mamorenai (Cities cannot be protected through the Relaxation of Controls)," Nikkei Architecture, 4 April 1988, p. 21.

6
The three methods of implementing land policy can be roughly classified as follows: ① land use control by the City Planning Law, National Land Use Planning Law and other means, ② creation of housing sites and land reclamation areas by the public sector, and ③ land taxation. Yukio Noguchi, "Tochi Zeisei--Keizaiteki Sokumen" ("Land Taxation: Economic Aspects"), Jurist, 25 March 1984, p. 209.

7
Kusuhiko Sakamoto ed., Tochi Kakaku no Sogoteki Kenkyu


11 The Greater London Plan (1944) was the model for the National Capital Region Development Law enacted in 1956. To restrict the expansion of urban districts, the Suburban Zone (green belt areas located 5-10 kilometers from central Tokyo) was to be incorporated into the Law. The Suburban Zone was to be divided into three zones (i.e., superior agricultural zone, green zone for constructing parks, and exempted zone that was already urbanized). The Suburban Zone was not incorporated into the Law because most residents, especially farmers and landowners, in the Zone, fiercely opposed it. Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Dareno Monoka (To whom Land Belongs?) (Tokyo: Nihon Hoso Shuppan Kyokai, 1987), pp. 97-98.


13 The four Comprehensive National Development Plans implemented thus far have been drawn up by the National Land Agency. Since the Plan itself has no means to enforce its programs, the national government and government offices promulgate laws for executing the programs. For instance, a fundamental aim of the Comprehensive National Development Plan of 1962 was to foster heavy and chemical industries, steel industry and electric power development as key industries. The New Industrial City Development Promotion Law and Special Area for Industrial Consolidation Promotion Law were enacted in 1962 and
1964, respectively. The programs were scheduled to be completed in 1970. However, the nation's faster-than-anticipated economic growth and industrialization required the first development plan to be adjusted. The New Comprehensive National Development Plan was established in 1969. With completion slated for 1985, it featured large-scale development projects involving the construction of the Shinkansen (Bullet Train), expressways, and industrial bases. In 1977, the Third Comprehensive National Development Plan was started. Its main objective was to establish a planned, total living environment. The Fourth Comprehensive National Development Plan, instituted in 1987, seeks to decentralize businesses, industries and population from urban regions, especially the three metropolitan regions of Tokyo, Nagoya and Osaka, to adjacent local areas to resolve such urban problems as the strain on urban structures, deteriorated living environment, decline in local community functions, as well as to revitalize local areas. The completion of programs is slated for the year 2000, and the Multinuclei Decentralized National Land Formation Promotion Law drawn up by the National Land Agency was enacted in 1988. Kaji Hideki, et al., Gendai Toshi Keikaku Yogoroku (Technical Terms of Current City Planning) (Tokyo: Shokokusha Inc., 1986), p. 56. The Liaison and Protocol Section, International Communication Division, Bureau of Citizens and Cultural Affairs, Tokyo Metropolitan Government ed., City Planning of Tokyo (Tokyo: The Tokyo Metropolitan Government, 1983), PP. 40-41.


16 Hiramoto, Tokyo Korekara Konaru (Tokyo’s Future), p. 175.

17 Land policies in postwar Japan have been faulty since they have placed importance on Clause 1 of Article 29 (regarding
private property rights). Another major reason that land policies in postwar Japan have failed is that they were based on the theory that if housing sites and housing units are supplied in large quantities, demand will decrease and land prices will drop. To supply housing sites and housing units, the national government has encouraged the redevelopment of built-up areas, and developed new urban residential built-up areas. However, these measures have not lowered land prices. These measures have rather increased land prices in redeveloped built-up areas, new urban residential built-up areas, and surrounding areas since development encourages concentration of people and businesses as a result of the increased value of the land.


18 With the enactment of the National Land Use Planning Law in 1974, the National Land Agency was established as one of the national government offices. The main purpose of its establishment was to foster proper national land use by coordinating land use-related administration by other national government offices such as the Ministry of Construction, Ministry of Agriculture, Forestry, and Fisheries, and Ministry of Transportation, and others. Hence, most staff members have been transferred from other national government offices in 2 to 3 years rotations, with main role of acting as coordinators between the National Land Agency and national government office to which they belong. Hirotaka Fujita, “Shokai Kokudo RiyoKeikaku Ho (1)”, “A Detailed Commentary on the National Land Use Planning Law (1)”, *Tochi Jutaku Mondai* (The Land and Housing Problems), May 1988, p. 33.


20 The land leasehold and house leasehold law was revised in 1941 to add an article of “just cause” that required landowners and landlords to present sufficient reason for refusing to renew or to cancel leases. The main purpose of this revision was to mitigate housing shortage in wartime. During the war, many large cities were bombed and destroyed, causing the housing shortage to get worse. Due to this acute housing shortage, “just cause” was taken more severely for landowners and landlords. The law defines the usage of land or houses by owners as
one sufficient reason to refuse renewal or cancels a lease. However, according to a judicial precedent, if a tenant wishes to renew a lease, landowners and landlords must renew the lease even though they wanted to use their land or house themselves. Therefore, landowners and landlords are very reluctant to lease their assets. Kikuo Iwata, Tochi Kaikaku no Kihon Senryaku (Proposals for Land Reform) (Tokyo: Nihon Keizai Shinbun-sha, 1988), pp. 189-190.


22 The Japan Housing Corporation was established for developing land and constructing houses in the regions of large cities in 1955. It was incorporated with the Japan Estate Development Corporation to become the Japan Housing and Urban Development Corporation in 1981. Housing units built by the Japan Housing Corporation amounted to 1,111,000 by 1979, (when the number of total housing units built after the war reached 32,330,500). The types of housing units supplied by the Japan Housing Corporation include individual homes for rent and sale, and apartments for rent and sale (mostly aimed at for low and middle income groups). Okubo, Chika to toshi Keikaku--Kaihatsu Rieki no Jittai to Shakai Kangen (Land Price and City Planning: Actual Condition of Development Profit and its Social Return), p. 27. Hideki Kaji, et al., Gendai Toshi Keikaku Yogoroku (Technical Terms of Current City Planning) (Tokyo: Shokokusha Inc., 1986), p. 54.

23 For constructing large, new towns, various rights such as eminent domain, control of building activities are given to the implementing body. Loans at very low interest rates are provided by the Japan Development Bank to the implementing body. Hideki Kaji, et al., Gendai Toshi Keikaku Yogoroku (Technical Terms of Current City Planning) (Tokyo: Shokokusha Inc., 1986), p. 90.

Relaxing the controls over urban planning and land development has been one of the main reasons for the recent land price hikes since it as a result promoted redevelopment projects of built-up areas by the private sector. The private sector leading urban renewal tends to seek profitable land use. This means the intensive use of such land as office buildings, condominiums, and others have become dominant. Since the intensive use of land increases the value of the land itself, the price of land increases. The promotion of urban development through the utilization of state-owned and public lands has been another main reason for the recent land price hikes. For instance, when the Japan National Railroad (JNR) was turned over to private management in 1987, such JNR-owned lands (state-owned lands) as marshalling yards were sold by tender to cover the deficits accumulated during JNR management. Since some lands are located in the first-rate districts of Tokyo, developers poured more money than the market prices to and as a result accelerated land price hikes. Sachio Otani, Toshi ni totte Tochi towa Nanika (The Meaning of Land for a City), (Tokyo: Chikuma Shobo Inc., 1988). pp. 18-19.


Ibid.
As requested by the U.S. headquarters, the investigation committee on the Japanese tax system (headed by C. Shoup) was dispatched to Japan to make recommendations on tax system reform.

Ishida, *Nihon Kindai Toshi Keikaku no Hyakunen* (100 Years of Modern City Planning in Japan), pp. 236-237.

The important city development project laws enacted in this period are the Fire-Resistant Building Promotion Law (1952), the Land Readjustment Law (1954), the Urban Development Area Law (1958), the Residential Area Redevelopment Law (1960), and the Urban Area Rebuilding Law (1961). Ishida, *Nihon Toshi Keikaku no Hyakunen* (100 Years of Modern City Planning in Japan), pp. 254-255.


In urbanization control areas, development activity and
the construction of buildings are strictly prohibited in prin-
ciple. However, there are exceptions (i.e., a house of farmer’s
son, a neighbourhood shopping store, and others). Sachio Otani,
Toshi ni totte Tochi toha Nanika (The Meaning of Land for a City)

43 Masashi Namekawa, Chika/Tochi Mondai no Keizaigaku--Juyo
Kyokyu, Taisaku (Economics of Land Price and Land Issue:
Demand, Supply, Countermeasure) (Tokyo: Toyo Keizai Shinpo-sha

44 The Bureau of City Planning, Tokyo Metropolitan Govern-
ment, Tokyo no Toshi Zukuri (Planning of Tokyo), p. 21.

45 Ishida, Nihon Kindai Toshi Keikaku no Hyakunen (100
Years of Modern City Planning in Japan), p. 306.

46 With the rapid expansion of metropolitan areas to
suburban areas, dissatisfaction and resentment among the general
public increased since the fixed asset tax, inheritance tax and
other taxes imposed on the farmlands in the urbanization
promotion areas were too small compared to those imposed on
housing sites. Since the tax system revision in 1971, there has
been a move to tax farmlands in the urbanization promotion
areas at the same rate as housing land in urban zones. A fixed
asset tax on urban farmland to match that imposed on housing
plots was introduced in 1982 on the grounds that it would dis-
courage so-called farmers from keeping their land idle. This
measure, however, exempts what it terms the “Long-Term
Agriculture Continuation System,” which allows farmers owning
plots not smaller than 900 square meters to pay lower farmland
tax rates, provided that they express their interest to continue
agriculture for at least 10 years. This system is obviously
vulnerable to the difficulty of proving whether a farmer is
actually serious about continuing agriculture or is simply using
it as an excuse to avoid higher fixed asset taxation while
waiting for further land price hikes (since he could qualify for
lower taxes simply by planting a few apple trees or even lawns).
In the three major metropolitan regions (Tokyo, Nagoya and Osaka
) the “Long-Term Agriculture Continuation System” was being
applied to 86.2 percent of all farmlands subject to taxation in
1987. “Gardeners Not Farmers,” Business Tokyo, November 1987,
pp. 46-47. Nihon Hoso Shuppan Kyokai (Japan Broadcasting
When the National Land Use Planning Law was implemented in 1974, it had two measures to control land prices: the Reporting System and Permission System in Restricted Area. Restricted Areas have never been executed, but it is agreed that they have repressed speculative land transactions to some extent since developers were alarmed of their implementation. The Reporting System has been implemented. It requires the reporting of estimated land sales exceeding a certain scale to the prefectural governors. For an urbanization promotion area, reporting is required for a trade area exceeding 2,000 square meters, for urbanization control areas over 5,000 square meters, and for the land other than the city planning area over 10,000 square meters. Otani, Toshi ni totte Tochi toha Nanika (The Meaning of Land for a City) (Tokyo: Chikuma Shobo Inc., 1988), p. 42. Kokudo Riyo Keikakuho Kenkyukai (The Society for the Study of the National Land Use Planning Law), Kaisei Kokudo Riyo Keikakuho no Yoten (The Main Points of the Revised National Land Use Planning Law) (Tokyo: Taisei Press Inc., 1987), p.17.
Koji kakaku (or koji chika, chika koji) is the land price per square meter (as of January 1st appraised every year by the real estate appraisers appointed by the land price appraisal committee of the National Land Agency. It is made public on April 1st each year by the Official Gazette. Koji kakaku is generally said to be lower than the actual transaction price. Nihon Keizai Shinbun-sha, “Yasashii Keizai Yogo no Kaisetsu” (“Explanation of Economic Terms”) (Tokyo: Nihon Keizai Shinbun-sha Inc., August 1987), p. 8.


