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INDEX

ABSTRACT

0. INTRODUCTION

1. CHAPTER ONE _ Economic perspective and Urban Planning

- 1.1 Historical background of Japanese Urban Systems
- 1.2 City Planning tradition in Japan
- 1.3 City Planning and Urban development of Japanese cities during the 1950s and 60s _ The Metabolist Movement
- 1.4 Introduction on the origin of postwar Japanese development
- 1.5 The growth of the Urban Population
- 1.6 Housing policy of Japanese government during 1945 - 1955
- 1.7 History of Real Estate

2. CHAPTER TWO_ Concept of Real Estate in Japan

- 2.1 Real Estate in Japan
 - 2.1.1 What is development
 - 2.1.2 Promoting Urban regeneration
 - 2.1.3 Diversification of fund procurement
 - 2.1.4 Overview of major Real Estate sectors in Japan
 - 2.1.5 'Dojunkai' apartments the beginning of apartment living
 - 2.1.6 Massive supply through apartment complexes
 - 2.1.7 From 'danchi' to condominium
 - 2.1.8 Building higher
 - 2.1.9 5.62 Million Units cumulative supply of condominiums
 - 2.1.10 Real estate sectors housing and housing land

2.1.11 Oil stun business climate

2.1.a CASE STUDY_ PROUD SEASON HANAKOGANEI

2.2 Urban redevelopment

2.2.1 Private companies take active role in redevelopment

2.2.2 From post war recovery to building boom

2.2.3 Era of planar redevelopment

2.2.4 From development boom to sudden building slump

2.2.5 Legal Redevelopment and voluntary redevelopment

Japanese Planning Laws

2.2.6 National Development Plans

2.2.7 Regional Planning

2.2.8 National Capital regional basic plan

2.2.9 "Kinki" Region basic plans

2.2.10 City planning outline

2.3 Promoting residences in city centers

2.3.1 Implementation of urban regeneration measures

2.3.2 Progression of city redevelopment projects

2.3.a CASE STUDY_ EAST MUROMACHI MITSUI BUILDING

2.4 Resorts

2.4.1 Resort development

2.4.2 Responding to increasing time off and diversifying needs

2.4.3 Establishment of resort law

2.5 Real estate transactions

2.5.1 Modernization of Real estate transactions

2.5.2 The real estate transaction modernization foundation establishment

2.5.3 Legal system for broker contracting system

2.5.4 Development of REINS and reorganization of the organizations

2.6 Japanese Planning Law

2.6.1 Land Readjustment Plans

3. CHAPTER THREE_ The Real Estate Investment Trust (REIT)

3.1 Economic recovery and revival of the Real Estate market

3.1.1 Real Estate Investment Trust

3.1.2 Asset Monetisation Securisation

3.1.3 Real Estate Syndication

3.2 Characteristics of Real Estate Markets in Japan

3.2.1 USA Scenario

3.2.2 The significance of expansions of J-REIT markets

3.3 Leasing

3.4 Real Estate Companies

3.4.1 Mori Real Estate

3.4.2 Mori's Auxiliary Companies

3.5 Mitsui Fudosan

4. CHAPTER FOUR_ Tokyo

4.1 History of Edo

4.1.1 How did this affect the growth

4.1.2 Fourth Generation Housing

5. CHAPTER FIVE_ Case studies

5.1 CASE STUDY I_ Kunitachi The machizukuri Movement

5.2 CASE STUDY II_ Roppongi Hills A city within a city

5.3 Interview with Neil Suzuki_ Mori estate planning manager

5.4 CASE STUDY _ Omotesando in Omotesando

6. CHAPTER SIX_ conclusions

7.

APPENDICIES

REFERENCES

ABSTRACT

Quando dall'aeroporto di Narita si arriva lungo il maestoso Rainbow Bridge alle porte di Tokio e comincia a delinearsi la città, si resta sorpresi e increduli di fronte al caotico paesaggio urbanounico nel suo genere e apparentemente privo di ogni logica a noi comune.

Edifici di ogni elevazione che sembrano ammassati l'uno sull'altro, affacciati su strette strade spesso prive di marciapiedi, linee elettriche aeree che formano una densa cappa di cavi elettrici, edifici in cui l'acciaio scintillante e il cemento si commistionano con il legno e altri materiali poco nobili. In nessun luogo queste incoerenze sono più evidenti come nei sobborghi delle città: è qui nei distretti semi urbani, semi rurali attraversati da linee ad alta tensione e puntellati da alti edifici residenziali prospicienti campi di riso e aree dismesse, contrapposti ad agglomerati di casette unifamiliari circondate da orti e alberi da frutta, fabbriche e depositi di mezzi pesanti che sono più evidenti le conseguenze di una rapida urbanizzazione e industrializzazione del Giappone dal dopoguerra ad oggi. Questo particolare paesaggio urbano (streetscape) è il risultato dell'alta densità della popolazione, dell'elevato valore del terreno e del desiderio di vivere in abitazioni unifamiliari in zone dove sia possibile mantenere i forti legami affettivi e dove coesista uno spirito comunitario e il contatto con la natura. Inoltre il sistema di leggi che regola il territorio come quelle sull'espropriazione e le tasse di successione hanno creato il fenomeno del forth generation housing per cui la stessa famiglia continua a vivere nella stessa casa per generazioni.

Tutto ciò lascia perplessi e si stenta a credere che in Giappone le grandi e moderne metropoli siano cresciute negli anni del dopoguerra secondo un piano urbanistico e che si siano spese molte risorse per lo sviluppo dello stesso; così quando si guarda all'intricato sistema di rete stradale costituito da un intreccio di strette strade tortuose da una parte e dall'altra da una griglia di strade ampie a più corsie che, senza un apparente senso logico, si allargano per poche centinaia di metri per poi restringersi di nuovo. E' in queste stesse aree al confine con le grandi aree metropolitane che i cityplanners hanno lavorato più intensamente per portare avanti progetti di riqualificazione dello spazio urbano e dove sono stati largamente attuati. Pare che, per quanto riguarda la ricostruzione di Tokio, gli ingegneri dell'epoca si siano ispirati all'assetto della vecchia Edo, per non minare ciò che in giapponese viene definito

machinami, lo spazio in cui si identifica la comunità plasmato dalla cultura della vita quotidiana e che siano rimasti fedeli allo streetscape studiando le stampe dettagliate di Hiroshige e Hokusai. Come esempio, lo scorcio del Monte Fuji in un determinato punto della città è ancora presente nonostante la presenza di una sopraelevata!

In questo lavoro di ricerca si analizzeranno attentamente i principali fattori che costituiscono il piano urbanistico in Giappone e in particolare della città di Tokio. Il lettore sarà guidato lungo un percorso cronologico che gli permetterà di venire a conoscenza degli eventi storici che hanno cambiato le leggi di regolamentazione dei piani urbanistici e la configurazione sociale del Giappone. Verranno spiegati i diversi metodi e processi di

investimento, rovistando dentro il REIT e i varii Fondi di Investimento, incontrando i più importanti investitori come le due rivali e potenti società immobiliari di MORI e MITSUI FUDOSAN.

Inoltre prenderemo in considerazione la loro etica di lavoro e le loro strategie di investimento.

In conclusione analizzeremo gli importanti studi dietro ai grandi progetti di trasformazione urbana come per esempio Roppongi Hills, "la città nella città" e Omotesando anche chiamata "Omotesando in Omotesando".

Shinohara scrisse che Tokyo "Da un luogo all'altro, nel grande 'villaggio' di Tokyo, la vitalità e l'attività elettrificare le strade per rendere questa una delle città più entusiasmanti del mondo.

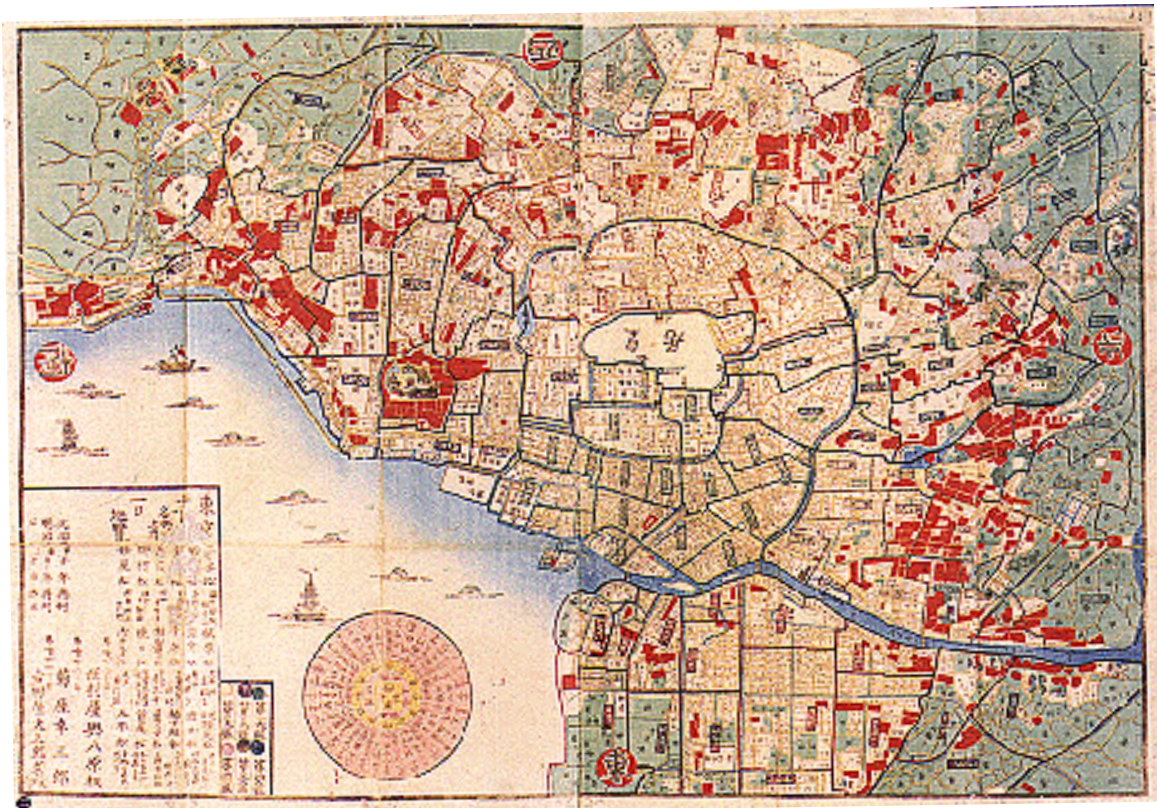


Illustration 1_ Map of Tokyo Edo period

INTRODUCTION

From place to place, in the vast 'village' of Tokyo, vitality and activity electrify the streets to make this one of the most exciting cities in the world.

(Shinohara 1997: 253)

One thing that strikes many Western visitors to Japan as bizarre is the extreme sense of disorder of many Japanese cities. The high degree of intermixture of obvious incompatible land uses, irregular streets that often lack sidewalks, the frantically dense wires cape overhead, make for a confusing urban environment.

Many visitors and even long-term residents "gaijin" find it hard to believe that there is such a thing as urban planning in Japan, and are left in disbelief when told that there is a highly developed urban planning system, with numerous resources being put into the Urban planning and infrastructure development. Nowhere are these inconsistencies more evident than on the urban fringe. It is here in the half urban, half agricultural districts, criss-crossed by high voltage transmission lines and dotted with high rise apartment blocks facing on rice fields, scarp metal dealers, small clusters of single family houses, fields of vegetables and fruit trees, busy factories and truck depots, that the costs of rapid urbanization and industrialisation is particularly noticeable. It is hard to acclaim a sophisticated planning system with the patchwork road system which is here a maze of narrow winding lanes and there an un-methodical grid of broad streets, and where for no clear reason a busy two lane arterial road

broadens to a four or six lane boulevard for a few hundred meters and then narrows down again.

It is in these same areas on the edges of the great metropolitan areas that city planners have worked hardest to carry out Land Readjustment (LR) projects, and where indeed they have been most widely used.

Japanese cities are formed out of a patchwork of modern and traditional areas. Business or shopping districts characterized by wide streets, public spaces, pedestrian walkways, underground life-lines and skyscrapers are surrounded by traditional neighborhoods, which feature a jumble of narrow lanes, tiny gardens, overhead electric wires and rows of small lots with a mixture of apartment and single-family houses. The narrow and irregular paths in these neighborhoods require cars to drive carefully and allow room for neighborly talk and children's play. The idea of the street as the main living-room of the neighborhood is very much alive here.

While most buildings and lots on these streets are so small that they would be considered unfit for construction in Europe, they are the logical response to the particularities of the urban environment in Japan. These streetscapes reflect the outcome of extreme population density, high land prices, and the desire for single-family housing. The common desire of Japanese people is to remain in areas to which they have strong emotional ties, and a highly selective application of existing land laws geared towards expropriation and land consolidation, further shape Japanese cities.

One of the differences between Japanese and European urbanism is in the words used to assess urban qualities. While European and American planners have directed their efforts towards "beautification", in Japan, aesthetic concerns have never been a major concern. In fact, the European or American concept of a "beautiful city" is difficult to translate into Japanese. When the word *kirei* is used in the sense of "beautiful" with regard to buildings or the city, it usually carries connotations of "tidy", "neat", "clean", "straight", or "new". Thus the phrase *kirei na machi* would refer to a neighborhood that is not littered with waste or cluttered with bicycles. Hence, in Europe these expressions often do not make sense in a Japanese context. The Western concept of an "old and beautiful town" cannot be translated using *kirei*, as the words *furui* [old] and *kirei* are mutually exclusive. If one wants to express something along these lines, it is necessary to say an "old *but* beautiful town." One does not find sentences like *furukute kirei na machi* [a beautiful old neighborhood], or *furukute kirei na ie* [a beautiful old house]. The European concept of a beautiful city may be translated more appropriately with the adjective *utsukushii*, "pretty", or "lovely", but this is a word that is used more rarely with cities in Japan.

