

# Changes in the Condominium Market in Japan after the 1990s

*Tomoko Kubo*

(Meiji University)

*Yoshimichi Yui*

(Hiroshima University)

## **Abstract:**

This study's goal is to clarify the correlation between the transformation of the urban housing market and the diversification of the household structure in Japan, with an in-depth focus on increased condominium supply and homeownership by single-person households. Single-person households, particularly single women, have long been marginalized in the Japanese housing market. Therefore, there were limited possibilities for women to purchase houses that suited their housing needs.

**Key words:** condominium supply, homeownership, single-person household, housing, Tokyo

## Introduction

### Background of the study

Owner-occupation of condominiums is an important form of housing today. Homeownership is a significant event in an individual's residential experience, homeownership and life satisfaction are strongly related (Elsinga and Hoekstra 2005), and there is a close connection between homeownership and an individual's welfare and pleasure (Morrow-Jones 1988). People tend to purchase housing as part of the expansion of their household. Moreover, homeownership is strengthened by prevailing social norms (Michelson 1977).

Some of Japan's housing legislations, which remain central to Japanese housing policies in recent years, were approved after the Second World War (Japan Federation of Housing Organizations 2002). These laws caused the middle-class to flock to suburban areas for homeownership. The migration from non-metropolitan areas to metropolitan areas led to the suburbanization of Japan (Tani 1997). Until the beginning of the 1980s there was a strong tendency towards purchasing detached houses, while condominiums were regarded as a temporary form of residence. However, the large supply of apartment buildings provided by the Housing and Urban Development Corporation (HUDC) has promoted a rather new lifestyle revolving around condominiums or apartments. Therefore, condominiums today play an important role as an owner-occupied form of housing in the Japanese market.

Preston (1986, 1991) reported that the form and price of condominiums in central areas were quite different from those of suburban condominiums. Through market forces, the residents of condominiums can dictate the size and location of condominiums within the cities in which they are built. Condominium supply and the characteristics of the residents differ by their size and location within the city. Therefore, condominiums may be studied as geographical objects.

Indeed, the diversification of household structures and life stages has led to a transformation in the characteristic of homeowners, thus strengthening the demand for owner-occupied condominiums. According to a case study conducted in Canada, elderly and young household members prefer condominiums because of their affordability and security (Skaburskis 1988).

In Japan, non-nuclear families, such as single women and Double Income No Kids Yet couples (DINKYs), often purchase condominiums (Yui 2000; Hirayama and Izuhara 2008).

Since the late 1990s, there has been a rapid increase in condominium development in Japan. This development has led to dramatic changes in urban land use and residential transformation in Japanese cities (Yabe 2003; Miyazawa and Abe 2005). Many articles have dealt with population growth in urban areas and the characteristics of condominium residents. As the condominium supply increased in central areas after the late 1990s, Japan's urban landscape and land use patterns changed dramatically. In addition, as central areas of many cities were transformed into residential areas by the construction of new condominiums, commuting areas became closer to the city centers, which led to the transformation of the residential structure of Japanese cities.

### **Purpose of the study**

In order to understand this phenomenon, it is highly important to examine the growth of condominiums, the development of which has transformed the landscape and land use of Japanese cities. In addition, since the value of homeownership and behavior of homeowners have changed and household structures and life-stages have diversified, the reasons why condominiums are built and the areas in which they are built can be evaluated, as the growth of new permanent residential areas are a significant urban issue.

The aim of this study was to clarify the correlation between the transformation of the urban housing market and the diversification of the household structure in Japan, with an in-depth focus on increased condominium supply and homeownership by single-person households. First of all, socioeconomic changes that strengthen supply and demand for condominiums are explained. Secondly, changes in the household structure and features of homeowners, as well as homeownership by single-person households in Tokyo, were studied. Finally, the features of the condominium market, which reflect the diversification of the household structure and the increasing desire for condominiums among single-person households in the central area of Tokyo, were examined.