Namekawa, Chika/Tochi Mondai no Keizaigaku--Juyo, Kyokyu, Taisaku (Economics of Land Price and Land Issue: Demand, Supply, Countermeasure), pp. 124-125.
Chapter III. URBAN LAND PRICE TRENDS IN POSTWAR JAPAN

Land prices on a national average have been related somewhat to Gross National Product in postwar Japan. However, compared to the land price index of urban areas throughout the country set in 1955 at 100, the 1980 index had increased to 3,800. This means that urban land prices have risen at a rate twice the national income and seven times the standard price of living during the same period. The skyrocketing urban land prices have impeded efforts to improve housing and the overall living environment in urban areas. (For instance, as a result of the steep rise in urban land prices, housing lots have become smaller, the quality of housing unit has become poorer, the improvement of infrastructure such as streets and mass transportation has been delayed, and the construction of public facilities such as urban parks has been hindered.)

This chapter examines the fundamental reasons for land price increases in postwar Japan, and investigates the trends of urban land prices in postwar Japan.

III-1. THE FUNDAMENTAL REASONS FOR LAND PRICE INCREASES IN POSTWAR JAPAN

The inadequate land policies, deficient city planning, poor land use planning, national planning designed for economic development, the LDP’s policy of protecting landowners, the land
standard economy and other reasons stated in Chapter II are the fundamental reasons why land prices increased dramatically throughout the postwar Japan. The fact that there is less usable land in Japan than in other developed nations must also be added to the above reasons.

The Japanese archipelago occupies about 0.25 percent (or about 377,800 square kilometers) of the total surface area of the earth. Today about 2.4 percent of the world’s population lives there. Table III-1 indicates that only 18.5 percent of this tiny island nation is habitable. Agricultural land accounts for 14.5 percent and buildings account for 4.0 percent. In other words, the total area of productive land of the Japanese archipelago accounts for only 0.001 percent of the total surface area of the earth. In such a small place, the Japanese account for about 14 percent of the world economic production. This means that the Japan has a higher rate of land utilization than any other nation. As a result, it is natural that the price of Japanese land is higher than that of other developed nations. At the end of 1983, the price of Japanese land had reached ¥999 trillion, which was double the the price of land in the U.S.A.

III-2. THE TRENDS OF URBAN LAND PRICES AND MAIN CAUSES OF LAND PRICE INCREASES IN POSTWAR JAPAN

The price of land in urban areas in postwar Japan rose at a
### Table III-1

Changes in Land Use by Category (1975-85)

(Unit: Km², %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>1. Agricultural land</td>
<td>57,600</td>
<td>6,900</td>
<td>54,900</td>
<td>6,200</td>
</tr>
<tr>
<td></td>
<td>(15.9)</td>
<td>(17.6)</td>
<td>(14.5)</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Farmland</td>
<td>55,700</td>
<td>6,900</td>
<td>53,800</td>
<td>6,200</td>
</tr>
<tr>
<td></td>
<td>(14.8)</td>
<td>(17.6)</td>
<td>(14.2)</td>
<td>(15.8)</td>
</tr>
<tr>
<td>Pasture/grazing land</td>
<td>1,900</td>
<td>0</td>
<td>1,100</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(0.5)</td>
<td>(0.0)</td>
<td>(0.3)</td>
<td>(0.0)</td>
</tr>
<tr>
<td>2. Forest</td>
<td>252,900</td>
<td>20,800</td>
<td>252,900</td>
<td>20,700</td>
</tr>
<tr>
<td></td>
<td>(67.0)</td>
<td>(53.2)</td>
<td>(67.0)</td>
<td>(52.7)</td>
</tr>
<tr>
<td>3. Wasteland</td>
<td>4,300</td>
<td>100</td>
<td>3,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(1.1)</td>
<td>(0.3)</td>
<td>(0.8)</td>
<td>(0.0)</td>
</tr>
<tr>
<td>4. Waters, rivers and water courses</td>
<td>12,800</td>
<td>1,400</td>
<td>13,200</td>
<td>1,500</td>
</tr>
<tr>
<td></td>
<td>(3.4)</td>
<td>(3.6)</td>
<td>(3.5)</td>
<td>(3.8)</td>
</tr>
<tr>
<td>5. Roads</td>
<td>8,900</td>
<td>1,600</td>
<td>10,700</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>(2.3)</td>
<td>(4.1)</td>
<td>(2.8)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>6. Building land</td>
<td>12,400</td>
<td>4,000</td>
<td>15,100</td>
<td>4,700</td>
</tr>
<tr>
<td></td>
<td>(3.3)</td>
<td>(10.2)</td>
<td>(4.0)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Houses</td>
<td>7,900</td>
<td>2,400</td>
<td>9,400</td>
<td>2,900</td>
</tr>
<tr>
<td></td>
<td>(2.1)</td>
<td>(6.1)</td>
<td>(2.5)</td>
<td>(7.3)</td>
</tr>
<tr>
<td>Factories</td>
<td>1,400</td>
<td>500</td>
<td>1,500</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>(0.4)</td>
<td>(1.3)</td>
<td>(0.4)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Other building land</td>
<td>3,100</td>
<td>1,100</td>
<td>4,200</td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td>(0.8)</td>
<td>(2.8)</td>
<td>(1.1)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>7. Others</td>
<td>28,600</td>
<td>4,300</td>
<td>28,000</td>
<td>4,200</td>
</tr>
<tr>
<td></td>
<td>(7.6)</td>
<td>(11.0)</td>
<td>(7.4)</td>
<td>(10.7)</td>
</tr>
<tr>
<td>Total</td>
<td>377,500</td>
<td>39,100</td>
<td>377,800</td>
<td>39,300</td>
</tr>
<tr>
<td></td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

Source:


Notes:

1) ①=Nationwide, ②=Three Metropolitan Regions
2) Each of the three metropolitan regions is broken down as follows:

Tokyo region: Tokyo, and Saitama, Chiba and Kanagawa prefectures,
Nagoya region: Aichi and Mie prefectures,
Osaka region: Kyoto, Osaka and Hyogo prefectures.
steep pace unprecedented in other developed nations. Japan has experienced three sudden land price increases until now. In the first phase (around 1960), Japan experienced the first major land price increase after the war, the second phase in the early 1970s was the second major land price hike, and the third phase (since the mid-1980s) began with a sharp land price hike in the central business district of Tokyo (Figures III-1, 2). The changes from the preceding year in the price index of urban areas of six metropolitan regions (Sapporo, Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka) by use district are shown in Figure III-1. Figure III-2 shows the changes from the preceding year in the land prices of nationwide housing and commercial districts evaluated and released by the National Land Agency (=Koji Chika) by nationwide and the three metropolitan regions. During each land price hike phase, land prices skyrocketed at a very steep pace for all classifications of use zoning. However, the classifications of use zoning for which land prices rose the most varies with each phase. In other words, the first phase involved industrial districts, the second phase involved residential districts, and the third phase involved commercial districts (Table III-2).

This section examines the trend toward increasing land prices in urban areas, and the main causes of land price hikes in each phase.
Figure III-1.

Changes from the Preceeding Year in the Price Index of Urban Areas of Six Metropolises

Source:


Note:

Six metropolises are Sapporo, Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka.
Changes from the Preceeding Year in the Land Price Evaluated and Announced by the National Land Agency (Koji Chika)

Source:

Note:
Each of the three metropolitan regions is broken down as follows:
Tokyo region: Tokyo, and Saitama, Chiba and Kanagawa prefectures,
Nagoya region: Aichi and Mie prefectures,
Osaka region: Kyoto, Osaka and Hyogo prefectures.
III - 2 - 1. THE FIRST PHASE (AROUND 1960): LAND PRICE INCREASE IN THE EARLY STAGE OF RAPID ECONOMIC GROWTH

The land prices of urban areas began to rise around 1955 and initially peaked around 1960 (Figure III - 1). Rising land prices were initially centered in and around the Tokyo Metropolitan Region, then spread throughout the country around 1960.

Table III - 2.

Changes from the Preceding Year in the Price Index of Urban Areas

<table>
<thead>
<tr>
<th></th>
<th>September 1961</th>
<th>September 1973</th>
<th>September 1987</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Industrial Districts</td>
<td>88.7</td>
<td>50.3</td>
<td>33.6</td>
</tr>
<tr>
<td>Residential Districts</td>
<td>60.1</td>
<td>37.5</td>
<td>42.5</td>
</tr>
<tr>
<td>Commercial Districts</td>
<td>61.9</td>
<td>33.2</td>
<td>28.6</td>
</tr>
<tr>
<td>Average of Use Zoning</td>
<td>69.5</td>
<td>39.9</td>
<td>36.1</td>
</tr>
</tbody>
</table>

Source:

Notes:
1) 1) is six metropolises which include Sapporo, Tokyo, Nagoya, Osaka, Hiroshima, and Fukuoka.
2) 2) is urban areas excluding six metropolises.
Figure III-3
Map of Japan

Source:
The beginning of the steep rise in land prices during the first phase roughly coincided with the inception of the Income Doubling Plan of the Ikeda Cabinet (1960) and rapid economic growth. In this phase, the land price increase of industrial districts was most serious, and it caused land prices to rise throughout the country. Large regional cities and their suburbs experienced the most steep land price hikes in this phase.

According to Hiroyuki Yamada, there are two major reasons for the jump in land prices in this phase: (1) increased demand for industrial districts around large cities and adjacent areas due to the promotion of heavy and chemical industries and Japan’s rapid economic growth after the war, and (2) increased demand for land in and around large cities due to the heavy inflow of people and nuclearization of families.

Table III-3 lists the results of nationwide land use for residential use, industrial use, non-residential buildings, and for public use from 1955 to 1961. According to Table III-3, in 1955 the share of sites for industrial use among the total area of above four uses was only 7.5 percent. However, this share jumped to 29.2 percent in 1961. Conversely, share of sites for residential use decreased substantially during the same period.

Although no countermeasures was implemented, the steeply rising land prices began levelling off around 1962 with a drop in equipment investments by the private sector. Countermeasure
Table III-3.

Results of Nationwide Land Use for Residential Use, Industrial Use, Nonresidential Buildings, and Public Use
(Unit: %)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Area (Unit: million m²)</th>
<th>①</th>
<th>②</th>
<th>③</th>
<th>④</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>132</td>
<td>48.0</td>
<td>7.5</td>
<td>17.5</td>
<td>26.9</td>
</tr>
<tr>
<td>1956</td>
<td>158</td>
<td>42.5</td>
<td>9.4</td>
<td>17.1</td>
<td>31.0</td>
</tr>
<tr>
<td>1957</td>
<td>188</td>
<td>38.8</td>
<td>14.7</td>
<td>20.2</td>
<td>26.1</td>
</tr>
<tr>
<td>1958</td>
<td>198</td>
<td>39.1</td>
<td>13.0</td>
<td>18.7</td>
<td>29.0</td>
</tr>
<tr>
<td>1959</td>
<td>241</td>
<td>37.0</td>
<td>14.7</td>
<td>18.0</td>
<td>30.3</td>
</tr>
<tr>
<td>1960</td>
<td>270</td>
<td>34.4</td>
<td>22.0</td>
<td>18.0</td>
<td>25.6</td>
</tr>
<tr>
<td>1961</td>
<td>340</td>
<td>29.7</td>
<td>29.2</td>
<td>19.8</td>
<td>21.3</td>
</tr>
<tr>
<td>1955-61 Increase</td>
<td>208</td>
<td>18.1</td>
<td>42.9</td>
<td>21.3</td>
<td>17.8</td>
</tr>
</tbody>
</table>

Source:


Note:

① is the site being used for residential use, ② is for industrial use, ③ is for nonresidential building, and ④ is for public use.

were, however, enacted against land price increases and the problems of inadequate land in view of the steep land price hikes during the first phase. In 1963, the Law Concerning Real Estate Appraisal (Fudosan no Kantei Hyoka ni Kansuru Horitsu) was enacted to stabilize the price of housing sites and to promote smooth transactions of housing sites. According to this law, a system of real estate appraisal was established. Legislation regarding eminent domain was also revised. Then, the City
Planning Law that initiated the system of urbanization promotion areas and urbanization control areas, and set a standard for urban developments, was enacted in 1968 as explained in the preceding chapter.