What are some adjectives used to complimentary concepts describe the Japanese city and guide its planning? *Anzen* [safe], *sumiyasui* [easy to live in], *miryokuteki* [charming]. These words describe the qualities of the neighbourhood in particular, and indeed may hold important suggestions for future urban development. *Anzen* refers primarily to measures available for disaster prevention, although it can also imply the safety of a neighborhood in which women can return home alone late at night and children can play freely. *Sumiyasui* denotes a feeling of comfort and easy human relations with their adjacent neighbours. Finally, *miryokuteki*

contains the idea of a special character inherent in a particular area. This attachment to the neighbourhood reflects the long-standing division of Japanese cities into various units.

These independent units were in the Edo period under the control of the military class, temples and shrines, or the townsmen. The townsmen, in particular, historically had a certain degree of autonomy in their neighborhoods, which were called *machi*, or *chô*.

Even though the form, size and definition of *machi* have varied over the centuries, they continue to be important administrative and planning units. Their spatial dimensions can be shaped by geographic structures, such as slopes or valleys, that may be reflected in built forms, as Jinnai Hidenobu's analysis of daimyo residences and neighborhoods in Tōkyō shows (1995). Historically, *machi* were centered on the street as they included the buildings on both sides. The street was a part of the neighbouring blocks, instead of being primarily the spine of the overall urban system, as in the case of post-Renaissance European cities. The neighbourhood's most important feature even today remains its character as a social space without precise borders. Inhabitants generally refer to the *machi* as a place of a particular lifestyle and a social community.

The city as unique overall structure has never had the same importance in Japan as in Europe. Consequently, the spatial organization of each is very different. Infrastructural networks organize European cities; major public buildings occupy the skyline; public places and architecture express the main political, economic, social and cultural forces in the city; and beautification is a central aim. Capital cities such as Rome, Paris or Washington serve as the best examples. These cities have been places of power for centuries, and the government has left its imprint on the built environment. In Japan, on the other hand, the word for "city", *toshi*, had to be created after the Meiji Restoration in 1868 when Japan was opened to the West and its ideas. Other words related to modern city planning, its methods and tools have entered Japan only during the last hundred years (Hein and Ishida 1997). The idea of the city as a social structure does not offer identity to the people to nearly the same extent as the idea of the neighbourhood (Ishida 1996a).

This paper will analyse attentively all the factors of urban planning and in Japan and most specifically the capital city of Tokyo: the reader will be lead through a timeline of events and dates, dating back to as Early as the Edo period, the 1923 Kanto Earthquake, the Second World War and modern Japan today, that have changed the building and planning laws, but also the social shift in Japan, to a more modernised Western country, as well as very different methods and processes of investment, in Real Estate Finance. Analysing the importance of Japanese neighbourhoods and community through a process and movement Japanese call *Machizukuri*, which derives from as early as the Edo period.

Furthermore, considering different Real Estate investors and Companies, such as Mori and Mitsui Fudosan, two of the largest Real Estates rivalries in Japan: considering their work ethics, their investment strategies and concluding with important changing case studies such as Roppongi Hills, the "City with in a City" and Omotosando Hills the "Omotesando with in Omotosando". Both examples designed by the giant Real Estate



Illustration 2_ Typical painting of Meiji Period, the old and the new, a steel frame bridge in the back ground

1. CHAPTER ONE_ECONOMIC PERSPECTIVES AND URBAN PLANNING.

The economic history of Japan is one of the most studied for its impressive growth for three times and now heading towards the fourth. The first was the foundation of Edo (in 1603) to whole inland economical developments second was the Meiji Restoration (in 1868) to be the first non European power, third was the defeat of the World War II (in 1945) when the island nation rose to become the world's second largest economy and Fourth, the 11th March Tsunami they say will bring a pivot point to Japan.

1.1 HISTORICAL BACKGROUND OF JAPANESE URBAN SYSTEMS

Many of the elements that currently define the Japanese urban landscape and its extraordinary economic power originate following the end of the Second World War. In recent years many economists have stressed Japan as a country that has numerous economic advantages in comparison to other nations: firstly, its economic environment rich in facilities and secondly its financial capitals that are easily obtainable; in addition Japan has a soaring degree of knowledge concerning techniques and methods of industrial production, as well as human resources that are well-prepared and trained. Moreover, its urban social environment is far more pleasant and comfortable in comparison to other developed countries. From recent studies and analyses it can be argued that modern Japan has built its reputation as an advanced and economically prosperous nation in merit to the foundation of an impressive industrial system that has developed for one century and has reached its peak during the years 1950s-1960s, the years of the reconstruction after the war.

Hence, those years were of crucial importance to understand not only the dynamics of development of Japan in economic field, but also those related to the social, environmental and cultural fields. Nevertheless, many of the dynamics of development that have been previously mentioned, in particular those related to the phenomena of economic transformation and urban expansion, are grafted in a process of socio-cultural transformation that finds origin in antecedent years, and of which it is correct and necessary to give a brief mention. Already in the Edo epoch, the centuries of forced isolation with the outside world, the cities reached a condition of equilibrium concerning their physical and demographic dimension. Practices as “mabiki”, the infanticide, periodic bans against immigration in the cities and several laws and other feudal barriers that limited the possibility of movement inside the five territories, had as a result the stabilization of the population in numerical terms and a stasis (with the exception of Tokyo metropolis) in the physical development of many of ancient Japanese cities. Socio-economic equilibrium twisted during the Tokugawa period, as relationships with the external world took a toll in particular with the western countries.

During the Meiji period (1868-1912) the political system eliminated the barriers inside the country and gave further mobility to the citizens. Moreover, at the end of the XIX century (especially around 1880) the expansion of the older industries prompted an increase of the phenomenon of urban growth. Urban growth at the end of the feudal system under Tokugawa Shogute was outstanding this was clearly linked to the abolition of the aforesaid restrictions on the urban immigration and on the free choice of the job as well, previously forbidden by law to the commoners.

Tokyo was a clear scenario of this phenomenon. Historian Terenobu Fujimori pointed out that three forces were the main engines which drove the transformation of the city: the “Occidentalists”, who strived to spread the new Western ideas and systems, the Home Affairs Ministry, introduced new reforms as the fire prevention law land rezoning plans to provide the new capitals with more efficient traffic networks and sewage and water supply systems, and the entrepreneurs, who promoted a harbour construction program and the development of a new business district to foster their activities. These achievement combined with independent activities became the key ingredients to shape the new capital, casting a solid urban pattern for the further development and transformation of the old Edo in the new Tokyo.

From the beginning of the XX century, Japanese urbanization was tied up to the freedom of movement of the Japanese and to the increase in industrialization within cities. It was only after the war in Russia of 1905 that triggered the country’s industrialization process that played an important role in the urban growth, and stimulated the development of heavy industry. During this period the population growth of all cities had increased substantially thanks to the industrial activities. Foreign trade via shipping promoted the growth of the coastal cities.

This phenomenon was already evident in the 1920’s in the main industrial areas Tokyo, Osaka, Nagoya and Fukuoka also known as the Tokaido Urban Axis. The principal infrastructures of Japan were located in these four industrial districts and their main cities became the most important hubs for the production and the delivery of

goods and technological innovation, promoting as consequence further installations of new factories in the those areas (that were already the most densely populated) and baiting a process of ulterior attraction of new industrial plants and other manufacturing activities, with the consequent increase in both the population and the services in the same cities. In this historical phase datable up to the burst of the Pacific War (1941-1945), Japan in many aspects was still a country with a strong agricultural economy and with a rural population, and only a small part of Japanese lived in urban areas (it was around 28% in 1945, but in 1940 it had reached the 37.9 %), despite the huge progress shown in the technological and scientific fields, that made the country the most industrialized non-western country.

In this context it is particularly interesting to note how the dynamics of the urban expansion in Japan resulted somewhat different in comparison to that seen in the Europe. In Europe factories were built in areas where raw materials and resources were found in “loco”, therefore workers where called to those areas, in Japan the industrial development was piloted from the power of the functions of the cities where the factories were set up, with the consequence of taking advantage of an ample, immediate and sure market for the goods. In turn the industrial development promoted subsequently the urban growth. At the beginning of the Pacific War, Japan was heading towards the development of an industrial society, to a rhythm that, after the end of the hostilities, it had to twist completely the traditional landscape of its cities and to reach a higher position among the developed nations.

The Japanese Megalopolis or Tokaido Megalopolis, developed since the early 60s and covers the main industrial districts of the country from Kitakyushu to Chiba; it is a long and interconnected web of areas where most of the urban population of Japan is concentrated. The concept was inspired by the famous research of Jean Gottman (1961) on the large intergrated conurbation of the American cities of the East Coast.

According to the Metabolist's and Tange's propositions and biological metaphores, the whole Japanese archipelago could develop as a huge mega urban complex starting with the connection of the areas of the main cities through a system of mass transport (such as the shinkansen-bullet train) by developing a biomorphic form which follows the same pattern of growth that nerve cells use to connect each other in an organism

(images from Soresen 2002; Kultermann, 1989; sketches by Kisho kurokawa, 2001)

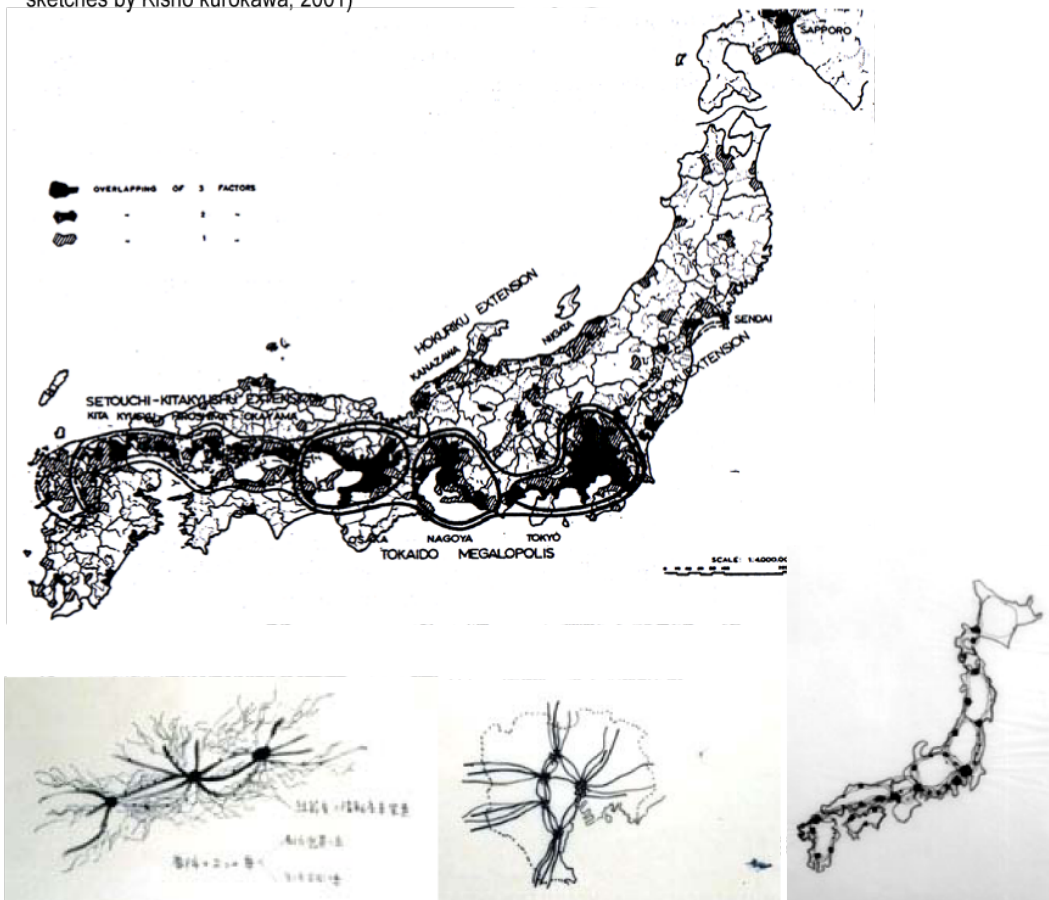
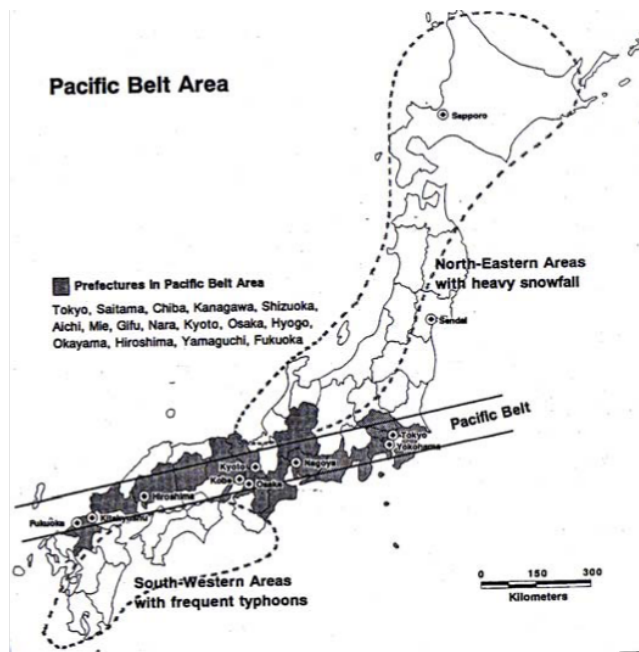


Figure 1_ Tokaido Megalopolis

1.2 CITY PLANNING TRADITION IN JAPAN

“... It will take a fairly long time to carry out a plan for a city in its entirety” Noboru Kawazoe In his work “Contemporary Japanese Architecture” written in 1968, assumed that the fragmented and provisional character of Japanese city planning was the consequence of the lack of legal means, such as Land Expropriation Law, as well as the necessity for the city to spend much of their budget for land procurement. His analysis on the Japanese urban environment focused that: “...The most difficult aspect of city remodelling in Japan is the problem of land. A city is essentially artificial and public, for land without public utilities such as water; drainage, gas and electricity cannot be called land for city planning purposes. Nevertheless, land is still regarded as natural and private among general public and in law”.