## Changes in the Japanese Housing Market

### Changes in socioeconomic situation and housing demand

Japan has a long history of amply providing housing supply for families, leading to marginalization of non-nuclear households in the owner-occupied market in Japan. Therefore, housing purchases by single or elderly households were fewer than in Western countries (Kageyama 2004; Tahara et al. 2003). Details are examined in the following part of this paper.

Figure 1 illustrates the period when existing housing was constructed in Japan. The volume of housing construction increased rapidly from 1970 to 1995 during major suburbanization as part of an economic bubble. In this period, the supply of detached houses was dominant, followed by rented apartments. During the 1980s, there was remarkable migration of young people from rural to metropolitan areas. They tended to move into rented apartments first. As they got married or had children, they moved to suburban detached houses (Kawaguchi 1997). These mobility trends were supported by government policies. The Japanese housing policies have mainly supported owner-occupation for middle class families after the Second World War (Kubo and Yui 2011c). Therefore, owned detached houses have dominated the housing supply for decades (Fig. 2). However, as many people have experienced living in apartment houses from the 1960s, the percentage of owned apartments (condominiums) have increased steadily.

In addition, diversification of household structure has also supported the increasing condominium-lifestyles in Japan. Non-nuclear households fit into condominiums more easily. Owner-occupied condominiums play an important role in this social diversification. Figure 3 shows the number of households by household types from 1985 to 2005 in Japan. Among nuclear families, married couples with children are decreasing gradually. On the other hand, married couples and single households are increasing in a rapid pace. In these decades, diversification of households occurred, especially increasing in small households such as single and married couple households. When it comes to large cities like Tokyo, a rapid increase of small-size households is very apparent. Statistics Bureau of Japan (2010) reported that the number of single-person households in central Tokyo

(23wards of Tokyo) in 2010 was 2,223,510, 49.06% of all households in central Tokyo.

Small households, which do not require large living space and gardens for childrearing, have increased during the decades and under these circumstances, condominium demand has expanded gradually. Finally, one more important factor that affected the increase of condominium developments was prolonged economic recession in Japan.

### **Housing development after the 1990s**

Japanese land prices fell after the collapse of the “bubble economy” in 1992. Consequently, large areas of land originally used for company housing or factories were sold and purchased by urban developers including condominium suppliers. The condominium supply increased in metropolitan centers, in most of the central areas of local cities, and in the suburbs, leading to a sudden change in land use in these areas. The government adopted policies designed to promote housing construction in order to soften the effects of a prolonged recession (e.g., low interest rate). In addition, liberalized housing loans and lowered housing taxes helped prospective home buyers afford their properties (Nakazawa 2006). Private real estate suppliers preferred to oversee a healthy supply of condominiums rather than one of housing estates (consisting mostly of detached houses) because land in city centers was in good supply during this period. This supply was triggered by redevelopment projects around the core stations and the on-site development of factories, commercial areas, and leisure centers (Real Estate Economic Institute 2002).

This type of urban development, focused on new condominiums, has had both attractive and unattractive dimensions (Hirayama 2005). The attractive residential areas were concentrated in metropolitan centers, the central areas of local cities, and the suburban cores. Attractive residential areas tended to cluster where the condominium supply was highest after the late 1990s.

### **Changing housing-purchasing behavior in Japan**

In 2008, more than 50% of home owners obtained their residences by building new houses or purchasing newly built houses in Japan (Statistics Bureau of Japan 2008). It is often said that the Japanese housing stock is increased by demolishing old houses and building new ones. Therefore, the second-hand housing market in Japan as a whole is fragile and limited to highly populated areas such as Tokyo and Osaka.

As Figure 4 shows, the first peak of home-ownership occurs when people are 30- 50 years of age. This is the age at which a large number of middle-class people get married and become parents and are thereby prompted to purchase their own houses. In addition, the households that purchase housing using mortgages have to make decisions to purchase housing before they are 40 years old, because a large majority of them have to pay for the mortgage for more than 20 years until their retirement. The second peak is seen in people between 50 and 60 years of age. It should be mentioned that these individuals' previous residences are typically owner-occupations; however, this is the age at which they need to rebuild their houses in order to live together with their children and their families. It should be noted that this group includes people who obtained new houses to reflect the decrease in family size owing to their children's independence. The value of real property tends to decrease gradually in the Japanese housing market. Therefore, the introduction of reverse mortgages did not make significant inroads in the market, and the mobility of middle-aged people and the elderly is not as much as that of their counterparts in Western countries (Tahara et al. 2003).