The second major increase in land prices started around 1972-73 as shown to Figures III-2 and 3. One characteristic of this phase was that significant land price increases occurred not only in large cities, but also in other parts of the country (Table III-2). Another characteristic was that the land prices of residential districts rose more sharply than those of industrial and commercial districts (Table III-2).

The major reasons for the land price hike in this phase was that the New Comprehensive National Development Plan (1969) and Plan for Remodelling the Japanese Archipelago (1972) proposed by the Tanaka cabinet increased the demands for land since they stimulated national development and reformation through large-scale development projects, decentralization of industries and other means.

During the second phase, especially in and around the Tokyo Metropolitan Region and other large cities, speculative demand in land became pervasive as a result of the increasing demands for office and housing development. Speculative transactions
were intensified by sudden large loans made to real estate agents (by the financial circle) and by growing corporate investments in land development.

This second phase of increased land prices cooled down in 1974 due to citizen demands for effective countermeasures, such as the National Land Use Planning Law (1974). In 1975, the land price index recorded minus for all classifications of land use, the only time this had occurred since 1955 (Figures III−1 and 2).


The third land price hike after the war started in the mid-1980s (Figures III−1 and 2). There are two characteristics that distinguish this phase from the first and second phases. One is that steep land price hikes were centered in and around large cities, especially in the Tokyo Metropolitan Region. Consequently, the skyrocketing land prices in large cities and stabilized land prices in other areas have occurred. The other characteristic is that the land price increases in large cities began with jumps in land prices in commercial districts (Tables III−2 and 3). As listed in Table III−2, the price index of all use zonings in six metropolitan regions (as of September 1987) showed a 35.1 percent increase from the preceding year, whereas in other urban areas, it is only 9.4 percent. Table III−
4 lists the land prices of commercial districts of the Tokyo Metropolitan Region, and shows that the total increase for the three metropolitan regions soared in 1987. Note that the land prices of commercial districts in the Tokyo Metropolitan Region (as of 1987) recorded a 48.2 percent rise from 1986, when it was mere 13.2 percent for the Osaka Metropolitan Region and 6.2 percent for the Nagoya Metropolitan Region as listed in Table III - 4. When examining the land price increases in the Tokyo Metropolitan Region, the nucleus of the third phase price hike, it is obvious that land prices jumped sharply only in Tokyo, as opposed to other areas (Table III - 5). In 1985 and 1986, the land prices of commercial and residential districts rose most drastically in the three central wards of Tokyo (Chiyoda, Chuo, and Minato) according to the analyses of Tokyo land prices (Tables III - 6 and 7). The price hike of residential districts in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shibuya and Shinjuku) began after the price hikes of commercial districts in the same wards (Tables III - 6 and 7). Therefore, the third land price hike after the war can be considered a "Tokyo Problem" caused by the land price increases of commercial districts in the heart of Tokyo.

The major factors of this crazy land price hike based in the Tokyo Metropolitan Region, where price increases have been
Table III-4.

Changes in Land Price Evaluated and Announced by the National Land Agency (Koji Chika) from the Previous Year by Region and Use Zoning (Unit: %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo Region</td>
<td>3.0</td>
<td>21.5</td>
<td>12.5</td>
<td>48.2</td>
<td>3.4</td>
<td>13.6</td>
<td>4.1</td>
<td>23.8</td>
</tr>
<tr>
<td>Osaka Region</td>
<td>2.6</td>
<td>3.4</td>
<td>7.0</td>
<td>13.2</td>
<td>2.8</td>
<td>3.2</td>
<td>3.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Nagoya Region</td>
<td>1.4</td>
<td>1.6</td>
<td>3.3</td>
<td>6.4</td>
<td>1.3</td>
<td>1.3</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Average of 3 Regions</td>
<td>2.7</td>
<td>13.7</td>
<td>9.2</td>
<td>30.1</td>
<td>2.6</td>
<td>7.0</td>
<td>3.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Average of Local Cities</td>
<td>1.7</td>
<td>1.2</td>
<td>2.5</td>
<td>2.9</td>
<td>1.3</td>
<td>0.8</td>
<td>1.8</td>
<td>1.5</td>
</tr>
<tr>
<td>Nationwide Average</td>
<td>2.2</td>
<td>7.6</td>
<td>5.1</td>
<td>13.4</td>
<td>1.7</td>
<td>2.8</td>
<td>2.6</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Source:


Notes:

1) ①= residential districts, ②= commercial districts, ③= industrial districts, ④= average of all classifications of use zoning.

2) Each of the three metropolitan regions is broken down as follows:
   - Tokyo region: Tokyo, and Saitama, Chiba and Kanagawa prefectures,
   - Nagoya region: Aichi and Mie prefectures,
   - Osaka region: Kyoto, Osaka and Hyogo prefectures.

3) "Local cities" means all local cities other than the cities in the three metropolitan regions.
Figure III-4.

Metropolis of Tokyo and Surrounding Prefectures

Source:
Changes in Land Price of the Tokyo Metropolitan Region from Previous Year by Use Zoning

<table>
<thead>
<tr>
<th></th>
<th>(Unit: %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo</td>
<td>3.8 18.8</td>
</tr>
<tr>
<td>Saitama</td>
<td>0.5 0.6</td>
</tr>
<tr>
<td>Chiba</td>
<td>0.6 1.1</td>
</tr>
<tr>
<td>Kanagawa</td>
<td>1.6 4.2</td>
</tr>
</tbody>
</table>

Source:


Notes:

1) Land prices analyzed here are gathered from price survey conducted by prefectural governments in 1986.
2) ① is residential districts, ② is commercial districts, ③ is industrial districts, and ④ is all use zonings.

most dramatic, are examined as follows.

1) Sudden Increase in Demand for Office Floor Space in Tokyo

As stated above, the third phase of land price hikes started from the land price increases of commercial districts in the heart of Tokyo. The main factor for this sudden jump in commercial land prices in central Tokyo is the increased demand for building lots due to sudden increase in demand for office floor space.

There are three main factors for this sudden increase in
Table III-6.

Changes in Land Price (Koji Chika) of Commercial Districts in Ward Area of Tokyo from Previous Year
(Unit: %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiyoda Ward</td>
<td>8.6</td>
<td>24.7</td>
<td>29.7</td>
<td>56.2</td>
<td>43.0</td>
</tr>
<tr>
<td>Chuo Ward</td>
<td>9.1</td>
<td>19.7</td>
<td>32.0</td>
<td>55.9</td>
<td>46.2</td>
</tr>
<tr>
<td>Minato Ward</td>
<td>8.1</td>
<td>20.7</td>
<td>29.4</td>
<td>48.3</td>
<td>58.5</td>
</tr>
<tr>
<td>Shinjyuku Ward</td>
<td>7.9</td>
<td>13.2</td>
<td>24.4</td>
<td>36.8</td>
<td>84.4</td>
</tr>
<tr>
<td>Bunkyo Ward</td>
<td>5.3</td>
<td>8.3</td>
<td>8.4</td>
<td>29.9</td>
<td>130.8</td>
</tr>
<tr>
<td>Daito Ward</td>
<td>4.3</td>
<td>6.8</td>
<td>13.0</td>
<td>21.5</td>
<td>83.4</td>
</tr>
<tr>
<td>Sumida Ward</td>
<td>2.1</td>
<td>2.8</td>
<td>4.4</td>
<td>8.8</td>
<td>82.3</td>
</tr>
<tr>
<td>Koto Ward</td>
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<td>5.3</td>
<td>4.2</td>
<td>9.1</td>
<td>80.6</td>
</tr>
<tr>
<td>Shinagawa Ward</td>
<td>7.5</td>
<td>9.6</td>
<td>13.5</td>
<td>26.6</td>
<td>97.7</td>
</tr>
<tr>
<td>Meguro Ward</td>
<td>8.0</td>
<td>11.5</td>
<td>14.7</td>
<td>35.0</td>
<td>110.5</td>
</tr>
<tr>
<td>Ota Ward</td>
<td>5.8</td>
<td>4.9</td>
<td>8.2</td>
<td>18.7</td>
<td>95.6</td>
</tr>
<tr>
<td>Setagaya Ward</td>
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<td>5.2</td>
<td>6.5</td>
<td>12.3</td>
<td>92.6</td>
</tr>
<tr>
<td>Shibuya Ward</td>
<td>9.7</td>
<td>13.4</td>
<td>24.3</td>
<td>47.1</td>
<td>61.0</td>
</tr>
<tr>
<td>Nakano Ward</td>
<td>6.1</td>
<td>5.1</td>
<td>7.3</td>
<td>20.6</td>
<td>88.7</td>
</tr>
<tr>
<td>Suginami Ward</td>
<td>5.1</td>
<td>4.8</td>
<td>6.1</td>
<td>22.8</td>
<td>74.5</td>
</tr>
<tr>
<td>Toshima Ward</td>
<td>4.1</td>
<td>10.5</td>
<td>16.3</td>
<td>24.9</td>
<td>106.6</td>
</tr>
<tr>
<td>Kita Ward</td>
<td>2.0</td>
<td>3.7</td>
<td>4.2</td>
<td>5.4</td>
<td>65.3</td>
</tr>
<tr>
<td>Arakawa Ward</td>
<td>1.5</td>
<td>4.8</td>
<td>4.1</td>
<td>6.4</td>
<td>68.8</td>
</tr>
<tr>
<td>Itabashi Ward</td>
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<td>3.1</td>
<td>4.0</td>
<td>7.1</td>
<td>93.5</td>
</tr>
<tr>
<td>Nerima Ward</td>
<td>4.4</td>
<td>2.5</td>
<td>4.1</td>
<td>9.2</td>
<td>94.6</td>
</tr>
<tr>
<td>Adachi Ward</td>
<td>2.8</td>
<td>2.9</td>
<td>3.1</td>
<td>4.8</td>
<td>37.4</td>
</tr>
<tr>
<td>Katsushika Ward</td>
<td>3.9</td>
<td>4.5</td>
<td>2.6</td>
<td>2.3</td>
<td>60.6</td>
</tr>
<tr>
<td>Edogawa Ward</td>
<td>5.0</td>
<td>4.5</td>
<td>3.3</td>
<td>4.5</td>
<td>68.8</td>
</tr>
<tr>
<td>Average of Ward</td>
<td>5.5</td>
<td>9.3</td>
<td>12.4</td>
<td>22.3</td>
<td>76.2</td>
</tr>
<tr>
<td>Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three Central</td>
<td>8.7</td>
<td>21.8</td>
<td>30.5</td>
<td>53.6</td>
<td>50.0</td>
</tr>
<tr>
<td>Wards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average of</td>
<td>5.3</td>
<td>8.4</td>
<td>10.8</td>
<td>19.6</td>
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</tr>
<tr>
<td>Tokyo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationwide</td>
<td>4.3</td>
<td>3.5</td>
<td>3.8</td>
<td>5.1</td>
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</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:


Note:
Three central wards are Chiyoda, Chuo, and Minato Ward.
Table III - 7.