As stressed also by Kawazoe, it appeared clear that the main causes of the urban problems of the Japanese city at the period generated from a combination of inefficient laws, excessive land fragmentation into small private plots, and the great and influential economic power of the big business companies and the importance of the big private railways companies. In particular the latter where responsible for pushing an extensive and irregular urban growth of the suburbs of the main metropolitan areas because of the search for new and cheaper building lands, which promoted a “leap-frogging” effect of urban growth, since the raising value of the new land (after housing and services are settled) called always for a further search of new areas for residential development, with a “turbo-cornutens growth” pattern which turned to be also a decisive phenomenon in the sprawl of the Japanese city for all the 1960s and over.

Somewhat similar to Kawazoe’s analysis were the opinions of British scholar M. F. Richards, who detected 3 main factors which prevented the development of an effective city planning in Japan and represented the most serious obstacles to carry on any tentative to modify the present urban sprawl. According to Richards the random and chaotic aspect of Japanese city was the direct consequence of the fast and uncontrolled post-war reconstruction which produced a high pace of urbanization, a process further stimulated by an economic growth accomplished without any effort to improve the lay-out and the footprint of the existing cities. Another factor detected by Richards was a political one, and it referred to the specific lack of efficient planning legislation and in particular the lacks of effective laws for public expropriation. He noted that in Japan, after the introduction of new democratic principles, there was “...a special reluctance to embark on planning legislation that implied the use of dictatorial powers. (...) But positive town-planning, which gives first consideration to the interest of the public at large, involves to some degree riding roughshod over the private interest. Reluctance to do so is evident in many ways; if a new city highway is planned and a single property-owner proves unwilling to sell, the project is held up because compulsory purchase would savour off past dictatorial behaviours”. However in his research Richards noted that some legislation on compulsory acquisition of property in the public interest already existed in Japan in the early 60s, even though “...these particular powers have not yet been used”.

The last major difficulties in the Japanese city planning approach was the absence of a structured body of professionals specifically trained in the field of town planning. Richards, held the first course in town planning in a Japanese university in 1962 at Tokyo University as a branch of the faculty of Engineering. By that time the town planning regulations had been administered exclusively by officials who often were without any academic preparation both in the architectural design and city planning theories.

The history of the modern Japanese urban planning dates back to the beginning of XX century, although the first contact of Japanese with European urban theories occurred in the second half of XIX century, when many western professionals were invited to work in Japan and Japanese delegations visited Europe and imported the lesson of Haussmannism as well as that of German urban planning ideas.

According to scholar Stephen Ward, after the conclusion of Japanese-Russian war the imperialistic expansion of Japanese Empire fostered both process of industrialization and urbanization of Japan. The necessity to deal with the growth of their cities encouraged the Japanese to study town-planning methods developed in the Western world. Amongst the earlier ideas imported from other countries there was the concept of garden city, translated in 1907 as “den-en toshi”, which indicated a far more rural urban environment conceived as high-class garden suburbs, very distinct to the genuine concept as developed by Sir Ebenezer Howard, a British Urban planner, in 1898, who formed the Garden city movement.

In 1910 a delegation of Japanese architects were invited to attend a conference on town planning at the Royal Institute of British Architects in London, a chance for the Japanese to have closer contacts with their western colleagues and introduced English town planning terms to their dictionary to describe this new subject. Nevertheless by 1913, the acquired English terms were translated to “toshi keikaku” town planning in Japanese. This marked a further shift from the initial influence of English planning models towards new foreign models, especially the new German methods.

During the phase of modernization in Meiji Age, Germany revealed to be a fundamental reference for Japan, thus the Prussian constitution was chosen as model for her new constitution. Japanese officials soon borrowed German planning tools and legal instruments on building lines, zoning and lens readjustment, stressing an influence that became even more significant in the following years.

During the 1920s and the 1930s it appeared clear that urban planning principles imported from Europe and America couldn't be implemented due to the existence of land ownership laws, the lot division and weak planning powers, made the Japanese urban environment hard to change. In Tokyo and in other major cities, most of the land was in possession of the few formal feudal landlords, during the end of the Meiji Age and the beginning of the early Showa Age. Due, to the demands of higher taxes on the land promoted by the government, the large-scale landlords progressively sold most of their lands to the privates by means of subdivision into smaller lots. This trend became considerably more and more frequent and continued to spread its effects especially during the

postwar period, creating the typical fragmented urban landscape of Japanese cities, characterized by an amorphous urban structure and an irregular city form which indicates the apparent total lack of any organic city planning activity carried out during the previous years, which was especially difficult exactly for the evident interests of the small landowners.

As noted by some scholars, amongst them the German Carola Hein, a rare opportunity for Japanese planners to use the principles and the methodology of modern planning was in the Japanese colonies overseas: Taiwan, Korea and above all Manchukuo [Manchuria], "...which offered an important laboratory for the development of modern planning in Japan. Their colonies became design fields for planners they could finally try out the new planning concepts they had sampled in the West: neighbourhoods modelled on Radburn, green belts and zoning became central design ideas, sometimes combined with modernist architecture."

Perhaps the most notable examples of Japanese colonial planning, were those sought for the Chinese cities of Shinkyō- monumental plan (1932-1935), the capital of Manchukuo, the plan for Dairen and for Datong, these projects had a geometrical layout and concentric urban pattern, and integrated many other advanced western urban ideas, such as satellite towns and planned neighbourhoods units. Colonial planning brought improvement of all urban and building standards, especially for housing.

After the war, although it appeared evident that Japan did not offer the same freedom of design and the same scale of opportunity as colonial territories, the planning knowledge gained during those years contributed in the further development of a Japanese city planning tradition, and demonstrated to be especially influential in field of planning education and law, rather than in the application to real construction. Indeed in the specific field of urban planning methodology applied to the concrete reconstruction of destroyed cities, the Japanese approach appeared to be far more pragmatic and less concerned with the visual and aesthetics that in the Western countries were regarded of vital importance both concerning the discipline of city planning and architecture. After the war, western city planning methods, visionary schemes and ideas did not play a key role in the process of reconstruction, as it did in European cities (Germany, Poland). The main tools for the reconstruction, by central government, were the extensive and sometimes almost exclusive use of land readjustment practice (which in Tokyo was applied especially in the areas along the JR Yamanote Line), and the development of gigantic projects for the construction and the development of basic civil and industrial infrastructures, with the consequence that any attempt of introducing urban reforms, such as the land-use planning and a more precise and detailed zoning, failed, pining a heavy burden on the future balanced growth of the all the Japanese cities.

1.3 CITY PLANNING AND URBAN DEVELOPMENT OF THE JAPANESE CITY DURING THE 1950S AND THE EARLY 1960S

The national pride and the industrial capitalism, which characterized the economic growth of Japan during the 1950s and 1960s, were mainly centered within the metropolitan areas. The unprecedented phenomena of

urbanism and the concentration of activities and functions in the main cities of the archipelago, particularly in the industrial and commercial cities of the Tokaido Region, caused many problems concerning the management of an urban organism that became more and more complex and disordered hence changes occurred in the social, cultural and economic spheres. Great awareness sprung in Japan in the 1950's to reform the city planning method and to reconsider and steer the fast and disordered urban growth money-led by political lobbies, private corporations and industrial companies, and impeding the previous urban sprawl of the post war years to extend.

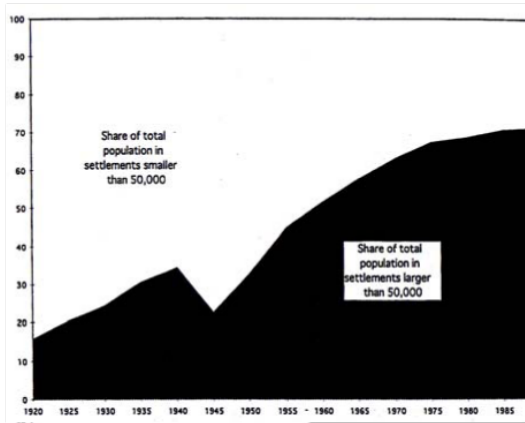
The total alteration of Japanese pre-war urban environment was mainly due to the massive destruction by American forces causing years of economic and social depression that lasted until the end of 1940s.

After more than 5 years of strict control and limitation in reconstruction, the American government endorsed a policy aimed to transform Japan as an Asian demo-liberal country so that it supported Japan with financial and technological assistance (following as model the "Marshal Plan" which was simultaneously enacted in Europe), and reformed the constitution and promoted changes in many social and administrative fields.

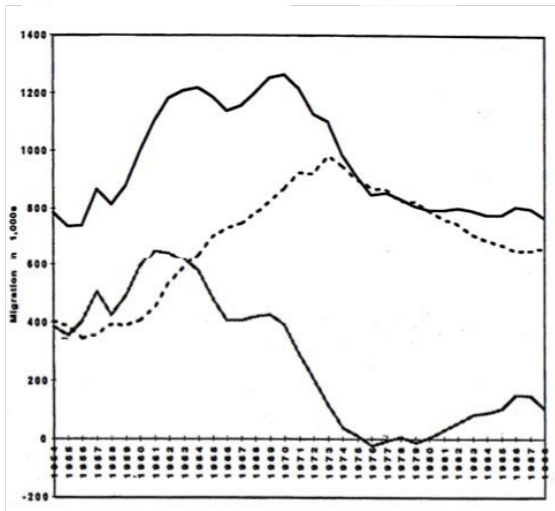
To restart the economic growth of the country, the Americans aimed highly on light manufacturing systems, by the end of the 50's a new development plan was enacted focusing on the production of heavy industry, based on the production of iron, steel petrochemical and the construction of new modern power plants.

The focal motive behind the urge of the Japan's development was its strategic geographical position, which was of great interest to the American's, as it enacted as a natural barrier against the spread of communist in East Asia. The development of a competitive industrial system became the priority of the new democratic government of Japan, and its policy was aimed to strengthen their know-how and the introduction of new technologies acquired from the USA and other western European countries.

The new industrial factories rapidly spread into new urban territories with more intensity than the Meiji epoch, and their position was chosen to respond to the growing request for goods by national and international markets.

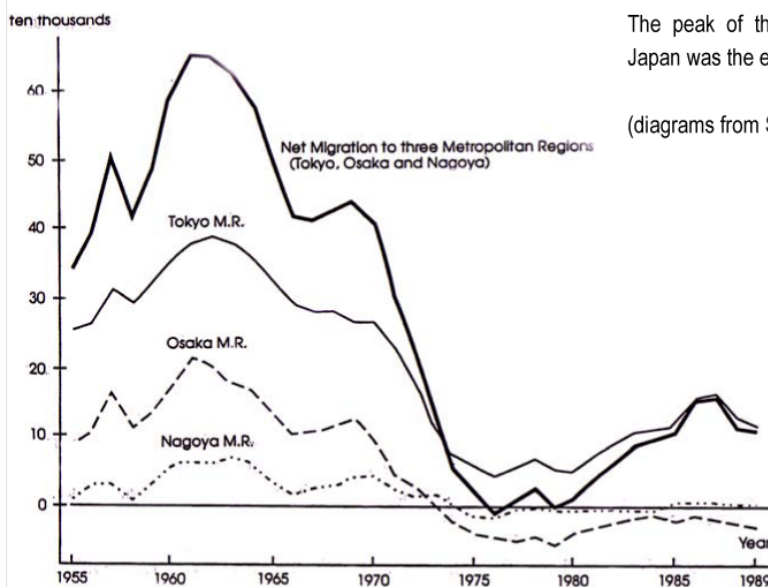


The concentration of population in Japanese cities grew at a steady pace from the beginning of the XX century, and its pace only started decreasing during the years of the Pacific war.



After the end of the Pacific War, the recovery of the Japanese economy proceeded at a very slow pace till the outbreak of the Korean war in the 1950; the substantial aids from the Americans promoted what was the then economic boom of the 50s and 60s, with an significant urbanisation process mainly seen in the Tokaido region due to the emigration boosted by the concentration of services and infrastructure of those urban areas.

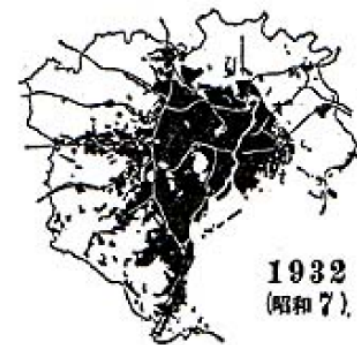
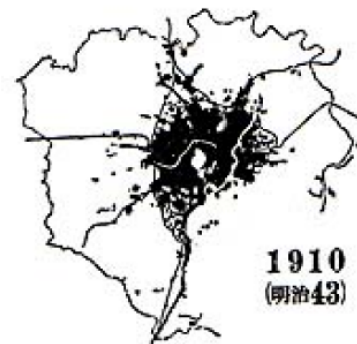
These diagrams illustrate the data on the urban population and emigrations in Tokyo and the main metropolitan cities in Japan.