Both the super-low fertility and increasing single-lifestyles made the transformation of the owner-occupied market in Japan, especially in Tokyo, inevitable. The total fertility rate of Japan was 1.57 in 1980 but this has declined dramatically to 1.39 in 2010. Shrinking household-size has affected the owner-occupied market. Under the condition that the second-hand housing market is too fragile, the housing developers had to regard small-size households as potential homeowners in order to maintain the number of new housing sales. At the same time, single-persons also wished to improve their housing prospects: most rental apartments did not satisfy their housing

needs at all (Kamiya et al. 2002). Owner-occupation of condominiums was expected to answer the needs of both housing developers and single-persons.

Now, single-persons in the age of home-ownership “must” enter the owner-occupation market. In central Tokyo, the number of housing units in owned-condominiums was 841300, 47.6% of all owned houses in central Tokyo in 2008 (Statistics Bureau of Japan 2008). Increasingly single-persons have started to purchase condominiums. In the following section, we will specifically examine this phenomenon in Tokyo.

## **Changes in Condominium Supply in Tokyo**

### **Population recovery and changing household structure**

Since the late 1990s, residential land use has increased in inner Tokyo, and population recovery has occurred (Tomita 2004). Supplies of both condominiums and public housing contributed to the population recovery (Yabe 2003). For instance, the project for rebuilding public housing led to the movement of elderly households into Tokyo’s central Minato Ward, and the increasing condominium supply led to the movement of single and DINKY households. Condominium supply is mostly limited to the central locations of the Tokyo area, local areas, and suburban cores. Basically, condominiums are preferred by small-size households in Japan (e.g., single-person households, married couples without children, and elderly couples) (Sakakibara et al. 2003; Hirose 2000; Otsuka 2005; Kagawa 2007; Kubo 2008). With the diversification of household structure and lifestyles in Japan (Aero 2006), the role of the condominium is becoming increasingly important in the Japanese housing market.

From 1985 to 2005, the Japanese household structure underwent change. Surveys conducted by the Ministry of Land, Infrastructure, Transport and Tourism (2001 and 2003) relating to condominium residents in central Tokyo revealed the following statistics related to the household structure of residents: married couples without children (33.4%), nuclear families with school-age children (20.0%), and single women (19.5%). According to the same survey, the previous residences of condominium owners were primarily located in either the same ward as their current

residences at the time of the survey (32.2%) or in the peripheral wards of Tokyo (31.3%).

Since the beginning of the 2000s, households comprising single people in their late 20s and 30s began moving into central Tokyo. From 2000 to 2005, there was a dramatic increase in the number of single women in their 30s and early 40s who bought homes (Kubo and Yui 2011a). Although single men in the same age group and same time period also showed a marked increase in such activity, the volume was not as high as that in the single-women category.

The large number of single-person and nuclear households in five core Tokyo wards (Chuo, Chiyoda, Minato, Shinjuku, and Shibuya wards) in 2000 and 2005 indicated a clear population increase in all core wards, as well as a dramatic increase of single-person households in Shinjuku, Minato, and Chuo wards. With regard to the condominium supply in this period, Fig.5 provides an important correlation between increasing population and condominium supply. Shortly after the collapse of “the bubble economy,” the supply of condominiums decreased. From 1999 to 2005, when young single-person households in their home-purchasing phase increased in central Tokyo, condominium supply also increased dramatically; a portion of this single-person group is believed to have purchased condominiums. During this period, the average price per square meter fell, but the condominium supply in the five core wards increased; thus, it may be inferred that affordable condominiums in convenient locations were coming to the market.

### **Supply of Compact condominiums and condominium purchase by single-person households**

Since the late 1990s, and corresponding to the diversification of household structure in central Tokyo, various types of condominiums have been supplied. In particular, the supply of “compact” condominiums—comprising small-size living spaces, such as studio and/or small-sized, owner-occupied household—has increased (Fig. 6).