Changes in Land Price (Koji Chika) of Residential Districts in Ward Area of Tokyo from Previous Year
(Unit: %)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiyoda Ward</td>
<td>--</td>
<td>19.4</td>
<td>25.3</td>
<td>58.3</td>
<td>45.6</td>
</tr>
<tr>
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<td>--</td>
<td>9.9</td>
<td>10.5</td>
<td>24.6</td>
<td>2</td>
</tr>
<tr>
<td>Minato Ward</td>
<td>7.9</td>
<td>7.8</td>
<td>17.0</td>
<td>33.9</td>
<td>93.4</td>
</tr>
<tr>
<td>Shinjyuku Ward</td>
<td>4.1</td>
<td>3.9</td>
<td>5.3</td>
<td>21.1</td>
<td>128.0</td>
</tr>
<tr>
<td>Bunkyo Ward</td>
<td>--</td>
<td>5.0</td>
<td>7.4</td>
<td>11.5</td>
<td>101.2</td>
</tr>
<tr>
<td>Daito Ward</td>
<td>--</td>
<td>1.1</td>
<td>6.8</td>
<td>13.0</td>
<td>99.1</td>
</tr>
<tr>
<td>Sumida Ward</td>
<td>2.7</td>
<td>2.6</td>
<td>2.2</td>
<td>2.2</td>
<td>10.6</td>
</tr>
<tr>
<td>Koto Ward</td>
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<td>2.9</td>
<td>1.8</td>
<td>3.3</td>
<td>25.8</td>
</tr>
<tr>
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<td>6.6</td>
<td>16.2</td>
<td>72.5</td>
</tr>
<tr>
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<td>6.2</td>
<td>10.0</td>
<td>21.8</td>
<td>103.3</td>
</tr>
<tr>
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<td>2.6</td>
<td>3.5</td>
<td>15.7</td>
<td>129.5</td>
</tr>
<tr>
<td>Setagaya Ward</td>
<td>4.2</td>
<td>2.6</td>
<td>4.2</td>
<td>15.3</td>
<td>109.2</td>
</tr>
<tr>
<td>Shibuya Ward</td>
<td>5.3</td>
<td>6.4</td>
<td>13.6</td>
<td>23.7</td>
<td>97.2</td>
</tr>
<tr>
<td>Nakano Ward</td>
<td>4.4</td>
<td>3.3</td>
<td>3.1</td>
<td>10.5</td>
<td>120.2</td>
</tr>
<tr>
<td>Suginami Ward</td>
<td>4.1</td>
<td>3.7</td>
<td>2.6</td>
<td>14.3</td>
<td>124.7</td>
</tr>
<tr>
<td>Toshima Ward</td>
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<td>5.6</td>
<td>4.8</td>
<td>8.5</td>
<td>73.6</td>
</tr>
<tr>
<td>Kita Ward</td>
<td>1.8</td>
<td>2.2</td>
<td>2.8</td>
<td>3.3</td>
<td>52.8</td>
</tr>
<tr>
<td>Arakawa Ward</td>
<td>4.7</td>
<td>3.6</td>
<td>3.4</td>
<td>3.0</td>
<td>40.3</td>
</tr>
<tr>
<td>Itabashi Ward</td>
<td>2.2</td>
<td>2.2</td>
<td>1.7</td>
<td>2.9</td>
<td>78.9</td>
</tr>
<tr>
<td>Nerima Ward</td>
<td>3.4</td>
<td>1.5</td>
<td>2.2</td>
<td>4.9</td>
<td>71.8</td>
</tr>
<tr>
<td>Adachi Ward</td>
<td>2.9</td>
<td>3.1</td>
<td>1.1</td>
<td>1.4</td>
<td>9.4</td>
</tr>
<tr>
<td>Katsushika Ward</td>
<td>3.0</td>
<td>1.3</td>
<td>0.0</td>
<td>0.7</td>
<td>25.4</td>
</tr>
<tr>
<td>Edogawa Ward</td>
<td>4.1</td>
<td>2.8</td>
<td>1.7</td>
<td>3.7</td>
<td>40.1</td>
</tr>
<tr>
<td>Average of Ward</td>
<td>3.9</td>
<td>3.2</td>
<td>3.9</td>
<td>10.0</td>
<td>76.8</td>
</tr>
<tr>
<td>Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three Central</td>
<td>7.9</td>
<td>10.9</td>
<td>18.1</td>
<td>37.9</td>
<td>79.1</td>
</tr>
<tr>
<td>Wards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average of Tokyo</td>
<td>3.8</td>
<td>2.9</td>
<td>2.9</td>
<td>6.4</td>
<td>50.5</td>
</tr>
<tr>
<td>Nationwide Average</td>
<td>5.1</td>
<td>3.0</td>
<td>2.2</td>
<td>2.2</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source:

Note:
Three central wards are Chiyoda, Chuo, and Minato Ward.
Figure III-5.

The Administrative Areas of the Metropolis of Tokyo

Saitama Prefecture

Yamanashi Prefecture

Kanagawa Prefecture

Chiba Prefecture

Islands

Izu Islands

Ogasawara Islands

Source:
demand for office floor space in the heart of Tokyo.

1. Increased Number of Firms Moving Head Offices to Tokyo and Expansion of Head Offices in Tokyo

In recent years, the number of firms with head offices in Tokyo has been increased rapidly (Table III-8).

About 80 percent of the firms that moved their head offices to Tokyo from 1979 to 1985 selected the three central wards (Chuo, Chiyoda and Minato) as the site for their new head offices (Table III-9). In addition, about 80 percent of the firms that moved their head offices within Tokyo during the same period located their new head offices in the five central wards (Chuo, Chiyoda, Minato, Shibuya and Shinjuku Ward) as listed in Table III-10.

Table III-8.

Annual Increase in the Number of Firms having Head Office in Tokyo

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Under ¥100 million</td>
<td>2,505</td>
<td>9,210</td>
<td>8,524</td>
<td>8,195</td>
<td>13,789</td>
</tr>
<tr>
<td>Over ¥100 million</td>
<td>122</td>
<td>220</td>
<td>203</td>
<td>240</td>
<td>358</td>
</tr>
<tr>
<td>Under ¥1,000 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over ¥1,000 million</td>
<td>28</td>
<td>13</td>
<td>53</td>
<td>4</td>
<td>53</td>
</tr>
<tr>
<td>Under ¥5,000 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over ¥5,000 million</td>
<td>18</td>
<td>17</td>
<td>15</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>2,673</td>
<td>9,460</td>
<td>8,795</td>
<td>8,469</td>
<td>14,228</td>
</tr>
</tbody>
</table>

Source:
Table III-9.

Number of Major Firms moving Head Office from outside of Tokyo to the Ward Area of Tokyo by Ward (September 1979 - September 1985)

<table>
<thead>
<tr>
<th>Name of Ward</th>
<th>Number of Major Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiyoda</td>
<td>15</td>
</tr>
<tr>
<td>Chuo</td>
<td>6</td>
</tr>
<tr>
<td>Minato</td>
<td>16</td>
</tr>
<tr>
<td>Shinjuku</td>
<td>5</td>
</tr>
<tr>
<td>Toshima</td>
<td>1</td>
</tr>
<tr>
<td>Shinagawa</td>
<td>2</td>
</tr>
<tr>
<td>Daito</td>
<td>1</td>
</tr>
<tr>
<td>Sumida</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>

Source:


Table III-10.

Number of Major Firms moving Head Office inside of the Ward Area of Tokyo by Ward (September 1979 - September 1985)

<table>
<thead>
<tr>
<th>Name of Ward</th>
<th>Number of Major Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiyoda</td>
<td>21</td>
</tr>
<tr>
<td>Chuo</td>
<td>5</td>
</tr>
<tr>
<td>Minato</td>
<td>18</td>
</tr>
<tr>
<td>Shinjuku</td>
<td>6</td>
</tr>
<tr>
<td>Shibuya</td>
<td>2</td>
</tr>
<tr>
<td><strong>Other Wards</strong></td>
<td><strong>10</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62</strong></td>
</tr>
</tbody>
</table>

Source:

The reasons for these trends are as follows.

1) After recovering from the Second Oil Crisis, business activity has expanded rapidly.

2) The number of firms that attach importance to information collected in Tokyo has rose drastically.

3) To improve their corporate image, many firms have moved their head offices in the heart of Tokyo.

2) Inroad of Foreign Affiliates into Tokyo

A number of foreign affiliates, especially in the financial and securities sectors, have opened offices in Tokyo in recent years. For instance, from 1982 to 1985 there were 43 new offices opened by banks, and 51 by securities firms.

3) Increasing Office Floor Space Per Office Worker

There has been increase in office floor space per office worker mainly due to the proliferation of equipment such as wordprocessors, and personal computers (Figure III - 6).

2) Land Price Hikes of Commercial Districts in The Heart of Tokyo Spreading to Residential Districts

According to the land prices evaluated and announced by the National Land Agency (Koji Chika) in 1987, a growing number of residential districts in Tokyo has experienced steep land price hikes (Table III - 7). Residential districts near the central business districts in the Chiyoda, Chuo and Minato Wards first experienced land price increases from 1983 to 1984. This land
price hike was caused by the growing demand for office buildings in the heart of Tokyo to residential areas. This phenomenon has gradually expanded to other residential districts of Tokyo.

3) Factors for Continuing Land Price Increases

There are two major factors that have furthered the land price hikes in this phase. One is speculative land transactions mainly conducted by real estate agents.

The other factor is that financial circles have made large loans for land transactions due to the recent relaxation in
regulations by the government. For instance, the total amount of loans made to industries, municipalities and others by all Japanese banks was ¥273,300,000 million from April 1986 to the end of March 1987. A breakdown of the above loans indicates that the amount of loans made to real estate companies was ¥30,300,000 million, which was larger than the amount made to any other key industry in Japan (i.e., petroleum, chemical, automobile, and steel industries).

To deal with the current land price hikes, the National Land Use Planning Law was revised and the System of Land Price Monitoring Areas (or the Reporting System in Supervisory Areas) was instituted in 1987 as described in Chapter II. Table III-11 lists the designations as of August 19, 1988, and Table III-12 lists the number of reported land transactions in Land Price Monitoring designated areas from January 1 to June 31, 1988.

The Japanese government also began regulating loans made for real estate transactions, and imposed the extra short-term alienation income tax on the residential property owned less than two years. The extra short-term alienation income tax is considered especially effective in reducing speculative land transactions since its tax rate is 96 percent. As a result, the skyrocketing land prices in the Tokyo Metropolitan Region has begun to level off in 1988. According to the results of a
<table>
<thead>
<tr>
<th>Name of Prefecture and City</th>
<th>Terms of Designation</th>
<th>Name of Designated Region</th>
<th>Area of Land Transactions to be Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo</td>
<td>1987.8.1 -1990.7.31</td>
<td>23 Special Wards, the Urbanization Promotion Area of City of Mitaka and City of Musashino</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td>1987.8.1 -1990.7.31</td>
<td>the Urbanization Promotion Area of City of Chofu and other 10 cities</td>
<td>over 100 m² (over 500 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td>1987.10.1 -1990.7.31</td>
<td>the Urbanization Promotion Area of City of Hachioji, and other 12 cities, 4 towns</td>
<td>over 100 m² (over 500 m² until 1987.10.31)</td>
</tr>
<tr>
<td>Prefecture of Kanagawa</td>
<td>1987.8.1 -1992.7.31</td>
<td>the Urbanization Promotion Area of City of Sagamihara</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td>1987.10.1 -1992.9.30</td>
<td>the Urbanization Promotion Area of City of Kamakura, and other 3 cities and a town</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Urbanization Promotion Area of City of Yokosuka, and other 8 cities and 2 towns</td>
<td>over 300 m² (over 500 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td>1988.2.1 -1993.1.31</td>
<td>the Urbanization Promotion Area of City of Odawara, and other 2 cities and 7 towns</td>
<td>over 300 m²</td>
</tr>
</tbody>
</table>

Table III-11.