The peak of the urbanisation in modern Japan was the early 1960s

(diagrams from Soresen, 2002)

Figure 2_ Urban population Growth



The Urban growth of Tokyo from the early XX century to 1953 followed the industrialisation of the country and assumed a high pace and chaotic trend, especially after the end of the Pacific War, that brought about self reconstruction and the economic development promoted by the central government. Urbanism was additionally led by the spread of modern transportation infrastructures, especially trains, subways and buses. Moreover by private companies and serious attention was enforced on natural disaster prevention by the means of specific building standards for new constructions

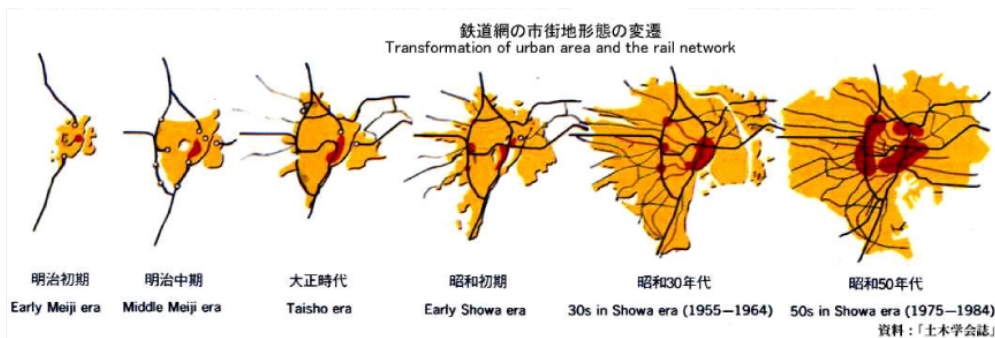
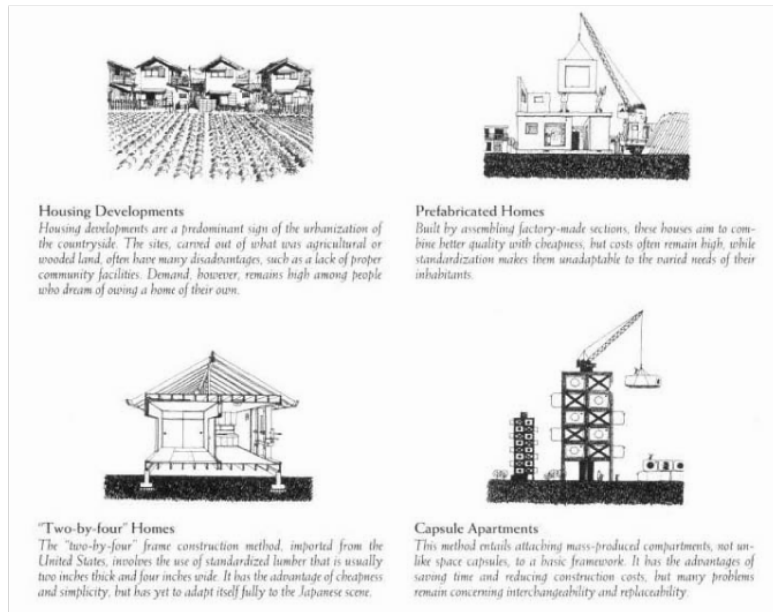


Figure 3_ Urban Growth pattern of Tokyo



Due to the urban growth and the evolution of the industrial building methods implemented during the Rapid Economic Growth of the late 1950s, many new towns were developed by the Central Government in the suburbs of the major metropolitan cities, where land was abundant however caused many long hours of commuting. The growing wealth of most of the Japanese families boasted the dream of comfortable housing filled with the most modern domestic equipments. Starting from then Japan became a very consumerist society following the footsteps from America.

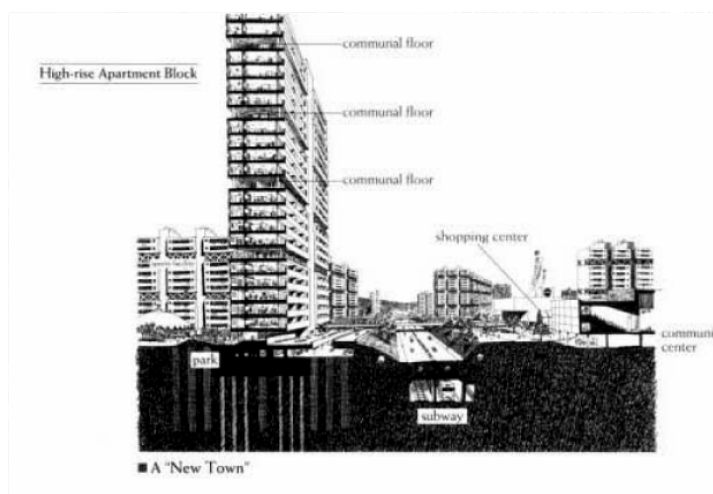


Figure 4_ Urban Typologies of living

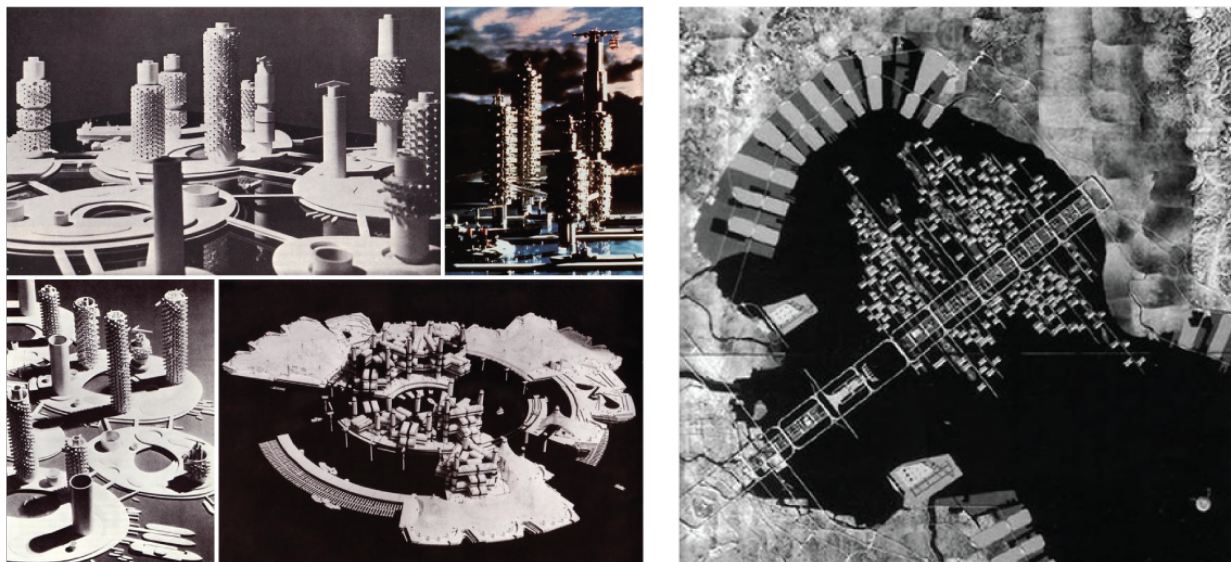


Illustration 3 _ Metabolist Movement Ideas

1.3.1 METABOLIST MOVEMENT IN JAPAN.

With the beginning of the industrial development of the 1960's a group of architects wrote the first influential manifesto regarding architecture and the city in Japan titled: "proposal for a new urbanism"

In spite of the natural process of inevitable change that occurs to ideas through the years, some central ideas developed by Metabolism are extremely topical: first of all the matter of how to link the Japanese traditional culture (that is an Asian culture) to the Western models, as well as the necessity to blend modernity with the heritage of the national culture and to create an environment that could promote the harmonization and the cooperation of the different aspects of the contemporary society. And last but not least, how to structure the development of the cities in an age of huge and fast urbanism, driven by a spectacular economic growth, consequence of the massive industrialization accomplished at the turn of the second half of the XX century.

In the past years several critics and scholars from all the part of the world have been fascinated and impressed by bold visions of Metabolism, and have prized and sometimes criticized their innovative design approach, as expression of the new modern Japanese architecture, and generally of the spirit of the rebuilt Japan. However, having mainly focused on the field of the theory of architecture and the issues related to the aesthetic style as expression of the cultural differences hidden behind the formal images and the contents of the architecture, so far the previous studies and the investigations conducted on Metabolism have often neglected a deeper analysis on their urban theories and on the fundamental relations which tied the architects of Metabolism with the specific socio-economical background and the cultural context which directly influenced their projects. In order to accomplish this aim, the investigation for this study has been mainly conducted by a double approach consisting in the analysis of the process of transformation of the Japanese urban system after the Pacific War, and the investigation of the social and cultural context in which Metabolism operated, with an special emphasis on the influence of the foreign architectural theories and the limits of Japanese city planning tradition as well.

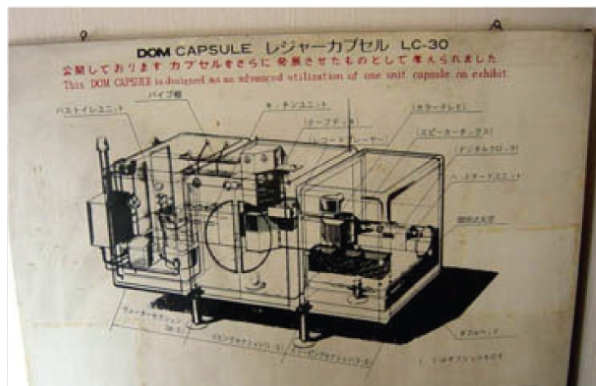
The main members of the movement were architects Kiyonori Kikutake, Noriaki “Kisho” Kurokawa, Masato Otaka, Fumihiko Maki, the critic Noboru Kawazoe, the industrial designer Kenji Ekuan and the graphic designer Awazu Kiyoshi. The architects of the original group presented their manifesto at World Design Conference in 1960 as a collection of independent papers in which they proposed ideas and concepts regarding their own vision of the city of the future.

It was the critic Kawazoe that promoted the usage of the word “Metabolism” as a key word to introduce the ideas and the theories of the group; the word refers to biological term and to metamorphosis and transformation. It stresses the idea of an endless change that occurs inside an organism and in its nearby environment. The Japanese architects that joined under the movement, promoted flexible architecture and dynamic cities that could develop and grow through the elimination of their old unwanted parts and the regeneration of new components in accordance with the necessity of the socio-economical environment.

Capsule Hotel Ginza_by Kisho Kurokawa, Tokyo



The Nakagin Capsule Tower was the first capsule architecture design, the capsule as a room inserted into a mega-structure, built for actual use. The Capsule Tower realizes the ideas of metabolism, exchangeability, recycleability as the prototype of sustainable architecture.



The one-man-room capsule, a modified (4 x 2.5 meter) shipping container, has a circular window, a built-in bed and bathroom unit, and is complete with TV, radio and alarm clock. The capsule interior was pre-assembled in a factory then hoisted by crane and fastened to the concrete core shaft.

Figure 5_ Capsule Hotel Ginza_By Kisho Kurokawa, Tokyo

For these architects, the city was conceived as a metaphor of the human body, and was seen as a structure that is composed by elements (cells) that are born, they grow and then die, whereas the entire body continues its life and development, ready for further cycles of “metabolic” changes.

Linking their theories with the Japanese cultural tradition of impermanence derived from the national heritage of Buddhism thought, metabolist architects believed the architecture shouldn't be static, but capable to undergo “metabolic” changes, and instead of thinking of fixed forms and functions, they developed structures and projects composed of mobile and flexible elements.

As stated by the same Kawazoe referring to the form of the city of the future: “...What will be the final form? There is no fixed form in the ever-developing world. We hope to create something that even in destruction will cause subsequent new creation. This “something” must be found in the form of the cities we are going to make-city constantly undergoing the process of metabolism”.

1.5 THE GROWTH OF URBAN POPULATION

The increasing growth of industry as the effective engine for the recovery of economy of Japan and the development and the expansion of the industrial factories led and influenced heavily the development of Japanese cities during the 1950s and 1960s. This period was notorious as the “Rapid Economic Growth”, a time of impressive and rapid development for the country. Together with the economy, cities witnessed a period of endless growth and remarkable urbanization of the territory, suburban areas of the big metropolises tended to overflow in the surrounding countryside.

In 1940, four cities had more than one million inhabitants: Tokyo, Osaka, Nagoya and Kyoto that together constituted 17,2% of the total population of Japan in that year. In 1950, 5 years after the end of the Pacific War, the same amount of population fell 11, 4%, however increased sharply again in 1960 due to the colossal phenomenon of immigration. During the years of economic growth the urbanization of Japanese territory further intensified as well as the economical development. In 1945, 28% of total amount of the population lived in cities, 37% in 1950, and eventually reached a peak of 72% in 1970, showing a drastic shift from a pre-war rural society to an urban-oriented society.

Japanese scholar Miyamoto Kenichi stressed, with understandable pride, this shift in “way of living” in just 25 years an urban experience that in US developed in 100 years.

In those years there was a steady decline of the labor force in the primary sector from 41% to 21% and massive emigration started from rural to urban areas, where the concentration of factories and other companies gave many jobs opportunities in the secondary and tertiary sectors and assured a modern environment full of facilities. Many emigrants flew into the industrial belt along the Pacific coasts, in particular into the 3 main industrial areas developed at the beginning of the XX century during the Meiji era: the conurbations of Nagoya, Osaka and Tokyo.

The urban population of these 3 regions was about 35 million in 1960, and reached the amount of 50 million in 1975. The main reason for this population increase and concentration was due to the linkage with jobs, higher incomes, a more appealing style of life and in general the efficiency and the variety of facilities and services typical of an urban environment. The phenomenon of emigration from the countryside and the surge of the land price in the central areas of the main cities were the main reason for the development of high rise buildings and new typologies of dwellings (often lacking of some basic comforts such as the private toilets) which extended the boundaries of the suburbs and promoted a progressive urban sprawl in the metropolitan areas in particular from the second half of the 1960s. Hence, as previously stated, the massive flow of population into the large urban districts in a very small span of time brought further congestion especially to the cities of Tokyo, Osaka and Nagoya, whose territories accommodated the main economic, administrative and cultural functions of Japan and for this reason drawing more and more people from the other regions. By 1970 it was recorded that these three metropolitan regions accommodated about 45% of the whole Japanese population, and furthermore 52% of the all National income went to these areas.

The urban systems that are geographically located between the north of Kanto plain and the coasts of Inner Sea (Seto Nakai) house most of the Japanese population in addition to most factories and the main industrial complexes of the country. Roughly 80% Japan's industry was located on these territories, together with the administrative headquarters, the main national networks (television and newspapers), prestigious universities and the most advanced research centers, especially in the area surrounding Tokyo. The presence of these fundamental activities was the core reason land price increased and rent too, which automatically caused a process of expulsion of the residences from the central areas towards suburbia.

During the 1950s, the central areas of the cities absorbed most of the flux of immigrants from the rural region of Japan. During the second half of the 1960s, immigration stirred towards the peripheries of the cities where the prices of the houses were more reasonable. Since 1965 Tokyo and Osaka metropolitan areas reached their population peak in the city center, following a phase of "absolute decentralization", a definition which described a phenomenon of progressive growth of the suburbia and a contemporary slowing down in the increase of the population in the central areas.