Originally, compact condominiums were supplied for single women in their 30s or 40s, who had been marginalized in the housing market in Japan.

Since the late 1990s, studio-type condominiums were sold by middle-sized condominium suppliers for single-person households, and approximately 70% of them were purchased by single women (Yui 2000). Single women who purchased the condominiums were not necessarily rich and professional workers. They chose owner-occupied residences because the monthly rent of their previous residences was so high that occasionally the monthly mortgage payment was less than, or equal to, the rent. Thus, they wanted to improve their living conditions by purchasing their own home. Moreover, they must have also evaluated the facilities available in condominiums as compared to those of rental apartments (Yui 2003), and concluded that condominiums had better provisions.

In Japan, there have been a limited number of residences suitable for the housing needs of single-person households since the 1950s onwards; therefore, condominiums tended to better fulfill their needs for security and ease of commuting (Kamiya et al. 2002). Wakabayashi et al. (2002) considered the residential choices of single women in their 30s in the Tokyo metropolitan area and found that they purchased condominiums for the purpose of asset formation and retirement preparation.

Single-women who purchased condominiums were mainly in their 30s, and that their annual income ranged from five to seven million yen (Yui, 2003). They saved approximately 20% of their income for purchasing houses, and this enabled them to make a decision to purchase condominiums, and their monthly loan repayment was as much as the rent for their previous residences (Kubo and Yui 2011a). High rent in central Tokyo also stimulated homeownership by single women in their 30s or 40s.

According to the interview surveys for condominium developers in Tokyo, the following aspects were preferred by single women: (1) protection of their privacy during their house-hunting tours, or when they finalized their purchase; and (2) acceptance of and adherence to their housing requirements, and modification of the details of their respective housing units accordingly (Kubo and Yui 2011c).

### **Supply strategies adopted by major developers in Tokyo**

As condominium purchases by single women became extraordinary significant phenomenon, major condominium suppliers also began to sell compact condominiums in central Tokyo. The major developers in Tokyo adopted three types of supply strategies, and condominium supply in Tokyo diversified in terms of prices and location (Kubo and Yui 2011c).

First, some suppliers, who mainly sold luxurious condominiums in central Tokyo, developed a special brand of luxurious compact condominiums. Single women, rich and professional workers, purchased them to enjoy cultural lifestyle and reduce commute time.

Secondly, some developers started to supply affordable compact condominiums in Tokyo's peripheral wards. These condominiums were purchased by lower middle-class, single people who lived on the outskirts of Tokyo. Finally, the sale of tower-type condominiums began in the 2000s, and continues to date. These condominiums comprise large and small housing units, as well as luxurious penthouse suites. The suppliers sell a variety of housing types in one tower, with single-person household opportunities as well.

Compact condominiums were originally sold to single women; however, gradually major developers attracted residents of many types in terms of household structure, life-stage status, income, and/or location. Each company had different goals and strategies that fit their individual identity and goals; hence, each selected the most appropriate strategy in implementing their respective objectives. Ultimately, major developers were able to supply a multitude of different types of compact condominiums in central Tokyo.

Diversification of the supply strategies of major developers has directly contributed to the positive transformation of Tokyo's condominium market and this has led to the metamorphosis of the residential structure in central Tokyo.

## Conclusion

Single-person households, particularly single women, have long been marginalized in the Japanese housing market. Therefore, there were limited possibilities for women to purchase houses that suited their housing needs. The results from this study indicate that major housing developers attempted to conform to the needs of small-sized household, including single women, thereby providing single-person households with the opportunity to satisfy their individual ideal housing needs in central Tokyo.

Ultimately, it is important to note that Tokyo is a unique global city. In other metropolitan areas in Japan, the supply of compact condominiums is limited; conversely, Tokyo offers ample job opportunities and accepts diversity of lifestyle (Kubo and Yui 2011b). In addition, the transformation of the urban residential structure in Tokyo differs from that which has occurred in many Western cities. Central areas are evaluated in Western countries, and the discussion of gentrification, or “livable city,” is increasing in importance (Ley 1996; Lees 2008). When wealthier, in other words gentry, people move into low-income and working class communities, gentrification occurs in the Western countries. Compared to Western countries, the residents of compact condominiums in Tokyo are not always wealthy or professional workers.