Current State of Designated Land Price Monitoring Area
(as of August 19, 1988)
<table>
<thead>
<tr>
<th>Name of Prefecture and City</th>
<th>Terms of Designation</th>
<th>Name of Designated Region</th>
<th>Area of Land Transactions to be Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prefecture of Kanagawa</td>
<td>1989.4.1 - 1993.3.31</td>
<td>the City Planning Area of Town of Yamakita, and other 6 towns</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>City of Yokohama</td>
<td>1987.8.1 - 1992.7.31</td>
<td>the Urbanization Promotion Area of Midori Ward and other 5 wards</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td></td>
<td>1987.10.1 - 1992.9.30</td>
<td>the Urbanization Promotion Area of Minami Ward and other 9 wards</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td>City of Kawasaki</td>
<td>1987.8.1 - 1992.9.30</td>
<td>the Urbanization Promotion Area of whole city</td>
<td>over 100 m² (over 300 m² until 1987.10.31)</td>
</tr>
<tr>
<td>Prefecture of Chiba</td>
<td>1987.9.1 - 1992.8.31</td>
<td>the Urbanization Promotion Area of City of Ichikawa and City of Urayasu</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1987.11.1 - 1990.8.31</td>
<td>the Urbanization Promotion Area of City of Chiba and other 6 cities</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.2.1 - 1991.1.31</td>
<td>the Urbanization Promotion Area of City of Kisarazu, and other 6 cities and 3 towns</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1 - 1991.3.31</td>
<td>the Urbanization Promotion Area of City of Noda and Town of Osato Shirosato, the Use District of City of Mobara</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Name of Prefecture and City</td>
<td>Terms of Designation</td>
<td>Name of Designated Region</td>
<td>Area of Land Transactions to be Reported</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------</td>
<td>---------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Prefecture of Saitama</td>
<td>1987.10.1-1991.3.31</td>
<td>the Urbanization Promotion Area of City of Urawa and other 6 cities</td>
<td>over 100 m² (over 500 m² until 1987.11.19)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Urbanization Promotion Area of City of Kawagoe, and other 8 cities and 2 towns</td>
<td>over 200 m² (over 500 m² until 1987.11.19)</td>
</tr>
<tr>
<td></td>
<td>1988.4.1-1991.3.31</td>
<td>the Urbanization Promotion Area of City of Kumagaya, and other 13 cities and 8 towns</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>City of Sapporo</td>
<td>1987.10.1-1992.9.30</td>
<td>a part of CBD (350 ha.)</td>
<td>over 200 m² (over 300 m² until 1988.5.9)</td>
</tr>
<tr>
<td>Prefecture of Kumamoto</td>
<td>1987.10.1-1992.9.30</td>
<td>a part of City of Kumamoto (740 ha.)</td>
<td>over 1,500 m²</td>
</tr>
<tr>
<td>City of Fukuoka</td>
<td>1987.11.2-1992.11.1</td>
<td>a part of Hakata Ward and whole area of Chuo Ward (2,500 ha.)</td>
<td>over 300 m² (over 500 m² until 1988.3.31)</td>
</tr>
<tr>
<td></td>
<td>1988.4.1-1992.11.1</td>
<td>a part of Higashi Ward and other 5 wards (4,400 ha.)</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Prefecture of Miyagi</td>
<td>1987.12.1-1992.11.1</td>
<td>a part of central area of City of Sendai (750 ha.)</td>
<td>over 100 m²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a part of central area of City of Izumi (50 ha.)</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Name of Prefecture and City</td>
<td>Terms of Designation</td>
<td>Name of Designated Region</td>
<td>Area of Land Transactions to be Reported</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>City of Osaka</td>
<td>1987.12. 1-1992. 11.30</td>
<td>Kita Ward, Fukushima Ward, and other 6 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1-1992. 11.30</td>
<td>Minato Ward, Taisho Ward and other 16 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Prefecture of Niigata</td>
<td>1987.12. 1-1992. 3.31</td>
<td>Town of Yuzawa</td>
<td>over 600 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1-1992. 3.31</td>
<td>a part of CBD of City of Niigata</td>
<td>over 200 m²</td>
</tr>
<tr>
<td></td>
<td>1988.9.1-1993. 3.31</td>
<td>Town of Shiozawa</td>
<td>over 600 m²</td>
</tr>
<tr>
<td>Prefecture of Kyoto</td>
<td>1987.12. 25-1992. 12.24</td>
<td>a part of Town of Tanabe the Urbanization Promotion Area of Town of Seika and Kizu</td>
<td>over 500 m²</td>
</tr>
<tr>
<td>Prefecture of Aichi</td>
<td>1987.1.5-1993.1.4</td>
<td>the Urbanization Promotion Area of Town of Nagakude</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.5.2-1993.1.4</td>
<td>the Urbanization Promotion Area of Town of Nissin and other 3 towns</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>City of Nagoya</td>
<td>1988.1.5-1993.1.4</td>
<td>the Urbanization Promotion Area of Higashi Ward and other 4 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.5.2-1993.1.4</td>
<td>the Urbanization Promotion Area of Kita Ward and other 10 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Name of Prefecture and City</td>
<td>Terms of Designation</td>
<td>Name of Designated Region</td>
<td>Area of Land Transactions to be Reported</td>
</tr>
<tr>
<td>----------------------------</td>
<td>----------------------</td>
<td>---------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>Prefecture of Hyogo</td>
<td>1988.1.5 -1992.3.31</td>
<td>the Urbanization Promotion Area of City of Nishinomiya and other 2 cities</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1 -1992.3.31</td>
<td>the Urbanization Promotion Area of City of Itami and other 2 cities</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.9.10-1993.9.9</td>
<td>City of Sumoto, Tuna County, Mihara County</td>
<td>over 2,000 m²</td>
</tr>
<tr>
<td>City of Kobe</td>
<td>1988.1.5 -1993.1.4</td>
<td>the Urbanization Promotion Area of Nada Ward and other 2 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1 -1993.1.4</td>
<td>the Urbanization Promotion Area of Hyogo Ward</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Prefecture of Osaka</td>
<td>1988.1.5 -1993.1.4</td>
<td>City of Toyonaka and another city</td>
<td>over 300 m²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>City of Ikeda and other 5 cities, Town of Tajiri</td>
<td>over 300 m² in the UPA, over 1,000 m² in the UCA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a part of City of Maikata and other 2 cities</td>
<td>over 500 m² in the UPA, over 2,000 m² in the UCA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a part of City of Kishiwada and another city</td>
<td>over 1,000 m²</td>
</tr>
<tr>
<td></td>
<td>1988.4.1 -1993.1.4</td>
<td>City of Sakai and other 6 cities</td>
<td>over 300 m² in the UPA, over 1,000 m² in the UCA</td>
</tr>
<tr>
<td>Name of Prefecture and City</td>
<td>Terms of Designation</td>
<td>Name of Designated Region</td>
<td>Area of Land Transactions to be Reported</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Prefecture of Okayama</td>
<td>1988.2.1 - 1993.1.31</td>
<td>CBD of City of Okayama (570 ha.)</td>
<td>over 200 m²</td>
</tr>
<tr>
<td>City of Hiroshima</td>
<td>1988.2.1 - 1993.1.31</td>
<td>CBD (600 ha.)</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Prefecture of Kagoshima</td>
<td>1988.2.1 - 1993.1.31</td>
<td>CBD of City of Kagoshima (250 ha.)</td>
<td>over 200 m²</td>
</tr>
<tr>
<td>Prefecture of Ibaraki</td>
<td>1988.3.1 - 1993.2.28</td>
<td>City of Tsukuba and other 3 towns</td>
<td>over 300 m² in the UPA, over 2,000 m² in the UCA</td>
</tr>
<tr>
<td></td>
<td>1988.9.1 - 1993.2.28</td>
<td>the Urbanization Promotion Area of City of Tsuchiura, and other 3 cities, 2 towns</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Prefecture of Nara</td>
<td>1988.4.1 - 1993.3.31</td>
<td>a part of City of Nara and another city</td>
<td>over 500 m² in the UPA, over 2,000 m² in the UCA</td>
</tr>
<tr>
<td>Prefecture of Fukuoka</td>
<td>1988.4.1 - 1992.11.1</td>
<td>a part of City of Kasuga and another city</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>City of Kyoto</td>
<td>1988.4.1 - 1993.3.31</td>
<td>the Urbanization Promotion Area of Chukyo Ward and other 2 wards</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>Name of Prefecture and City</td>
<td>Terms of Designation</td>
<td>Name of Designated Region</td>
<td>Area of Land Transactions to be Reported</td>
</tr>
<tr>
<td>----------------------------</td>
<td>---------------------</td>
<td>---------------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Prefecture of Miyazaki</td>
<td>1988.4. 25-1993. 4.24</td>
<td>a part of City of Miyazaki, and other 3 cities, 4 towns</td>
<td>over 1,000 m² in UPA, over 2,000 m² in the area other than UPA</td>
</tr>
<tr>
<td>Prefecture of Tochigi</td>
<td>1988.6.1-1993.5.31</td>
<td>CBD of City of Utsunomiya (430 ha.)</td>
<td>over 300 m²</td>
</tr>
<tr>
<td>City of Kitakyushu</td>
<td>1988.6.1-1993.5.31</td>
<td>a part of Kokura-Kita Ward (120 ha.)</td>
<td>over 100 m²</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a part of Yahata-Nishi Ward (130 ha.)</td>
<td>over 200 m²</td>
</tr>
<tr>
<td>Prefecture of Mie</td>
<td>1988.6.20-1993.6.19</td>
<td>a part of City of Ise, and other 3 cities, 11 towns (22,310 ha.)</td>
<td>over 500 m²</td>
</tr>
<tr>
<td>Prefecture of Fuku-shima</td>
<td>1988.7.15-1993.7.14</td>
<td>a part of City of Koriyama, and another city, 5 towns, 1 village (6,480 ha.)</td>
<td>over 2,000 m²</td>
</tr>
<tr>
<td>Total</td>
<td>23 Special Wards, 155 Cities, 81 Towns, and 3 Villages</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:


Note:

UPA stands for the Urbanization Promotion Area, and UCA for the Urbanizaion Control Area.
Table III-12.
Number of Reported Land Transactions
according to the System of Land Price Monitoring Area
(from January 1 to June 31 in 1988)

<table>
<thead>
<tr>
<th>Name of Prefecture and Government Ordinance City</th>
<th>Number of Reported Land Transactions</th>
<th>Number of Reported Land Transactions which is warned</th>
<th>Number of Reported Land Transactions which is not warned after advising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ibaraki</td>
<td>430</td>
<td>0</td>
<td>215</td>
</tr>
<tr>
<td>Tochigi</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Saitam</td>
<td>5,161</td>
<td>27</td>
<td>2,627</td>
</tr>
<tr>
<td>Chiba</td>
<td>2,880</td>
<td>0</td>
<td>2,326</td>
</tr>
<tr>
<td>Tokyo</td>
<td>23,331</td>
<td>40</td>
<td>17,129</td>
</tr>
<tr>
<td>Kanagawa</td>
<td>5,089</td>
<td>2</td>
<td>3,678</td>
</tr>
<tr>
<td>City of Kawasaki</td>
<td>1,690</td>
<td>0</td>
<td>1,289</td>
</tr>
<tr>
<td>City of Yokohama</td>
<td>6,060</td>
<td>4</td>
<td>4,774</td>
</tr>
<tr>
<td><strong>Total of NCR</strong></td>
<td><strong>44,645</strong></td>
<td><strong>73</strong></td>
<td><strong>32,038</strong></td>
</tr>
<tr>
<td>Aichi</td>
<td>66</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Mie</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Kyoto</td>
<td>93</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Osaka</td>
<td>1,129</td>
<td>1</td>
<td>115</td>
</tr>
<tr>
<td>Hyogo</td>
<td>566</td>
<td>0</td>
<td>43</td>
</tr>
<tr>
<td>Nara</td>
<td>103</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>City of Nagoya</td>
<td>581</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>City of Kyoto</td>
<td>51</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>City of Osaka</td>
<td>465</td>
<td>0</td>
<td>34</td>
</tr>
<tr>
<td>City of Kobe</td>
<td>210</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total of OMR</strong></td>
<td><strong>3,264</strong></td>
<td><strong>2</strong></td>
<td><strong>231</strong></td>
</tr>
</tbody>
</table>

and NMR

| Miyagi                                           | 192                              | 0                                             | 23                                                            |
| Niigata                                          | 114                              | 0                                             | 13                                                            |
| Nagano                                           | 128                              | 0                                             | 7                                                             |
| Okayama                                          | 35                               | 0                                             | 6                                                             |
| Fukuoka                                          | 19                               | 0                                             | 5                                                             |
| Kumamoto                                         | 100                              | 0                                             | 1                                                             |
| Miyazaki                                         | 7                                | 0                                             | 0                                                             |
| Kagoshima                                        | 24                               | 0                                             | 1                                                             |
| City of Sapporo                                  | 298                              | 0                                             | 45                                                            |
| City of Hiroshima                                | 51                               | 2                                             | 1                                                             |

85
... Table III-12 continues

| City of Kitakyushu | 6 | 0 | 1 |
| City of Fukuoka   | 303 | 0 | 62 |
| Total of Local Regions | 1,277 | 2 | 165 |
| Total of Whole Country | 49,186 | 77 | 6,401 |

Source:

Notes:
1) When a land transaction is reported and its price grossly exceeds Koji Chika, the local government advises the person concerned to reduce the price. If the person concerned does not reduce the land price as advised by the local government, she/he will be issued a warning by the local government and that land transaction will be disapproved.
2) NCR stands for the National Capital Region, OMR stands for the Osaka Metropolitan Region, and NMR stands for the Nagoya Metropolitan Region.