1.6 HOUSING POLICY OF JAPANESE GOVERNMENT DURING THE YEARS 1945-1955

According to Ishida Yorifusa, American military administration was responsible for some important changes in the reform of the Japanese planning system of post war years which had a strong impact on the reconstruction. The main changes introduced by Americans were the abolition of the practice of Land readjustment, which had been the main tool used for the urban planning, which they declared unconstitutional, their policy of requisition of land, buildings and facilities for use of the Allied Forces, which created serious obstacles to the redevelopment of the damaged cities in the following years, and at last the housing demand for the Allied militaries and their families,

which compelled the Japanese government to build additional housing units and burdened its financial expenses with additional costs.

Government strategy in the resolution of the housing problem was characterized by 3 key features, and were aimed to contain the flux of people returning into the main metropolitan areas and control and restrict the demographic pressure in the main cities: the first was the distribution of economic resources to local industries instead of metropolitan regions, the second was the policy led to maximize the number of supplied houses and apartments units without considering their quality, and, as said before, the last was the decision to not increase the public housing supply in the war-damaged cities with the clear intention to stimulate the practice of “self-reconstruction”, conducted both by the homeless families and by local governments and housing corporations. This dramatic situation stimulated the necessity to develop methodologies to produce cheaper and easy-to-build housing units, which could be rapidly built and produced, so that the prefabrication of houses was seen as the most reasonable solution.

In October 1946, the “Prefabricated House Association” was established, and many architects, among them Maekawa Kunio and Urabe Shizutaro were engaged in the design of prefabricated houses. The first model of prefabricated house was, as already mentioned, Maekawa’s “Premos”, a tiny house made of standard wooden panels which assembled in different ways could create several different styles of houses, whose first prototype was built in 1946. However, as noted by the scholar Yorifusa, those models of prefabricated houses were originally built for the workers of peripheral regions (such as miners of coal industry), rather than the workers and employees of the metropolitan regions. Only later those dwellings were introduced in the metropolitan areas, but improved versions of them were still reserved for rich people and foreigners, and not for poor. From this point of view, it seems correct the opinion of Ann Woswo, who stressed as the policy of Japanese government during this time kept a continuity of its pre-war policy of “...subordination of housing policy to the interest of economic performance of the nation (now in peace, rather than war)”.

From 1945 to 1950 local governments built only 10% of the whole housing supply. In 1950 and 1951 two fundamental laws were enacted. The former was the “Housing Loan Corporation Act”, which mainly intended to support housing construction by the private sector, and the latter was a “Public Housing Act”. Both demonstrated the new interest of the government in the private sector’s activity as important partner in its housing policy, following a strategy that aimed to promote the home ownership in urban areas. The aim of the central government to strengthen the economy of the nation had a direct impact in the housing legislation, which granted subsidies to the local authorities for public housing units.

In the early 1950s two types of public housing units were eligible for such subsidies promoted by the Public Housing Law: the “Type 1”, which had a floor size of 33 squared meters in wooden construction or 46.2 square meters if made of concrete, and the smaller “Type 2”, which were 26.7 square meters in wooden structures and 23.7 square meters in concrete. Access to those housing was limited to people whose income was sufficient to

pay the rent. The small size of both the units was a Japanese Construction Ministry's decision to maximize the production of such dwellings that could be subsidized with the public funds and face the housing shortage of the years. Woswo pointed out that: "That type 2 units lagged behind type 1 was in part because the Welfare Ministry itself had had relatively small units of 25 square meters in mind in its initiative, in order to insure low rents within the limits of rent assistance that could be provided under the terms of the "Livelihood Protection Law", and roughly this scale of provision was simply tacked onto the final legislation. But a more fundamental reason was the official in the Construction Ministry believed, as did many other members of the Japanese establishment, that households with the lowest incomes deserved lesser housing precisely because their incomes were so low".

Government gave the priority to the production system of the nation and the recovery of the economy and as a consequence of this policy many of the public housing units, which received state subsidies, were given to the employees of the big industrial companies and private enterprises, who "...could contribute to the Japan's reconstruction". In other words, it seems plausible to argue that among the reason that promoted same basic features of the Japanese urban landscape of the 1950s and the early 1960s was the combined effects of a governmental strategy aimed to foster the growth of the economy of the industrial factories by means of state subsidies and assistance, and the concentration of many new housing units in the center of main cities, which empowered and fostered the integration and the cooperation among the different levels of economic activities in the urban districts, but caused a growing urban sprawl and didn't resolve the housing shortage in the metropolitan areas.

Moreover the rush to achieve in the shortest time possible the recovery of economy had as worst consequence the juxtapositions and the visual incoherence of many cities throughout the country. This happened because of many factors, and mainly due to the soaring and grasping interests of the big business companies, especially the private railways companies, which exploited the zoning and subdivision land laws for the construction of their profits, the excessive division of the land into minute lots, which arose the average price of the land and prevented the accomplishment of rational and long-term high scale projects, as well as the limitations introduced by fire code laws, which further exacerbated the development of a random-like urban fabric and produced the chaotic shape and the lack of aesthetic quality of many urban environment of the Japanese cities.

1.7 HISTORY OF REAL ESTATE

Most Japanese real estate property owners held their properties for the long term during the 1980's bubble period. Property owners who considered selling would have been overwhelmed by exceptionally high taxation. Therefore, in Japan a system was created by which the property owner would keep its property and would redevelop it though joint ventures with real estate companies. This in the long run would allow the owner to have greater cash flows from the original land, hence incrementing profitability even though the land was not fully owned.

Short term capital gains were taxed enormously this due to the government discouraging short-term profit making. Still in Japan today real estate is seen as a long-term asset.

In Japan due to its geographic and topographic land type, land is very scarce for urban development. Land use controls are very strict and much of the land is preserved for agricultural use if not mountainous or wooded.

Automatically, this makes land value is very high due to the scarcity of agricultural, industrial, commercial, institutional and residential purposes. Cities as Tokyo, Osaka and Nagoya cover the minimum numbers of hectares for such large populated cities. Moreover making the number of residents per hectare increasingly dense compared to other cities in the world.

Through out each era Japan went through large land holdings. During the feudal system royalty owned the majority of the land and let the citizens cultivate it. In return they would get military protection and all the necessary administration functions.

Before, World War two, a more participative society lived within a very socialistic government that had consequently control over the government administration and the citizenry. Private property ownership was permitted before then, however most land ownership was still dominated by a selected group, very similar to Europe. In addition many of the large landowners were part of industrial cooperations within particular "keiretsu": interlocking business relationships and shareholdings.

Moreover, during the Imperial government the government pushed forward a strong policy, industry was to come before anything else. Industry in fact was given all the land that was needed in order for the industry to thrive and develop new heights of productions, all other land use came secondary. As in many other countries: Industry means employment, hence providing adequate housing well located close to site. Nevertheless, due to the density and limited land space near plants housing was very small.

After World War two, occupied Japan was under the rule of the American General MacArthur, during his occupation he carried out many new reforms. Land reforms consisted of more private land ownership with inheritance and sales right. This allowed small individual owners to have tax relief, hence to prioritise rural neighbourhoods. This allowed small landowners such as farmers to regain their lands and re-plan their neighbourhoods, by: redesigning roads, housing areas and allotments. Through these new reforms, landowners could sell and buy certain portions of land with tax relief so that land development could be more orderly for modern infrastructure and further changes in the future.

However, whereas this tactic worked very well in small towns and communities, in major cities such as Tokyo, Osaka and Nagoya was less successful. This for obvious reasons: the cities had already a specific major structure in place; therefore the handling of the land was not as easy. The government played an important role in its unsuccessfulness, as the financing was less adequate and land values were already very high, therefore

higher taxation was needed especially when financing the public sector projects.

Since World War two the Japanese Government turned back to its industry to become once again a leading power. Japan by this time was ranked the second highest economy.

The main focus this time around, was on new technologies: computer software and telecommunications. Industrial plants start occupying large sites across Japan mostly near water-fronts, and the coast. In central and southern Japan "Science cities" were developed and housed innovative research and production. In Tokyo the closest one is situated at 100km north east of the capital.

Nuclear plant and geothermal plants were introduced and spread across the country along its coastlines, adjacent to the research and industrial areas.

52 existing nuclear plants across Japan fed 35 % of the total energy output per year.

Japan has a long history of sports, and is a very important part of the Japanese life style, in fact nearly all neighbourhoods are provided with their won public sports facilities : golf driving ranges, football and baseball.

Large subsidiaries of main trading companies tend to own separate baseball clubs related to land development. Real estate subsidiaries own numerous golf courses and golf clubs, they finance their continuing holdings of large tracts with golf courses designed by renowned golfers. Hence keeping people keen and interested in the sports and this automatically establishes new memberships as well money cash flow.

This was already something recurrent before WWII, as small landowners sold their land due to a family member loss, or tragic situation large landowners bought off them, this was seen particularly in the suburban areas, as a land was then used to construct more affordable housing. Hence creating what we now know in Tokyo and other major cities in Japan fourth generation housing. Which will be later dealt with in the chapter regarding the specific capital city of Tokyo. In brief it's the explanation of how due to higher tax large properties tend to be subdivided and then subdivided consequently, due to the very high in heritage tax which is imposed when the head of the household changes.



Illustration 4_ Rainbow Bridge, Tokyo at Sunset

2. CHAPTER TWO: THE CONCEPT OF REAL ESTATE IN JAPAN

Before we can even start to analyze real estate in Japan, we have to have a clear overview of what real estate development is.

Real estate development, is a multifaceted business, that encompasses different activities that range from the reconstruction and re-lease of existing buildings, to the acquisition of raw land and the sale of improved land or parcels to others. Developers are the coordinators of the activities, converting ideas from paper into real property.

We must note, that Real estate development differs from normal construction, even though developers also construct. Developer Louis Lesser, one of the greatest and most cited American developers. Many of Lesser's development projects were large in scale or of historic significance, such as Barrington Plaza, the largest urban renewal project in the western United States under President J. F Kennedy, Barrington Plaza also served as a nuclear fallout shelter at the peak of the Cold War nuclear threat drew. In 1963 Lesser in an article for the New York Times drew a clear distinction between the two roles, stating that "developing is the key word...we don't build ourselves...we buy the land, finance the deal, and then we have the best builders build under bond at a fixed cost."

Developers acquire land, finance real estate deals, build or have builders construct projects, create, envisage, control and orchestrate the process of the development from the beginning to the end.

Developers, typically purchase a tract of land, determine the marketing of the property, develop the building program and design, obtain the necessary public approval and financing, build the structure, and lease, manage and ultimately they sell it. It can be considered as a cradle to grave development, from the purchasing to the selling of the land and everything that lies between it.

Developers work with many different counterparts along each step of the process, including architects, city planners, engineers, surveyors, inspectors, contractors, leasing agents just to name a few.

2.1 REAL ESTATE IN JAPAN

The real estate industry plays a large role in the creation and maintenance of living environments consisting of residences, offices and other properties and urban environments that are the foundation of people's lives and corporate activities. The real estate industry has supported the growth of the Japanese economy through the supply of quality stand-alone housing and condominiums, the revitalization of cities and regions, the development, management and operation of office and commercial facilities, as well as through real estate securitization and other businesses.

According to the Annual Report on National Accounts, the real estate industry comprises more than 10% of the gross domestic product (GDP). Additionally, the added value created per employee according to the fiscal 2009 Financial Statements Statistics of Corporations by Industry was 18.53 million yen (6.41 million yen for all industries). Thus, compared with other industries the real estate industry enjoys a higher perch and holds a vital position within the Japanese economy.

It is becoming increasingly important to realize growth strategies in the residential and urban areas, such as increasing the international competitiveness of metropolitan cities or building housing stocks that are of good quality so that the Japanese economy is able to follow the track of a full-fledged recovery and secure sustainable growth.

In order to strengthen the international compositeness of cities, there is a need to develop Japanese metropolitan cities so that they become attractive bases in which companies and highly competent employees from across the globe would like to work. Currently, the establishment of new measures such as "Emergency development areas designated for urban reconstruction" (tentative name) or an "Internationally strategic system for establishing comprehensive investment zones" (tentative name) is under discussion. In addition, it is vital that the development of the real estate investment market, which involves further revitalization of the J-REIT market, a driver of urban redevelopment projects, etc., provides a way out from asset deflation and contributes to the reconstruction and growth of the Japanese economy.

In recent years, measures against global environmental problems are being promoted at a national level. For example, the Japanese government has begun activities towards achieving its medium-term goal to reduce greenhouse gases. In the midst of such a trend, the real estate industry is expected to fulfill its role as a leader in the reduction of CO₂ amongst the private sector of Japan. Furthermore, in future, the industry is expected to disseminate environmental and building technology, as well as urban development expertise to foreign countries. Under such circumstances, there is a need to further advance low carbon urban development and at the same time, strive to enhance both environmental and economic activities while gaining the understanding and cooperation of citizens, including purchasers of housing and tenants, let alone business companies. As is evident, the real estate industry plays an extremely important role in the enhancement of the lives of citizens and in the development of the Japanese economy.

2.1.1 WHAT IS DEVELOPMENT?

The development process begins with analyzing and understanding the size and forms of the client's development site, by verifying the related city planning laws, the status of its infrastructure and the concentration of numerous facilities.

In addition a business plan is proposed, considering aspects as: the development concept, construction and business income and expenditures. After the land is acquired, more specific construction design is carried out and approved, and once the development and construction permits are attained the construction will begin till its completion.

2.1.2 PROMOTING URBAN REGENERATION:

Development of real estate is closely related to the Urban Planning law, Urban Redevelopment Law, Land Zoning Law, Building Standard Law, and other laws related to the development, construction and design of cities. Moreover in the recent years there has been a great development, amongst the movements, that are promoting Urban regeneration. Therefore special exceptions in urban planning Laws, and frameworks concerning the financial support have appeared. A clear example is the Special Measures Act for Urban Renaissance that came into effect in 2002. In 2011 it is anticipated that new measures such as emergency development areas designated for urban reconstruction or an internationally strategic system for establishing comprehensive investment zones will be established to strengthen the international competitiveness and regenerate cities.

2.1.3 DIVERSIFICATION OF FUND PROCUREMENT IN DEVELOPMENT

In recent years security tended to focus on already operating real estate, but cases are emerging where security is being used in development (development-type securitization) to meet the need to branch out capital sources and to spread risk in fund procurement.