Due to the diversification of supply strategies by major housing suppliers, the housing markets in central Tokyo have been transformed, thereby resulting in a wide range of alternatives for owner-occupied housing in central Tokyo that fully meet homeowners’ needs, demands, and expectations. Basically, the housing real estate market in Tokyo is characterized by a weak, second-hand market—less mobility after purchasing the house and less diversity of ethnicity or class. In addition, housing customs, based on the traditional patriarchal family system, still affect the decision to purchase housing in many local cities. A future study is planned for examining and fully addressing these remaining issues.

## Acknowledgments

A portion of this study was revised and modified by Kubo and Yui (2011a, b, c), authors of this document. This study was financially supported by a JSPS Grant-in Aid for JSPS Research Fellow (Kubo Tomoko, 23/7412) and a Grant-in Aid for Science Research by JSPS (Yui Yoshimichi, 20300295).

## References

- Aero, T. 2006. "Residential choice from a lifestyle perspective." *Housing, Theory and Society* 23:109-130.
- Elsinga, M. and Hoekstra, J. 2005. "Homeownership and housing satisfaction." *Journal of Housing and the Built Environment* 20: 401-424.
- Hirayama, Y. 2005. "Running hot and cold in the urban homeownership market: The experience of Japan's major cities." *Journal of Housing and the Built Environment* 20: 1-20.
- Hirayama, Y. and Izuhara, M. 2008. "Women and housing assets in the context of Japan's home-owning democracy." *Journal of Social Policy* 37: 641-660.
- Hirose, T. 2000. "Transformation of urban land use and the characteristics of residents through the construction of condominiums: A case of redevelopment in Itsutsu-bashi District, the old section of Sendai City." *Quarterly Journal of Geography* 52: 118-130 (J).
- Japan Federation of Housing Organizations 2002. "*Seikatsusya to tomoni tsukuru asu no juutaku heno bijonn* (Visions of better housing with residents' voices)." Japan Federation of Housing Organizations (J).
- Kagawa, T. 2007. "Supply trends and characteristics of private-sector condominiums in Chuo Ward, Sapporo City, Hokkaido, Japan: A comparative study before and after the bubble economy period." *Japanese Journal of Human Geography* 59: 57-72 (J).
- Kageyama, H. 2004. "*Urban Space and Gender*." Tokyo: Kokonshoin (J).

Kamiya, H., Kageyama, H., and Kinoshita, R. 2002. "Tokyo daitoshiken niokeru 30saidai singuru josei no kyojuchi senntaku: Sinsou intaviyu no situteki bunseki to sannkaku sokuryou teki kensyou (Residential choices of single women in their 30s in Tokyo)." In eds. Wakabayashi, Y., Kamiya, H., Kinoshita, R., Yui, Y. and Yano, K. "Urban Space of Single Women in Tokyo" Tokyo : Taimeido, 117-146 (J).

Kawaguchi, T. 1997. "Analysis of the household relocation process in a suburban setting: Case study in Kawaguchi City, Saitama, Japan." *Geographical Review of Japan* 70A: 108-118 (J).

Kubo, T. 2008. "Decision-making process on residential choices of condominium residents in the central area of Mito city, Ibaraki prefecture." *Geographical Review of Japan* 81: 45-59 (J).

Kubo, T. and Yui, Y. 2011a. "Diversification of the condominium supply in central Tokyo: Supply strategies of 'compact' condominiums." *Geographical Review of Japan* 84:460-472 (J).

Kubo, T. and Yui, Y. 2011b. "Increase in supply of compact condominiums in the metropolitan areas." *Annals of the Japan City Association* 44:58-63 (J).

Kubo, T. and Yui, Y. 2011c. "Transformation of the housing market in Tokyo since the late 1990s: Housing purchases by single-person households." *Asian and African Studies* 15(3): 3-21.