22 land price trend survey conducted in Tokyo, Kanagawa, Saitama, and Chiba, the land price increases in these municipalities have already peaked (Table III-13). It is feared, however, that land price may remain at inflated levels in and around large cities even though the sharp increases have already ceased.
This is because the System of Land Price Monitoring Areas is one
Table III - 13.

Results of Land Price Trend Survey of Tokyo, Kanagawa, Saitama, Chiba

(Unit: %)

<table>
<thead>
<tr>
<th>Residential Districts</th>
<th>Increase Rate ①</th>
<th>Increase Rate ②</th>
<th>Commercial Districts</th>
<th>Increase Rate ①</th>
<th>Increase Rate ②</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokyo</td>
<td>-0.8</td>
<td>15.5</td>
<td>Tokyo</td>
<td>-0.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Kanagawa</td>
<td>1.5</td>
<td>28.7</td>
<td></td>
<td>3.4</td>
<td>14.8</td>
</tr>
<tr>
<td>Saitama</td>
<td>0.6</td>
<td>38.3</td>
<td></td>
<td>2.3</td>
<td>19.3</td>
</tr>
<tr>
<td>Chiba</td>
<td>4.9</td>
<td>27.1</td>
<td></td>
<td>3.6</td>
<td>66.9</td>
</tr>
</tbody>
</table>

Source:


Note:

Increase rate ① is the comparison of the results of land price trend surveys performed on 1 October 1987 and 1 January 1988, and increase rate ② is the comparison of the surveys on 1 July 1987 and 1 October 1987.

A way to reduce land price increases to the level of Koji Chika (or the land prices evaluated and announced by the National Land Agency) by evaluating the prices of reported land transactions.

Moreover, land prices may remain at the level set by Koji Chika even though the market price might become lower than Koji Chika if the System of Land Price Monitoring Areas is not applied.

As stated above, there have been three major land price hikes after the war, each caused by different factors. However,
we must remember that ineffective land policy and land use controls are also fundamental causes of such outrageous land price hikes.

In the following chapter, the social impacts of current land price hike are examined.
Notes


3. According to Masashi Namekawa (Chika/Tochi Mondai no Keizaigaku--Juyo, Kyokyu, Taisaku (Economics of Land Price and Land Issue: Demand, Supply, Countermeasure), 1988, p. 34), because the land price evaluated and announced by the National Land Agency (Koji Chika or Chika Koji) was started in 1970, the price indexes of urban areas surveyed and announced in June and December every year by the Japan Institute for Real Estate are usually employed for studying the long term trend.


7. Ibid.
The Comprehensive National Development Plan instituted in 1962 adopted the nodal system development and promoted the construction of new industrial cities and the establishment of special areas for industrial consolidation. With Japan’s rapid economic growth, rapid urbanization, overpopulation of urban areas, and underpopulation of local areas have resulted. Therefore, in 1969, the New Comprehensive National Development Plan was established. Its basic objective was to develop and reform the nation through large-scale development projects, decentralization of industries and other means. Hideki Kaji et al., Gendai Toshi Keikaku Yogoroku (Technical Terms of Current City Planning), (Tokyo: Shokokusha Inc., 1986), p. 56.

The Plan for Remodelling the Japanese Archipelago designed and promoted by Tanaka Cabinet in 1972 was the scheme to urbanize the area of the nation. It was one of the major factors that heated up nationwide land speculation. Makoto Sato, Toshi Seisaku to Keizai Kaikaku (Land Policy and Economic Reformation), (Tokyo: Mineruva Books Inc., 1984), p. 35.


Even though the demand for office floor space in large cities has been increasing rapidly in recent years, the supply of office floor space has not met the demand. For instance, the vacancy rate of offices in Tokyo had decreased from 1.3 percent in 1981 to 0.2 percent in 1985. Shadan Hojin Nihon Fudosan Kantei Kyokai Kinki-kai (The Kinki Office of the Association of Japan Real Estate Appraisal), Henbo suru Tochi Riyo to Chika--Sono Jittai to Fudosan Hyoka no Kadai (Changing Land Use and Land Price: Their Actual Condition and the Problem of Real Estate Appraisal), (Kyoto: Gakugei Shuppan-sha Inc., 1986), p. 7.

15 Ibid., pp. 40-41.


20 Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Darenō Monoka (To whom Land Belongs?), p. 49.

22. The Land Price Trend Survey (Chika Doko Chosa) is a system that designates land price monitoring areas where price hikes are most serious, and surveys the land price trends in these areas every three months. The survey is conducted by local governments. *Nihon Keizai Shinbun* (*Nihon Keizai Newspaper*: Tokyo), 5 March 1988.


Chapter IV. SOCIAL IMPACT OF SKYROCKETING LAND PRICES

Land is a basic national resource used to support economic and social activities. Therefore, any jump in the price of land affects the lives of citizens, production and economy in many ways. This chapter discusses how the recent jump in land prices in the Metropolitan Tokyo Region is affecting economic activities and the lives of residents.

IV - 1. FAILURE IN SOCIAL OVERHEAD CAPITAL POLICY

As mentioned in the preceding chapter, Japan's land policy and land use controls have never taken the initiative, and have not been effective except in special cases. Consequently, many social overhead capital programs for large cities have been hindered, and poor-quality houses have been constructed.

The National Land Use Planning Law to regulate land prices is eagerly awaited by the prefectural governors. The rise in land prices has been distressing for the governors since it makes the construction of houses and such public facilities as schools, nursery schools and hospitals increasingly difficult. The jump in land prices also increases the ratio of land costs for public undertakings. This ratio has normally been 20 percent for public facilities and 30 percent for houses because land for houses is more difficult to acquire. These ratios are gradually increasing.
In fact, *Showa 62 Nenban Kokumin Seikatsu Hakusho* (1987 White Paper of Nation's Welfare) (edited by the Economic Planning Agency and published by the Printing Bureau of the Ministry of Finance) points out that the rise in land prices not only increases housing costs in urban areas, but also increases the cost of accumulation of the social overhead capital. The White Paper reported that the ratio of land costs for street construction throughout the country increased from 33.2 percent in 1982 to 39.2 percent in 1985 due to the rise in land prices. In Tokyo, this ratio increased sharply from 39.5 percent to 54.3 percent during the same period (Figure IV-1).

**Figure VI-1.**

Ratio of Land Cost for Street Construction

![Graph showing the ratio of land cost for street construction in Tokyo and nationwide.](image)

Source:  
*Asahi Shinbun (Asahi Newspaper)*, 30 October 1987.
The White Paper compares the differences in attitudes among people living in 13 countries, including Japan, India, Korea, the U.S. and European countries. People satisfied with their present living conditions averaged 36.5 percent in the 12 countries other than Japan, while only 6.5 percent of Japanese were satisfied with their present living conditions. The White Paper points out that land costs are very high for such social overhead capital investments such as transportation, cultural and educational facilities (except for street pavement, water-works, drainage and some other facilities). Therefore, the price of land must be strictly controlled for housing construction and the accumulation of social overhead capital to improve the nation's well-being.

Let's examine how seriously the recent rise in land prices affects social overhead capital investments in urban areas by referring to the data on the Tokyo Metropolitan Region. In this area, the prices of land for roads doubled from 1985 to 1986. To improve the access such as roads and railroads in the Metropolis, most of the money required must be spent for land.

For example, the construction of the Loop 2 Project (totalling 9,240 meters) that is to encircle the Imperial Palace has been suspended, leaving 1,350 meters between Toranomon and Shinbashi incomplete because the land costs had increased too much. The Metropolitan Government of Tokyo estimates that the
cost for this project will amount to ¥430 billion. One meter of road costs ¥320 million. For this excessively expensive land, ¥428.7 billion or 99.7 percent of the total project cost of ¥430 billion must be spent.

Failure has not only been experienced in terms of social overhead capital investment. Social overhead capital for future development projects is also uncertain. What measures will the Government of Japan take for social overhead capital investments to promote the 4th National Overall Development Plan? According to this plan, the Tokyo Metropolitan Region will receive an additional three to five million people in the next 15 years due to increased business activities involving international communications and information systems. Thus, housing will remain a major problem. Also, according to Showa 62 Nenban Kokudo Riyo Hakusho (1987 White Paper of Land Use) (edited by the National Land Agency and published by the Printing Bureau of the Ministry of Finance), the central part of Tokyo will need about 11 million square meters of additional office space by the 21st century to support the growing international finances and securities activities. Therefore, many projects for redeveloping central Tokyo and the area along Tokyo Bay are planned.

However, almost nothing is being planned to assist such large redevelopment projects. These projects must be supported by overall planning for the social overhead capital investments.
for the 21st century to solve the problems of inadequate roads, railways and other means of transport, and the needs for more waterworks, drainage systems and waste disposal facilities. When Japan will catch up with the United States and Europe in terms of social overhead capital?

It has also been noted that public investment does little to stimulate domestic demand because most public investments must be spent on land. Therefore, the government’s scenario for stimulating domestic demand to reduce trade friction becomes ineffective.

VI-2. DISTORTIONS FROM INCREASED INHERITANCE TAX DUE TO STEEP RISE IN LAND PRICES

The amount of inheritance tax varies as the price of land changes. If the price of land changed reasonably, individual heirs would somehow be able to cope with the imposed tax. However, the recent steep rise in land prices has significantly increased tax values, causing unexpected social confusion.

1) Abnormal Family Registers

As the land price rises, the inheritance tax increases. This is causing abnormal family registers such as the second generation male member and his children are brothers or daughters listed in the family register (Figure VI-2). The inheritance tax system allows a deduction of ¥4 million per heir from the taxable value. (Therefore, when the original taxable
value of one's assets is ¥50 million with five heirs, the inheritance tax is calculated by multiplying ¥30 million (= ¥50 million - ¥20 million) by the inheritance tax rate. For ten heirs, the inheritance tax is calculated by multiplying ¥10 million (= ¥50 million - ¥40 million) by the inheritance tax rate.) The tax rate also decreases as the number of heirs increases. Therefore, a family subject to an increased inheri-
tance tax may adopt a grandson as the son of the grandfather (owner of the assets). This means that the grandson of the grandfather (the son adopted by the grandfather) and the son of the second generation (son of the grandfather) become the same person, and that the second generation and his son become brothers in the family register. This is completely legal and such cases are now increasing. The social implications of such practices are yet to be determined. However, it may become a problem for the children of the second generation adopted by their grandfather when they look for a position in a company, become married, and so on, because Japanese society places great importance on formal lineage.