The use of development-type security enables the developer to obtain funds based on a valuation primarily of the development project's return, limit the debt-burden risk load by utilizing non-recourse finance and move properties off the balance sheet by satisfying certain accounting terms without being impacted by the developer's own financial condition and limitations on the amount of capital that can be raised.

2.1.4 OVER VIEW OF MAJOR REAL ESTATE SECTORS IN JAPAN

Japan has many dwelling houses that are part loose ends of the Kamakura era. This "row house" culture continued into the Edo era, where row houses for samurai and townspeople commonly dotted the downtown landscape even into the Meiji era. Presently condominiums, or mansions in Japanese, have become entrenched as a common living choice among apartments.

Initially condominiums were perceived as a way of living for people living in the city center, but the need for condominiums eventually spread to local areas. Presently the growth of real estate securitization has contributed to the provision of a variety of condominium products including those for families, singles, DINKs and elderly people.

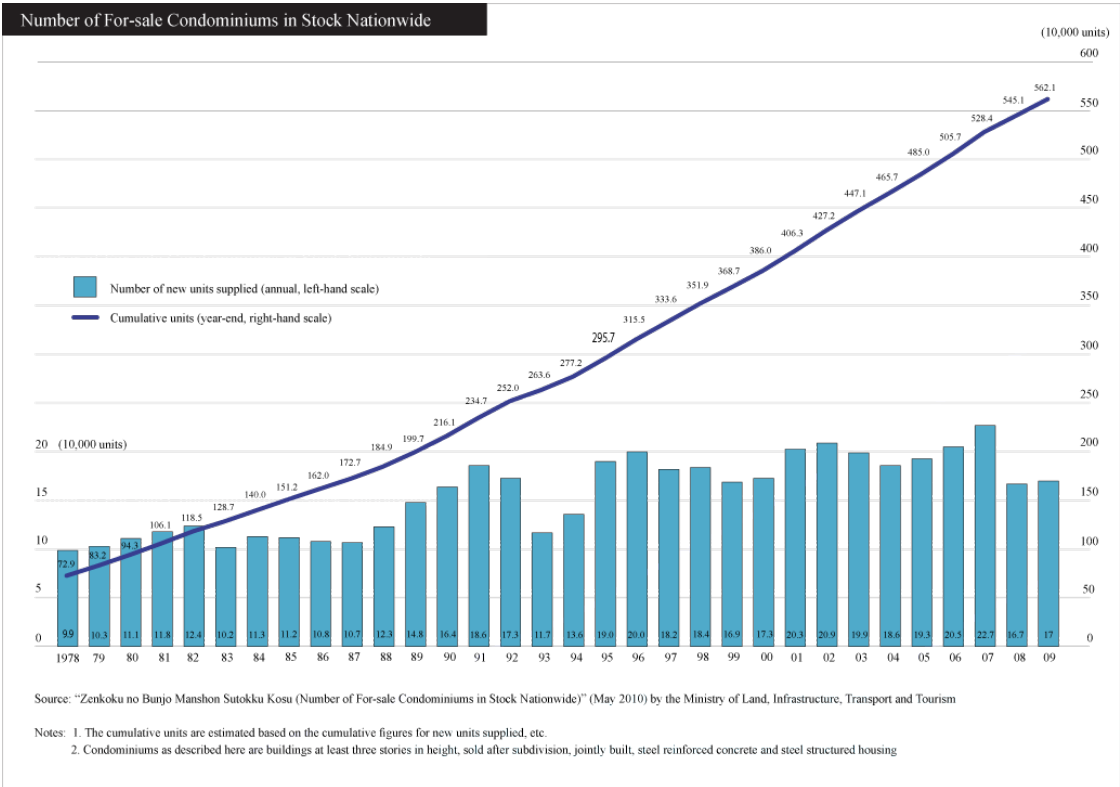


Chart 1 _ Number of For-sale Condominiums in Stock Nation wide

2.1.5 DOJUNKAI APARTMENTS: THE BEGINNING OF APARTMENT LIVING

The current mainstream steel reinforced concrete apartments that were built prior to World War II are called Dojukai apartments. The Dojukai was a foundation established following the Great Kanto Earthquake to help victims in need of shelter. It was an external body of the Interior Ministry and was funded by contributions from within Japan and overseas. The Dojukai supplied 12,000 housing units, including 2,500 apartments, between 1926 and 1941. All of the apartments were made of reinforced concrete structures that placed a premium on earthquake resistance and most of the properties were three stories in height. In addition to having proper electricity, plumbing and gas, each of the units was equipped with flush toilets. At the time they were built, these housing units were well known and admired for their leading-edge conveniences and technologies such as elevators, steam heaters, telephones and baths. The abovementioned comforts proved to be very popular despite the concern that the apartment style of housing might not be well accepted as a part of Japanese lifestyle.

Donjukai Apartments in Aoyama_Omotesando



Figure 6_ Dojukai Apartments in Aoyama_Omotesando, evolution

2.1.6 MASSIVE SUPPLY THROUGH APARTMENT COMPLEXES

Following the war, there was a severe lack of housing due to the mass burning of cities. (As a result, the supply of housing was deficient by 4.2 million units at the end of the war.) Upon entering the mid-1950s, an explosive growth in the concentration of the population in major metropolises began to occur and the ensuing remarkable growth in land demand sent land prices soaring due to the lack of supply. In turn, however, this served as a barrier to overcoming the housing problems. The Japan Housing Corporation (presently, the Urban Renaissance Agency) was launched as the trump card for eliminating this housing problem and it began to supply housing units en masse beginning from the mid-1950s centering on apartment complexes known as "danchi." The appearance of the public danchi helped a new form of apartment housing "medium to tall buildings made of reinforced steel concrete" to take root among the Japanese who had been acquainted only with houses made of wood, bamboo and paper.

2.1.7 FROM “DANCHI” TO CONDOMINIUM

About the same time, the private companies began to supply condominium complexes that had distinct features from the danchi, and were known as luxurious condominiums targeting a restricted group of clients. Most of the apartments, were situated in the city center, and had different amenities such as: elevators and parking, management offices, lobbies and restaurants on the first floor. Moreover as a name to express the luxury they would use western words, as: Residence, Villa and heights.

In the mid-1960s, major real estate companies, trading companies and other entities entered the field and extended the condominium market from a luxury product to targeting the general public. This was the beginning of the development of a broad demand portion for condominiums.

In 1970 with the extensive acceptance of apartment blocks, the Government Housing Loan Corporation now knows as the Housing Finance Agency, began financing condominiums, providing up to twice the levels of the stand-alone housing.

As the supply of for-sale condominiums increased, the dilemma of how to run and control the common area of the apartments aroused. Therefore, in 1962 the Sectional Ownership Law was established, it was later revised in 1983.

By the end of the 1970s new condominiums were developed, 100 million yen apartment blocks called “okushon” a shortening of the word 100 million (oku) and condominium (manshon).

“Danchi” Apartments



Agglomeration of “Danchi” in Tokyo



Singular Block of apartments



Inside a typical “danchi” apartment

Figure 7_ Typical “Danchi Apartments”

Flow Chart of Condominium Business

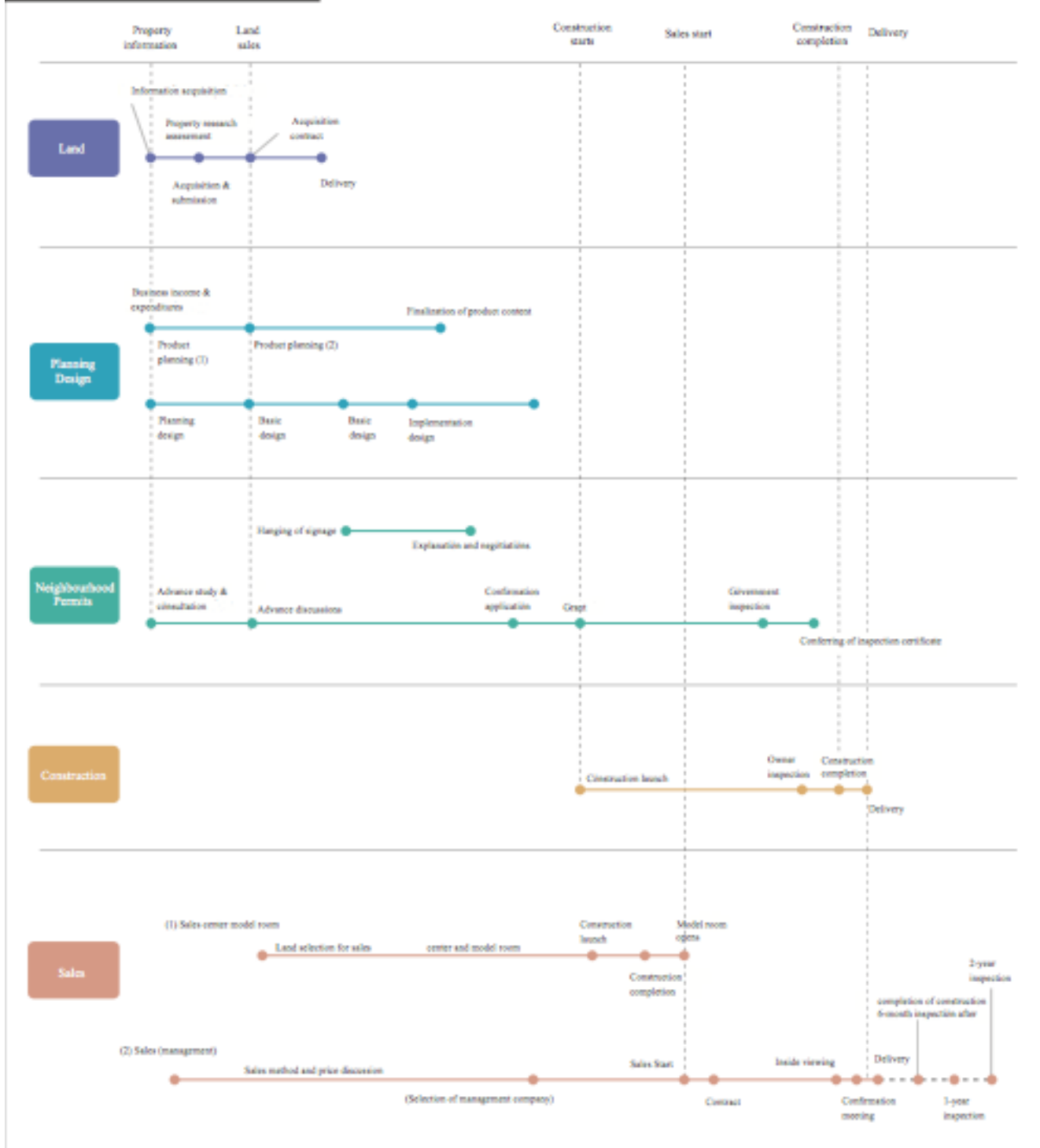


Chart 2 _ Flow Chart of Condominiums Business

2.1.8 BUILDING HIGHER

The history of apartment blocks also draws a parallel to the history of building higher. Lately there has been an evident trend of moving back to the city center of Tokyo reflected in the recent boom of ultra skyscraper condominiums, that have become apparent from companies selling off factories as means to restructure their businesses, the sale of land by the Japanese National Railways settlement Corporation, through the redevelopment of areas in front of stations, and selling off corporate housing. Repeated new condominiums were have been released to the market in the bayside area in the recent years and more are expected to be built in the near future.

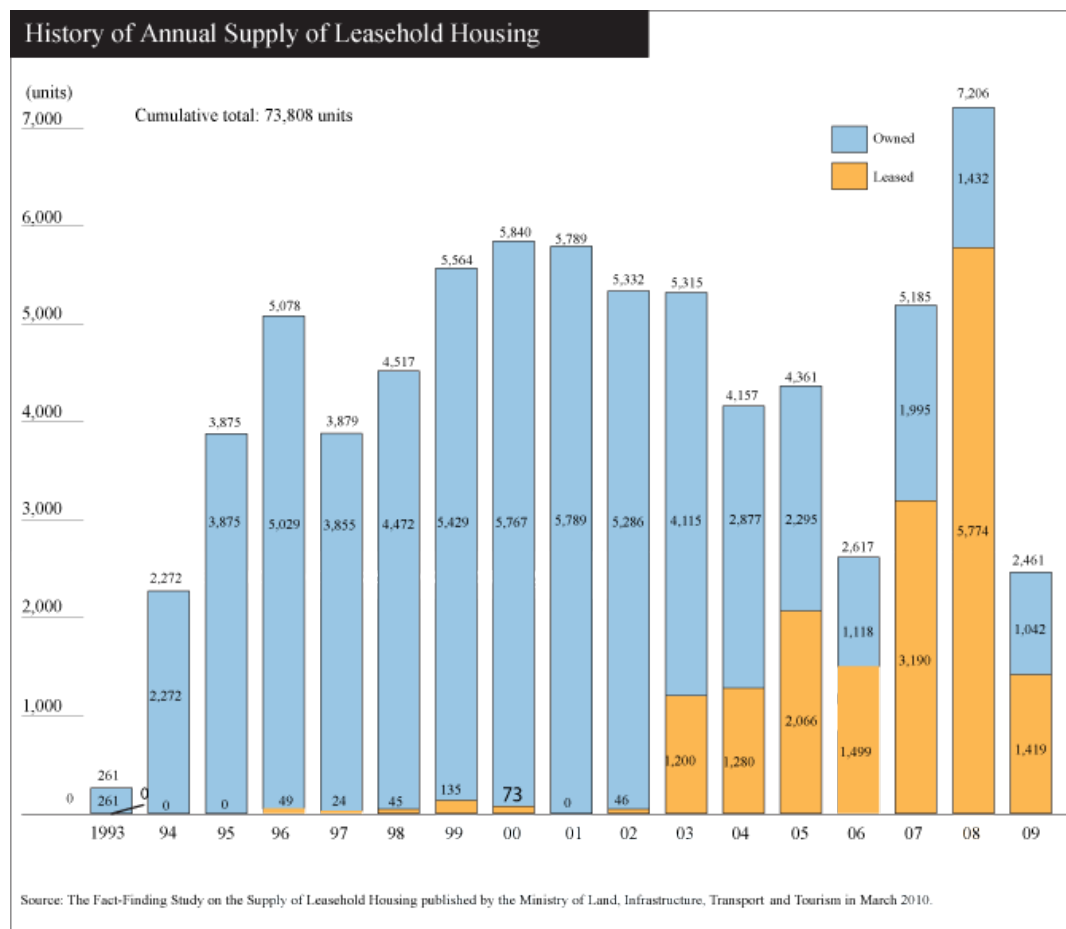


Chart 3 _ History of Annual Supply of Leasehold Housing

2.1.9 5.62 MILLION UNITS – CUMULATIVE SUPPLY OF CONDOMINIUMS.