Lees, L. 2008. "Gentrification and social mixing: Towards an inclusive urban renaissance?" *Urban Studies* 45: 2449-2470.

Ley, D. 1996. "The new middle class and the remarking of the central city." New York: Oxford University Press.

Michelson, W. 1977. "Environmental choice, human behavior, and residential satisfaction." New York: Oxford.

Ministry of Land, Infrastructure, Transport and Tourism 2001. "Syutoken Hakusyo (White paper on the Tokyo metropolitan area 2001)" National Printing Bureau of Japan (J).

Ministry of Land, Infrastructure, Transport and Tourism 2003. "Syutoken Hakusyo (White paper on the Tokyo metropolitan area 2003)" National Printing Bureau of Japan (J).

Miyazawa, H. and Abe, T. 2005. "Recovery and changes in the socioeconomic composition of population in the central area of Tokyo during the period from 1995 to 2000: Analysis of small-area census data." *Geographical Review of Japan* 78: 893-912 (J).

Morrow- Jones, H. A. 1988. "The housing life-cycle and the transition from renting to owning a home in the United States: a multistate analysis." *Environment and Planning A* 20: 1165-1184.

Nakazawa, T. 2006. "Reformation of the Japanese housing policy and its influence on metropolitan housing: Implications of the Tokyo Metropolitan Area." *Annals of the Japan Association of Economic Geographers* 52: 1-18 (J).

Otsuka, T. 2005. "Condominium supply and residential preferences in the central urban area of Toyohashi City, a medium-scale city in Japan." *Geographical Review of Japan* 78: 202-227 (J).

Preston, V. 1986. "The affordability of condominiums and cooperatives in the Northeast 1980-1983." *Proceedings of the Middle State Division of the Association of American Geographers* 12-18.

Preston, V. 1991. "Who lives in condominiums and cooperatives?: an empirical investigation of housing tenure." *Tijdschrift voor Economische en Sociale Geografie* 82: 2-14.

Real Estate Economic Institute 2002. "*Condominium Market Trend Search 2002*." Real Estate Economic Institute (J).

Sakakibara, S., Matsuoka, K. and Miyazawa, H. 2003. "Characteristics of condominium residents in the center of Sendai and their residential preferences for City Center." *Quarterly Journal of Geography* 55: 87-106 (J).

Skaburskis, A. 1988. "The nature of Canadian condominium submarkets and the effect on the evolving urban spatial structure." *Urban Studies* 25: 109-123.

Statistics Bureau of Japan 2008. “*Housing and Land Survey 2008.*” Statistics Bureau of Japan (J).

Statistics Bureau of Japan 2010. “*Population Census.*” Statistics Bureau of Japan (J).

Tahara, Y., Hirai, M., Inada, N., Iwadare, M., Naganuma, S., Nishi, R., and Wada, Y. 2003. “Towards a gerontological geography : Contributions and perspectives.” *Japanese Journal of Human Geography* 55: 451-473 (J).

Tani, K. 1997. “An analysis of residential careers of metropolitan suburbanites: A case study of Kozoji New Town in the Nagoya Metropolitan suburbs.” *Geographical Review of Japan* 70A: 263-286 (J).

Tomita, K. 2004. “Recent changes of population in the central district of major cities in Japan.” *Studies in the Humanities* 55: 113-140 (J).

Wakabayashi, Y., Kamiya, H., Kinoshita, R., Yui, Y. and Yano, K. eds. 2002. “*Urban Space of Single Women in Tokyo.*” Tokyo : Taimeido (J).

Yabe, N. 2003. “Population recovery in inner Tokyo in the late 1990s: a questionnaire survey in Minato Ward.” *Geographical Review of Japan* 55: 277-292 (J).

Yui, Y. 2000. “Housing purchase by single women in Tokyo Metropolitan region.” *Bulletin of the Graduate School of Education, Hiroshima Univ. Part. II, Arts and Science Education* 48: 37-46 (J).

Yui, Y. 2003. “Housing purchase by single women in Tokyo.” *Quarterly Journal of Geography* 55: 143-161 (J).

\*(J) donates that the article is written in Japanese