2) Destruction of a Japanese Garden City

Den’en-chofu in Tokyo’s Ota Ward adopted the Ebenezer Howard’s garden city concept to establish a residential area of upper-middle class citizens. Land in Den’en-chofu was sold in average lots of 500 square meters per family. However, the garden city concept is now being destroyed because many citizens are forced to sell parts of their land to pay the increased inheritance tax and, as a result, the residential plots are being divided into smaller plots. According to a survey conducted by the Ota Ward Municipality, Den’en-chofu contained 198 residential plots of 500 to 750 square meters as of 1932 when it was almost completed. Today, there are only 102 plots
Kazuo Shibusawa is a 71-year old musician who lives in Den’en-chofu. In 1984, he inherited from his father the 723 square meters of land on which he lives. This piece of land, located in one of the super-high-class areas of Tokyo, was slapped with an inheritance tax of ¥600 million. In 1986, Kazuo sold 314 square meters for ¥760 million at about ¥2.4 million per square meter. Then, he was additionally ordered to pay income tax of ¥300 million for selling the land. Kazuo still owed ¥80 million in inheritance tax after selling his land.

Many people seeking plots of land in Den’en-chofu as a status symbol in recent years are those who were forced to sell their assets in central Tokyo due to the wave of development and redevelopment being undertaken in this area. They chose Den’en-chofu to restart their lives not only because it enjoys a high status or provides a good residential environment. They chose Den’en-chofu, in part, to use the legal advantage of the “exception for repurchase.” This exception is applicable when a person alienates a residential property owned for more than 10 years, purchases a residential property within one year before or after the year of the alienation, that is, during the year before or after the year of the alienation, and lives in the purchased property until December 31 of the year following the purchase. For repurchases, the alienation income is disregarded.
in terms of "postponement of the alienation income tax," and the alienation income tax is not collected when the acquisition price of the newly purchased property equals or exceeds the alienation price. However, if the alienation price exceeds the acquisition price of the newly purchased property, the price difference is subject to tax. This exception to taxation was provided as an incentive for people moving into larger homes to improve the quality of the housing in Japan. In reality, billionaire citizens who sold their properties in the heart of Tokyo have moved to Den'enchofu by purchasing very expensive real estate to offset the alienation price.

This trend is having a substantial social impact in addition to the visible problem of fragmenting plots of land. Den'enchofu used to be a closely knit community of highly educated people, such as corporate directors, doctors, and well-to-do families. With the influx of former owners of downtown restaurants or variety shops, the makeup of the community is being dissolved.

3) Steep Increase in Apartment Buildings in Residential Areas of Tokyo

An old doctor lives in a house on a 200-tsubo (one tsubo equals 3.3 square meters) plot of land in Shibuya Ward. The inheritance tax is estimated ¥154 million. The doctor says that he cannot die in peace worrying about the tax burden to be
transferred to his son. A real estate agent recommends that the 
doctor build a high-class apartment building to earn rental 
income. If the doctor borrows a large amount of money from a 
bank for the building, it will reduce his taxable amount and 
thus reduce the inheritance tax. The bank loan can be repaid 
from the rental income to be earned.

Like the above example, many multi-story concrete apartment 
buildings are being built because of inheritance taxes in the 
quiet environment of single detached housing communities of 
Tokyo.

The impact of this trend is yet to be seen. However, 
existing infrastructure in such communities may not be able to 
support the rapidly increasing inflow of new residents.

VI-3. ENLARGED COMMUTING ZONES

As the rise in land prices propagates from the central part 
of Tokyo to the suburbs, houses that salaried people can buy 
become remoter. According to the Economic Planning Agency, 
to purchase a house, a person should choose a house priced at 5 
to 6 times his current annual income. If a person purchases a 
house that price is more than 5 to 6 times his current annual 
income, he will not be able to pay back the housing loan. That 
means that a middle-class salaried worker aged 40 to 45 years 
old should spend around ¥30 million (5 to 6 times his annual
income) to buy a house on the nationwide average. In the Tokyo Metropolitan Region, the price zone of detached houses valued at ¥150,000 per square meter or more has expanded to the 50 kilometer zone. The center of this zone is central Tokyo, although it was formerly within 35 kilometer zone according to a survey recently conducted by the National Land Agency. This means there are no detached houses affordable to a middle-class salaried worker within the one and a half hour commutation zone 14 from the heart of Tokyo.

What must a salaried worker do to acquire a detached house? For instance, an employee of a major company in Tokyo bought a detached house in Ushuku City, Ibaraki Prefecture, and moved from an apartment in Tokyo. It now takes him two and a half hours to commute from his new house to the office, while it only took about one hour before he moved. Consequently, he decided to rent an apartment near the office, live there alone, and spend Sundays at home. Now he hardly has a chance to talk with his primary school son, and his two-year-old daughter does not seem to recognize her father. Although there is no data available on this subject, there must surely be growing numbers salaried workers who work in Tokyo, own houses in the suburbs, 15 live in apartments in Tokyo, and spend weekends at home.

IV - 4. SMALLER HOUSES

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As mentioned in Chapter IV-3, a middle-class salaried worker can only afford a detached house with standard residential functions located far from Tokyo. What can middle-class salaried worker do to buy a house near the center of Tokyo? The demand for secondhand apartments is sharply increasing. Most typical secondhand apartments currently in demand in one of the 23 wards of Tokyo would be 10 years or older, be around 40 square meters in size, would include two bedrooms and a dining-kitchen, and be sold for ¥30 million or more.

Detached houses built through the so-called “mini-development” are also selling well in Tokyo. For example, near Ikebukuro in Toshima Ward are tiny houses of 10 tsubo (33 square meters) in size (Figure IV-3). Eleven of such houses built by

Figure IV-3.

Floor Plan of 10 Tsubo (33m²) House

Source:
Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Darenō Monoka (To whom Land Belongs?), (Nihon Hoso Shuppan Kyokai, 1987):17.
a real estate agent on 110 tsubo (363 square meters), are each sold for about ¥55 million, which is double the price only three years ago. According to the real estate agent who built these tiny houses, they include various cost-cutting measures because otherwise the agent could not a profit. Savings were achieved on materials, for example, by not installing heat insulation between the outer and inner walls.

For a middle-class salaried worker, only such tiny, low-quality detached houses are available in the central wards of Tokyo.

IV - 5. DETERIORATION OF RESIDENTIAL ENVIRONMENT

According to an article in the Nihon Keizai Shinbun, the most widely read economic newspaper in Japan, it increasingly happens in the metropolitan area that municipal children's parks and open spaces are suddenly closed.

The "Mitaka-dai Sports Square" (about 11,800 square meters in size) in Mitaka City, Tokyo, was used for baseball since 1967. In April of 1987, the landowner requested the municipality to return the land because the owner wanted to use the land for farming. Three children's parks in Mitaka City were also closed and returned to the landowners in June of 1987. Two children's parks in Hachioji City, Tokyo, were also closed in October of 1987. Two recreation parks of more than 5,000 square
meters in Tokyo's Nerima Ward were recently returned to the landowners. All these plots are located in cities or wards where the land price has doubled during the past year.

The plots returned to the landowners are usually converted into farms for growing chestnuts or Japanese apricots, except for some plots sold or used for apartments. The reason for converting such returned lands into farms is to reduce taxes. If a plot of land lent to a municipality as a park is inherited, it is taxed like a residential plot of land. If the land is used as a farm, it is assessed at a significantly reduced value, and if farming continues for 20 years, the land may be exempted from the inheritance tax according to the Special Taxing Act.

Municipalities have no idea how to cope with this trend toward fewer parks.

IV - 6. DESTRUCTION OF COMMUNITIES IN CENTRAL PART OF TOKYO DUE TO SKYROCKETING LAND PRICES

In central Tokyo where increased land prices have been most prominent, land price raisers employed by developers, real estate agents and construction companies are maneuvering and seeking land on which to build office buildings. Some of these people try to drive out tenants and landowners from their houses or land by antisocial means, causing social disorder and destroying communities in central Tokyo.

1) Maneuvers of Land Price Raisers
Mr. B lives and operates a laundry in one of three rental units of a partitioned house in Shinjuku Ward, Tokyo. The landowner sold the land with the house including Mr. B's unit, to a construction company in November of 1984. The construction company requested that a building demolition company tear down the house through the director of a right-wing organization.

However, Mr. B refused to evacuate his home and claimed tenant's rights. In mid-April, 1987, the demolition company began to intimidate Mr. B into leaving by damaging a wall of his apartment with a bulldozer. Finally, at 3:00 a.m. on June 15th, they drove a truck into Mr. B's unit, destroying a wall and his laundry equipment.

Mr. B's case may be extreme, but such harassment is now becoming a social problem.

2) Destruction of Communities by Skyrocketing Land Prices

The skyrocketing land prices are going to destroy communities in the center of Tokyo. Such price increases, made in support of office building redevelopment, are especially directed at commercial streets in the central Tokyo (Chuo, Chiyoda and Minato Wards) where many offices are needed. A typical example is the Kanda area of Chiyoda Ward where a real estate agent of Mitsui Group is trying to force out residents of this area in which many secondhand bookstores and book publi-
shers are located. To purchase land located at Kanda Jimbo-cho 2-chome, Mitusi Real Estate Sales Co., Ltd., reportedly offered ¥100 million per tsubo (3.3 square meters) to a book publishing wholesaler located at the corner of Kanda Jimbo-cho 2-chome. The downtown area is also changing quickly. How many long-time residents will remain in this area if and when this tactic of driving up land prices is discontinued?

The number of primary, secondary and high school students is also falling in central Tokyo, although this phenomenon is not directly related to increasing land prices. This phenomenon can be attributed to the outflow of people as more business buildings are being constructed in residential areas. The three wards of Minato, Chuo, and Chiyoda are studying ways to combine schools or close them.

Minato Ward was home to about 188,000 residents as of January 1987, including 27,700 children under the age of 15. For comparison purposes, assuming that there were 100 children in January 1978, there were only 76 living there in January of 1987. Considering the influence of skyrocketing land prices and the ongoing construction of business buildings in residential areas, the ward expects that there will only be 24,000 children living in the ward by 1995 (or down to 68 when compared to 100 as of January 1978).
IV - 7. GROWING GAP BETWEEN RICH AND POOR

Since it has become almost impossible for most salaried people to afford houses in and around Tokyo, the Japanese work ethic of "work hard to own a house" may no longer apply. A growing feeling of resignation may prevail as workers find this goal unattainable. If so, this may adversely affect Japan's major natural resource, its workers. This is becoming a crucial issue for a country supported by its diligent, hard-working people. Thus, the growing gap between those who own their homes and those who cannot afford to will not be remedied in the near future.

IV - 8. CLOSING THE EMBASSIES OF DEVELOPING COUNTRIES

The steep rise in land prices is also posing a serious problem for foreign embassies in Tokyo, particularly those of developing countries. For example, the Embassy of Uganda in Tokyo was closed due to excessively high rent in 1987. Although Australia and Argentina own large embassy sites in Tokyo, both are considering the sale or redevelopment of their embassy buildings and ambassador residences.

IV - 9. THE SPREAD OF RISING LAND PRICES ABROAD

It now appears that the ongoing rises in land prices are being spread abroad. For example, a recent article in Tokyo Business Today stated:
According to Salomon Brothers Co., real estate possession by Japanese enterprises in the U.S. equaled only $1.5 billion up to 1985. During 1986 alone, this figure soared by $4 billion to its year end total of $5.5 billion. . . . Recent examples of Japanese investments in the U.S. are the purchase of the Exxon Building by Mitsui Real Estate Development, Co., Ltd., the Tiffany Building by Daiichi Real Estate Co., Ltd., and the ABC Building by Shuwa Corp. There is some criticism that all this activity may transfer Tokyo’s crazy land price spiral to America.26

Not only are large corporations purchasing real estate overseas; a growing number of medium/small companies and private investors are also investing in real estate properties abroad. Medium and small-sized real estate developers and individuals, who have reaped substantial profits due to the recent land price hike, have begun buying real estates overseas to reduce corporate and/or income taxes. Medium and small-sized developers are also investing in properties abroad for speculative purposes, while some Japanese are buying summer homes in foreign countries. This trend has already caused serious friction in countries where such purchases are being made. One prominent example would be the Japanese investors have been buying up condominiums and individual homes near Waikiki Beach in Hawaii. Since these buyers pay prices far above the market price, the value of real estate has escalated to a point where local residents can no longer afford to pay their property taxes. Similar problems are occurring in the Gold Coast of Australia as Japanese investors continue to purchase real
estate properties there.