In recent years it has become difficult to implement large housing land developments in the Tokyo metropolitan area. As a result, approximately 70% of housing built for sale are apartment blocks. Based on the analysis of sales, and supply of new condominiums, there has been a rapid increase since 1988, with 186,000 units added to the market in 1991. Whilst, the volume supply showed a temporary decline due to the impact of recession in 1993 and 1994, an boost was seen (propelled forward by the decrease in housing taxes) and until 2006 the supply had fluctuated between 180,000 and 200,000 units a year. It then dropped to 167,000 units in 2008 after its peak in

2007 of 227,000 units. They are expecting a total of 1 million units this year (2011).

One major topic that real estate industry faces is the maintenance and management of its stock in an appropriate manner, so that its quality can be sustained and improved. The national government has also prepared for the coming demand for rebuilding by passing the Smooth Condominium Rebuilding Law and by revising the Sectional Ownership law that only require 80% of sectional owners' approval for rebuilding and not 100%.

2.1.10 REAL ESTATE SECTORS HOUSING AND HOUSING LAND

Traditionally in Japan housing development and housing land involved converting rice fields and forests into building land, building stand-alone housing or condominiums along with public facilities such as roads, parks, public sewage and schools, and then selling the lots, houses or condominiums. Clear examples were the construction of so-called "new towns" and the development of new city areas. The Urban Renaissance Agency (and its predecessor) was involved in these large projects, because of their size and their ability to form towns consisting of new environments. There are also private companies that have developed major projects of more than 100 hectares in size.

Recently, there has been an increasing number of cases where housing and housing land are developed due to the relocation of factories, advancing redevelopment of land in front of stations and the disposal of corporate housing. These developments together with the continued drop in land prices have contributed to an increase in supply of tower and large condominiums, particularly in city centers. On the other hand, there have also been many small developments reflecting the continuing popularity of stand-alone housing among the Japanese; most of the housing supply is covered by these developments.

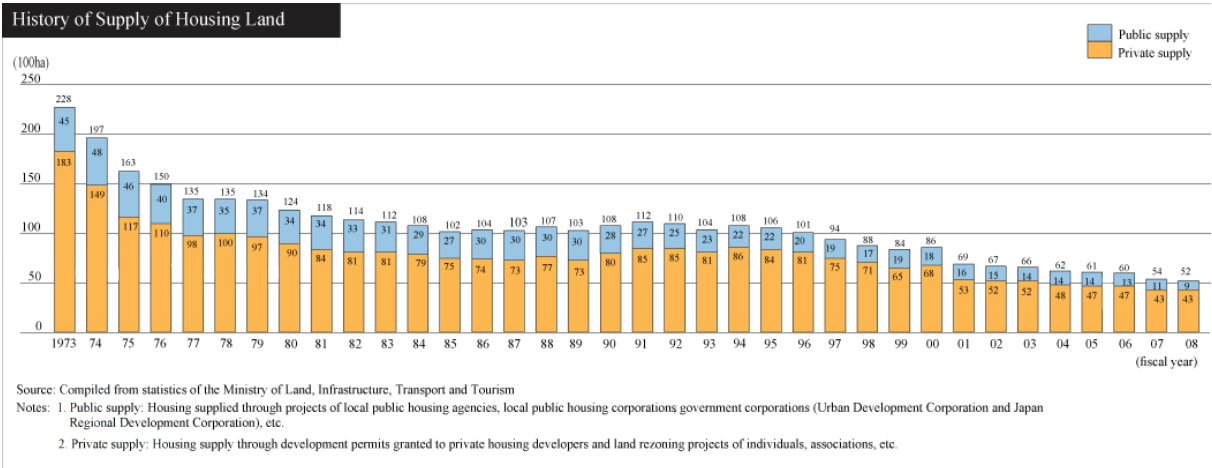


Chart 4 _ History of Supply of Housing Land

2.1.10 IL SHOCKS STUN BUSINESS CLIMATE

The pioneering new town development projects in Japan occurred after the Second World War and include Takarazuka (Hyogo Prefecture) and Denen Chofu (Tokyo), but these types of developments did not begin in earnest until after the war. Beginning in the mid-1950s, there was a rapid expansion in demand for housing and housing lots and private development took a toll. This was partially due to the significant growth of the economy, the concentration of industries and people in major cities. The development of land along railway lines by railway firms commenced before World War II and continued thereafter. These developments played a significant role in overall development.



Figure 8_ Denen Toshi Corporation

An important example of this case to this the scale is the Tama Denen city development conducted by Tokyu Corporation in which the construction of railways and development of housing were conducted together. On the other hand, this period also saw many non-railway real estate companies enter the field of "new town" development. These firms were not limited to keiretsu affiliated real estate companies but also included manufacturers, trading companies, life insurers and other financial institutions. The business became very lively and the supply of housing continued to increase until immediately before the oil shock of 1973. However, the launch of the so-called demarcation system (1) in 1969 led many areas suitable for development to be incorporated into city coordination zones and the policy of suppressing development also became more conspicuous among local governments. In the early 1970s, many administrative regulations such as guidelines on housing lot development were issued and generated a rise in the cost of development resulting from the increase in requirements for bearing expenses for public developments and the prolonging of projects. The simultaneous boom to "remodel" Japan also caused land prices to soar and a condition developed in which land for developing housing was consistently priced high. As a result of these developments, it became very difficult for developers to secure profitability. After peaking in 1972, the supply area continued to slide and eventually the supply from private developers has dropped to only around 20% of the previous high in recent years.

The expansion of housing and housing land requires more time compared to other industries because of the time spent on planning, procuring raw materials, manufacturing, building and sales. It is also dramatically impacted by factors outside of the control of the developers such as administrative guidance by local government bodies. In particular, large housing development projects, which are conducted under the development acts (2) and land readjustment projects (3) of the City Planning Law, are difficult for private companies to conduct. This is due to the continuing drop in prices for finished housing lots makes it difficult to acquire sites for a profitable business when the very diverse permits and procedures needed (negotiations, environmental assessments, etc.) and the lengthy period of the development project itself are considered.

End Notes:

(1) Demarcation Systems (city zone and city coordination areas)

The New City Planning Law that has enforced from 1969 created this system. The system designates districts that need to be comprehensively prepared, developed and preserved as city planning districts and then distinguishes these into city zones and city coordination zones. City zones are districts that will be developed into city areas with priority and based on a plan within ten years of the designation. Development that satisfies legal requirements in this district must be granted permits

On the other hand, city coordination zones are districts where “city” developments should be stopped and development is allowed on a limited basis but in principle has been prohibited except for that falling within district planning, as a result of revisions to the City Planning Law instituted in 2006. Prefectural governors conduct the demarcation and designation of city planning zones as a rule. In local areas, only the delegated of city planning zones is conducted and there are still many areas where separation has not been brought to terms.

(2) Development Acts

Development acts are primarily the change in land zoning to build structures, etc. It involves obtaining permission of the prefecture governor based on satisfying certain requirements of the City Planning Law so that the planned preparation of cities can be secured.

(3) Land Readjustments projects

These are projects conducted within city planning zones that seek to prepare public facilities and promote greater use of housing land. All of these landowner, etc, in the district participate in the project. Some of the land is used for public facilities and some sold to be used for project expenses. The remaining developed housing land is acquired as “land conversion”. Although the area of owned land decreases compared to the initial state, before the project began, the efficiency as housing land increases. Therefore, it is reported that the price obtained for the owned land after the project does not drop. The developer first acquires the site and becomes a rights holder or conducts the project as an agent for the operations of the land readjustment association or others.



Nomura Real Estate Development, one of the three largest real estate companies in Japan, developed PROUD SEASON Hanakoganei as a single-unit housing project with a total of 250 units in a favorable location, five minutes walk from Hanakoganei Station on the Seibu Shinjuku line (a direct line to the heart of the business center) however in a nature-abundant Musashino. Since units went on sale in May 2010, 193 or 250 units have been contracted.

PROUD SEASON Hanakoganei has received high praise as a large-scale housing complex close to the station, rare in the Tokyo metropolitan area. The idea of Nomura, was to preserve as much nature as possible, as well as the trees, the project was developed as an environmentally friendly, and a safety security conscious project. In order to shape the community living not only from the perspective of town creation, the key to the success of this project was promoting it through the construction of a communal club house, therefore creating an estate management union club.

Nomura Real Estate development began procedure for Kodaira City's town planning regulations in April 2008, and received its development permission in September of the same year. It commenced its renovation work in November 2008 and started the first stage of construction in November 2009 exactly a year later. Development, construction and marketing were divided into the company's Housing Construction Division and Residential Marketing Division.

For the landscaping of the town, extra special consideration was adhered to the park planning and the layout and design of roads and pedestrian paths. Moreover, a great deal of time was spent obtaining consent from the governmental bodies concerning the future management and costs for facilities, planting plans and interlocking concrete pavements for parks as well as planting trees along developing

PROPERTY OVERVIEW

Name	PROUD SEASON Hanakoganei
Location	1-846-21, Hanakoganei, Kodaira City, Tokyo
Planned completion	May 2011
Structure	Wooden construction (2×4); 2 Floors above ground level
Site area	120.10m ² ~124.34m ²
Total residential units	250 units
Unit layout	3LDK~4LDK
Sales	Nomura Real Estate Development
Design / Construction	Tokyu Construction Co., Ltd. and Seibu Construction Co., Ltd.



spent obtaining consent from the governmental bodies concerning the future management and costs for facilities, planting plans and interlocking concrete pavements for parks as well as planting trees along developing roads. Condominiums were built in certain parts of the development areas, but a plan for only single houses was adopted after considering the effects on the local community and environment. In addition, the real estate established a mechanism to preserve a future living environment with the cooperation of the government, and its district plan.

Since going on sale, PROUD SEASON Hanakonganai has received so many applications that lotteries had to be organized. Hence, Nomura Real Estate Developments plans further constructions and sales. Moreover, they have organized a system of community blogs for all the PROUD estates around the Tokyo areas and non, where residents can communicate and sell ideas.



2.2 URBAN REDEVELOPMENT

The objective of urban redevelopment projects is to renew urban functions, promote advanced use of land, improve disaster prevention properties and the urban environment, create public space and activate the local economy. It is the integrated and comprehensive arrangement of buildings, retail properties and other urban facilities along with streets, plazas and other urban infrastructure by rationally using land and rebuilding aged buildings. In recent years, the government to heighten the appeal of cities and their international competitiveness has hammered out Urban Regeneration measures, and the urban development projects of the private sector are receiving proactive support.

2.2.1 PRIVATE COMPANIES TAKE ACTIVE ROLE IN REDEVELOPMENT

The history of redevelopment in Japan is primarily the history of local governments aiming to renew low quality city streets formed with little or no order, and to recover from the destruction of earthquakes, wars and fires. Although private companies played a role in building and supplying buildings and stores in the mid-1950s, they were rarely proactively involved in broader redevelopment projects.

Between the early and mid-1960s, various systems were established for securing a good city environment and attracting superior architecture and developments. These included creating special city areas, transferring regulations with absolute fixed height limits to regulations based on FARs, and the establishment of the New City Planning Law and City Redevelopment Law. Private companies took advantage of the opportunities presented by these developments to embark on large redevelopment projects requiring the coordination of multiple landholders' rights and the preparation of a public infrastructure.

2.2.2 FROM POST WAR RECOVERY TO BUILDING BOOM

After the war, major cities readjusted their zonings to promote recovery from the disasters of the war.

This led to a certain degree of order on downtown city streets. However, the construction of buildings by private companies in the late 1940s and early 1950s was still infantile due to a conspicuous lack of funds and materials. Upon entering the late 1950s, the first building boom occurred with the Jinmu Economy that followed the end of the Korean War. Although banks still assessed the real estate industry poorly and made the procurement of funds difficult, the system of Construction Cooperation Funds spread. This system provided funds to facilitate construction of buildings that companies expected to enter as tenants and the building business took off.

In the early 1950s some of the buildings whose construction had begun during the War but had been suspended or that had been started after the war were completed. Throughout the late 1950s and early 1960s, Mitsubishi Estate completed a number of buildings and company buildings of financial institutions and newspapers on national land they had been granted (land grant) one after the other.

As a result, the central Tokyo business district from Yurakucho to Otemachi was basically completed.

In the late 1960s and early 1970s, there was a dramatic relaxing of regulations limiting building heights as a result of the System of Special Urban Block Area (1) of 1961 and the FAR Regulations (2) of 1963. In 1964, the Tokiwabashi Redevelopment (Nippon Building, etc.) and Kasumigaseki Building of Tokyo were simultaneously designated as the first specific city districts.

Both of these were completed in 1968. At the time, both of these properties enjoyed prestige as the largest buildings and the first skyscrapers in the East. Also in 1968 the preparation of an infrastructure on the former site of the Yodobashi Water Purification Plant of Tokyo was completed and the land was sold to the private sector. This was the start of building the new Shinjuku Shintoshin (new downtown) area of skyscrapers.