The above discussion on the disastrous results of Tokyo’s skyrocketing land prices has clearly detailed the adverse social impact and serious social problems now facing the Japanese people.

As stated in the preceding chapter, due to the implementation of Land Price Monitoring Areas in accordance with the National Land Use Planning Law, the extra short-term alienation income tax, and the other countermeasures, such as regulating bank loans made to developers, the growing price of land has recently levelled off somewhat. Unfortunately, the communities lost in central Tokyo and the breakup of Den’en-chofu will never be recovered.
Notes


3 Ibid.


5 According to Showa 62 Nenban Kensetsu Hakusho (1987 White Paper on Construction) (edited by the Ministry of Construction, published by the Printing Bureau of the Ministry of Finance, 1987), the popularized area that sewerage system had been constructed was 34 percent in Japan, 97 percent in England, 91 percent in West Germany, and 72 percent in the United States as of 1986. The urban park area per person was 2.2 square meters in Tokyo, 30.4 square meters in London, 37.4 square meters in Bonn, 12.2 square meters in Paris, and 45.7 square meters in Washington D.C. The street ratio was 13.6 percent in Tokyo, 16.6 percent in London, 20.0 percent in Paris, and 23.2 percent in New York.

6 Kazuo Hiramoto, Tokyo Korekara Konaru (Tokyo's Future) (Kyoto: PHP Research Institute, 1988), p. 188.


8 Yomiuri Shinbun (Yomiuri Newspaper: Tokyo), 22 January


10 Before the tax reform of 1987, there were two types of alienation income tax: the short-term alienation income tax imposed on residential property owned less than 10 years, and the long-term tax on residential property owned more than 10 years. After the tax reform, there are three types of alienation income tax: the extra short-term alienation income tax imposed on residential property owned less than 2 years, the short-term tax on property owned 2 to 5 years, and the long-term tax on property owned more than 5 years. In other words, the shorter the period of possession, the higher the tax rate. For example, the rate of the extra short-term tax is 96 percent. Masashi Namekawa, Chika/Tochi Mondai no Keizaigaku--Juyo, Kyokyu, Taisaku (Economics of Land Price and Land Issue: Demand, Supply, Countermeasure) (Tokyo: Toyo Keizai Shinpo-sha, 1988), pp. 87-88.

11 Ibid., pp. 101-102.

12 Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Dareno Monoka (To whom Land Belongs?), p. 21.

13 Ibid., p. 39.

14 Asahi Shinbun (Asahi Newspaper), 1 October 1987.


16 It is said that since the average salaried worker can afford small houses in Tokyo, the nuclearization of families in central Tokyo would escalate. The number of families with
children moving to the suburban areas of Tokyo from central Tokyo would also increase, eventually destroying existing communities. Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Dareno Monoka (To whom Land Belongs?) , p. 17.

17 Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Dareno Monoka (To whom Land Belongs?) , pp. 16-17.


19 Ibid.

20 To conclude a leasing agreement, the leasee usually buys tenant’s rights by paying money to the owner. The land leasehold and house leasehold law defines the intended use of land or a house by the owner as one legal reason to refuse renewal or to cancel a lease. However, according to judicial precedents, if a tenant wishes to renew a contract, land and house owners must agree even if they intended to use their land or house themselves. This means that tenants who made a contract are protected by law, and they can continue to rent land or a house as long as they wish. Kikuo Iwata, Tochi Kaikaku no Kihon Senryaku (Proposals for Land Reform) (Tokyo: Nihon Keizai Shinbun-sha, 1988), pp. 189-191.


22 Asahi Shinbun (Asahi Newspaper) , 30 September 1987.


24 Nihon Hoso Shuppan Kyokai (Japan Broadcasting Publishing Association), Tochi wa Dareno Monoka (To whom Land Belongs?) , p. 64.
The National Land Agency states that recent countermeasures imposed to reduce the price of land have worked effectively. However, it has also been argued that the price of land is no longer affordable to most people, and consequently the trend toward higher land prices has disintegrated by itself. Nihon Keizai Shinbun (Nihon Keizai Newspaper: Tokyo), 11 March 1989. According to a white paper on Tokyo’s land, it is almost impossible to profit by renting an office or condominium in Tokyo if the price of land in Tokyo is not lowered an average of 25 percent. For instance, if the price of land in a commercial district in Minato Ward is not lowered by 73.1 percent, one cannot earn a profit by renting out an office. If one increases the rent to earn a profit, the rent will become too expensive for anyone to rent the office. The Tokyo Metropolitan Government, Tokyo no Tochi 1988 (Land of Tokyo 1988) (Tokyo: The Tokyo Metropolitan Government, 1989), p.134.
Chapter V. SUMMARY AND CONCLUSION

This paper has examined how the policies and land use controls implemented in postwar Japan have failed to control the rapid escalation in land prices. It has found that there are at least four fundamental reasons for this failure: the absolute trust of policy makers in the market dynamics of capitalism; national land planning designed to promote the highest possible rate of economic development; the Liberal Democratic Party's policy of protecting the interests of landowners; and the so-called “land-standard economy.” Had Article 28 of the constitution drafted by Gen. MacArthur's staff been incorporated into the new Japanese constitution to recognize urban land as public property, the entire political, social, and economic context of postwar land policy would have been very different.

In addition to the fundamental problems mentioned above, the City Planning Law of 1968 and the National Land Use legislation, which were intended to be effective legal mechanisms to implement land policy, proved to be defective and have not been able to regulate land use and land prices.

Urban land prices during the period from 1955 to 1980 have increased at rates which are double the national income and seven times the consumers' price index. This paper identifies three distinctive phases in which urban land prices increased
sharply. The first phase, which started around 1960, was initiated by the price increases in industrial districts; the second phase, occurred in the early 1970's, and saw significant land price increases not only in large cities, but also in other parts of the country; and the third phase, since the mid-1980s, originated with the sudden jump in land prices in the center of Tokyo, subsequently spreading throughout Tokyo Metropolitan Region. In an attempt to dampen this rapid spiral of land price increases, the National Land Use Planning Law was revised and the supervisory area restriction system (or system of land price monitoring areas) was instituted in 1987. The Japanese government also began to regulate real estate loans and imposed the extra short-term alienation income tax.

Even though it appears that land prices have stabilized in the Tokyo Metropolitan Region, several years will have to pass before we can undertake a careful analysis of the causes of recent land price trends, the general dynamics of free land market and the effect of recent land policy. In addition, a thorough examination of how land is taxed needs to be undertaken.

It is also clear that the latest round of land price increases have caused serious social problems, especially in the Tokyo Metropolitan Region. Social overhead capital programs for large cities have also been hindered since a large part of the
budget allocated for these programs must be spent on purchasing the necessary land. In the near future, Japan may face very grave urban problems if land prices remain at current levels, and especially if business activity and economic growth slows down. Such problems will be serious because: Japan is an urbanized nation in which more than 70 percent of its population is expected to be living in large cities by the 21st century; and Japan is a rapidly aging society with an increasing number of people 65 or older. Social welfare programs will consequently require a larger share of the national budget.

This thesis also provided examples of how the rapid and very steep increases in land prices are damaging living environments and neighborhood communities in and around Tokyo, raising the prices of detached houses and concrete apartment buildings, and causing many other environmental and social problems. Despite such negative impacts, the national government has failed to implement corrective measures.

Other rapidly urbanization countries should learn from Japan’s experience and avoid repeating Japan’s mistakes. Japan’s postwar land policy has failed to encourage the careful use of land for the welfare of society, rather than making money for those lucky enough to own land.

What kinds of measures should be implemented to cope with high land prices in Japan? The fact that land is a very complex
commodity, combined with Japan's small land area, its large population, cultural and family attitude about land, and the land-standard economy, all mean the land-market in urban Japan does not operate efficiently and causes a range of serious social and economic problem.

Hence, the Japanese government needs to develop a broad range of innovative programs to promote more efficient use of urban land and to better regulate land prices. Although the purpose of this paper has been to document the evolution of urban land policy in postwar Japan, and not to offer detailed recommendations, this review of past land policy does provide indications of the types of policies that should be considered. Future research should investigate the following five changes.

(1) Revision of the Land Leasehold and House Leasehold Law

As explained in Chapter III, according to a judicial precedent, if a tenant wishes to renew a lease, land and house owners must agree even if they wish to use their land or house themselves. Because the right of tenant is protected so strongly, it often hinders urban renewal and prevents the productive use of land. Thus, land and house owners are very reluctant to lease their property. Therefore, the leasehold law should be revised so that the owner of land or a house can cancel a lease more freely. To do this, owners should give a one-year notice in advance so that tenants have enough time to find other acco-
modation. By implementing this revision, substantially more
land and houses could be leased, and leased land and houses
could be offered for sale in the real estate market to increase
the supply of land and houses. It is argued that this proposal
would cause hardship on current low-income tenants. However,
public housing and rent subsidies should be provided for such
people.

(2) Development according to Detailed Master Plan

Local governments in Japan have their own master plans,
although they have no legal power to control development.
Therefore, a detailed master plan should be devised for urbani-
ization promotion areas, with legal power given to local govern-
ments to control development. In other words, a developer must
obtain permission from the local government, with the local
government strictly regulating each development project
according to the detailed master plan.

(3) Higher Land Tenure Tax

The land tenure tax in Japan is about 0.1 percent of the
land price, although it is 1 to 4 percent in other countries.
This low tax encourages landowners to keep their land undeve-
loped for long periods of time. Consequently, few plots of land
are available in the market. With a higher land tenure tax,
there would be more land available in the market to prevent
demand from exceeding supply.
(4) Abolishment of the Long-Term Agriculture Continuation System

The Long-Term Agriculture Continuation System allows farmers owning plots not smaller than 900 square meters in the urbanization promotion areas to pay lower farmland tax rates and exempts them from paying full residential tax rates, provided that they express their interest in continuing agriculture for at least 10 years. This system is obviously vulnerable to the difficulty of proving whether a farmer is actually serious about continuing agriculture or is simply using it as an excuse to avoid higher taxation while waiting for further land price hikes (since he could qualify for lower taxes simply by planting, for example, a few apple trees or even lawns). In 1989 there were 8,400 hectares of such farm plots in Tokyo and 36,000 hectares in the Tokyo Metropolitan Region. The government should consider abolishing the Long-Term Agriculture Continuation System so that idle lands could be placed on the real estate market.

(5) Decentralization of Central Management Functions from Tokyo to Other Regions of Japan

One reason for the strong demand for land in Tokyo is that most central management functions, including those of national government offices, are concentrated in Tokyo. Some of these central management functions should be moved to other regions. For this purpose, a special business establishment tax could be
imposed on corporations that have their offices located in Tokyo. National government offices that need not be in Tokyo should also be moved voluntarily to other regions.

There are a wide variety of other measures which could be implemented to help regulate land prices and to help better match supply and demand in the urban land market. However, the most important consideration for the national government is to avoid instituting ad hoc policies. The national government must establish a systematic land policy that effectively regulates the land-property market.
Notes


2  In 1985, the percentage of the elderly population (over 65 years old) in Japan was 10.3 percent. It is expected that this will increase to 11.9 percent by 1990, and to 16.3 percent by the year 2000. Asahi Shinbun (Asahi Newspaper: Tokyo), 12 June 1988.

3  It is argued that public housing (houses built and operated by a local government or a public corporation) for use of low-income bracket households helps maintain the prices of privately built houses at an appropriate level. However, the general rent subsidies for low-income bracket households are not provided in Japan. The Bureau of City Planning, the Tokyo Metropolitan Government, Tokyo no Toshi Zukuri (Planning of Tokyo) (Tokyo: Tokyo Metropolitan Government, 1985), p. 55.

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