Primary Systems for Promoting Urban Redevelopment			
Grant and Subsidy System	☒ City energization regeneration base improvement project	Special Tax Measures	districts
☒ City lot redevelopment project	☒ Superior building improvement project	☒ Urban district redevelopment project	☒ FAR appropriate distribution district plans
☒ Residential district improvement project	Public Financing	☒ Specific private redevelopment project	☒ FAR district plans by usage
☒ Public facility improvement promotion project related to city redevelopment	☒ Urban district redevelopment project, etc. financing system	☒ Special model refinancing	☒ Promoted FAR district plans
☒ City regeneration lot adjustment project	☒ Urban district redevelopment, etc. financing (Development Bank of Japan)	☒ Approved city regeneration projects	☒ Town environment promotion district plans
☒ General town creation support project	☒ Loaning of public funds (Organization for Promoting Urban Development)	Urban Planning and Building Regulation Promotion Measures	☒ Comprehensive development design system
		☒ Specific blocks	☒ Consecutive building design system
		☒ Sophisticated use districts	☒ Comprehensive development design of apartment areas
		☒ Redevelopment, etc. promotion	

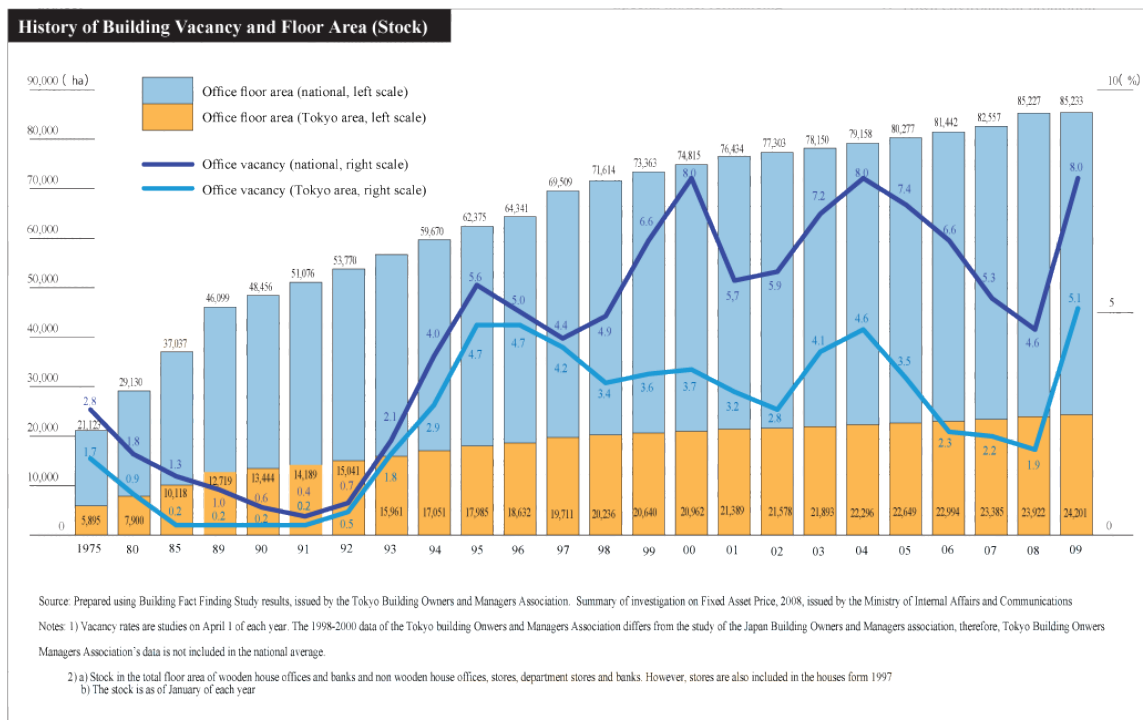


Chart 5 _ History of Building Vacancy and Floor Area

2.2.3 ERA OF PLANAR REDEVELOPMENT

Upon entering the mid-1970s, the oil shocks had ended and led to a slowdown in the concentration of industries and people in major cities along with the declaration of the building boom. On the other hand, high quality developments worthy of being called "town creation" projects began to be conducted utilizing a new business system. One representative project of this is the Ark Hills project in Minato Ward, Tokyo that was completed in 1986. This was the first city redevelopment project primarily conducted by a private developer based on the City Redevelopment Law established in 1969. The developer diligently obtained the understanding of multiple land rights owners and completed the new town after a period of 17 years. In addition, Hibiya City was completed in 1981 on two blocks that were the former site of NHK. This project comprised of four buildings is well known as a project in which air rights (3) were sold within the district blocks.

2.2.4 FROM DEVELOPMENT BOOM TO SUDDEN BUILDING SLUMP

Between the late 1980s and the early 1990s there was an unprecedented development boom backed by the spread of information technology and the emergence of Tokyo as an international finance center. The announcements of very strong demand forecasts made into the mid-1980s by the National Land Agency (today's Ministry of Land, Infrastructure, Transport and Tourism) and by multiple think tanks led to a building construction rush that was so great that ten years worth of estimated floor space demand was built in only three years. Companies not traditionally involved in development entered the building business and triggered the soaring land prices that became known as the bubble. On the other hand, during this ten-year period many mega projects that had been conducted over a prolonged period such as the development of waterfront areas in major cities began to appear. Examples of these include Makuhari in Chiba Prefecture, Minato Mirai 21 in Yokohama, Osaka Business Park, Yokohama Business Park and Yebisu Garden Place. All of these projects drew attention as unprecedented multiuse developments in Japan. However, with the headlong rush into the Heisei recession (starting in the late 1980s) emerged unprecedented high vacancy rates, remarkable decreases in rents and other 180-degree transformations in the building market. This forced some projects such as the secondary city center projects on the Tokyo bayside to undergo significant revisions.

2.2.5 LEGAL REDEVELOPMENT AND VOLUNTARY REDEVELOPMENT

There are two types of city redevelopment projects: legal redevelopment and voluntary redevelopment.

Legal redevelopment projects are urban redevelopment projects based on the City Redevelopment Law (4) and these projects are executed under the Grant and Subsidy System as city planning projects. Urban redevelopment projects are implemented with the enforcement of laws and seek to improve the disaster prevention capabilities of buildings in cities, renew city functions and achieve sophisticated land use. Due to the enforcement of laws,

there are strict requirements for this type of redevelopment including maintaining of a certain ratio of old or wooden buildings within the set district. Since this type of project has a strong public (government) characteristic, various tax incentives and support systems are in place for these projects.

Voluntary redevelopment is generally the unification of divided lots, conversion of land use (former factory sites, etc.) to redevelop areas including the construction of public facilities. At its broadest meaning, these projects include the simple rebuilding of buildings. It is the general term used for projects that use methods other than urban redevelopment projects. These projects comprehensively apply city planning systems such as specified blocks and special building regulations including the comprehensive development design system (5), tax measures and subsidy measures. Since there is no legal force behind the execution of the project, it requires the approval of all the land right owners, but at the same time there are no strict requirements such as the need for there to be at least a certain percentage of old buildings within the district. Furthermore, the need for redevelopment from the perspective of disaster prevention grew as a result of the occurrence of the Great Hanshin Awaji Earthquake. The resulting measures included enforcement of the law concerning the promotion of disaster prevention district infrastructures within heavily concentrated city areas in 1997. These measures sought to effectively promote redevelopment in city areas that were recognized as risky with regard to disaster prevention.

2.3 PROMOTING RESIDENCES IN CITY CENTERS

One of the housing policies of recent years involves promoting residences in city centers. The concentration of work functions in city centres caused a conspicuous outflow of the residential population from city centers. The construction rush of office buildings during the period in which land prices soared remarkably accelerated this phenomenon.

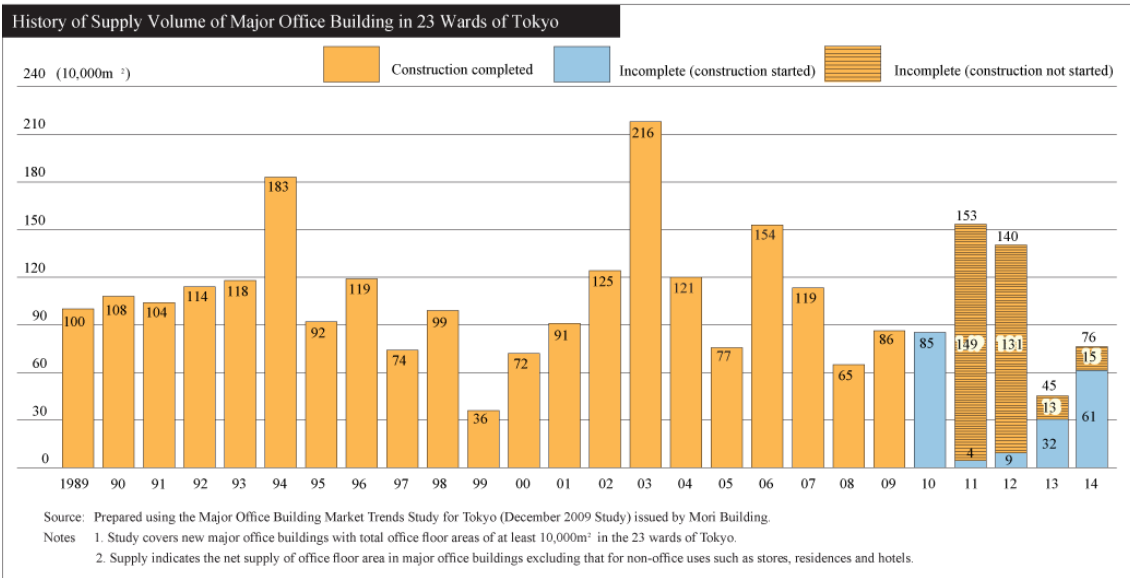


Chart 6 _ History of Supply Volume of Major Office Buildings in 23 Ward of Tokyo

For example, the night time population of the three central wards of Tokyo fell from 550,000 people in 1960 to 240,000 people in 1995, a halving of the population in just 35 years. This led to the problem of communities deteriorating in city centers, the integration and closure of public elementary and junior high schools due to the decrease in students and children, and to slumping performance among local stores in these areas. On the other hand, many of those working in these city centers reside over a broad range of suburbs in surrounding prefectures and are forced to endure long commutes. Thus, it is difficult for these people to live a leisurely, satisfying lifestyle.

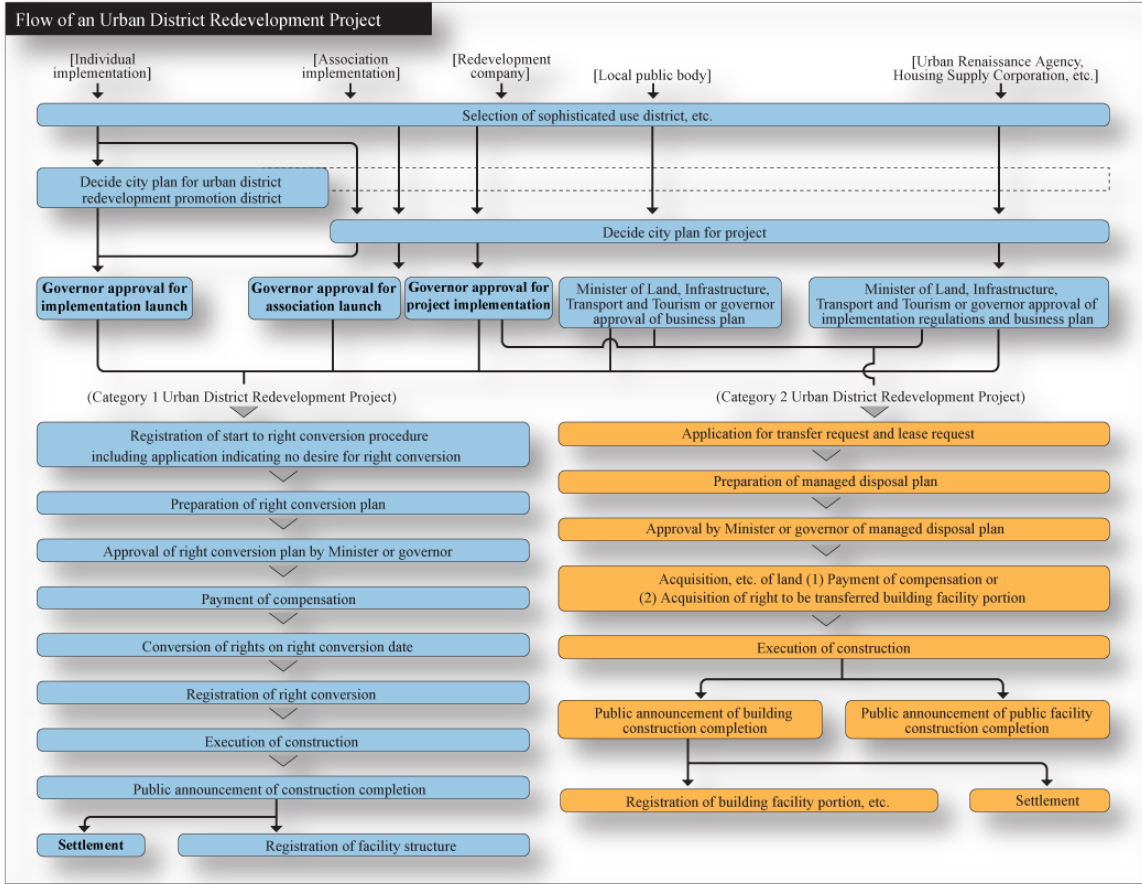


Chart 7 _ Flow of an Urban District Redevelopment Plan

The promotion of residence in city centers not only leads to a regeneration of the community in the city but also relieves those working in city centers from prolonged commutes and gives them the ability to enjoy sufficient leisure time. In part because the collapse of land prices in city centers made it possible to supply housing downtown, the Ministry of Land, Infrastructure, Transport and Tourism and other government agencies have established various measures to promote the supply of good apartments and condominiums in downtown areas through the efficient and sophisticated use of land.

The primary measures introduced include the creation of a district program for heightening the appeal of town areas in 1995 (6), creation of areas permitted to have tower residences (7), a system for comprehensive development design by lot size (8) and rationalization of FAR limits on condominiums and other apartments (9).

Furthermore, the Metropolitan Government of Tokyo established a headquarters for promoting residences in downtown Tokyo as a means to reliably implement these measures. In addition, a drastic revision of the Building Standards Law was passed in 1998 and the "Consecutive Building Design System" (10) was created. This system was established from the perspective of promoting efficient land use while securing desirable city environments and arranged for the unified application of regulations on FARs and building height restrictions by recognizing a group of sites (even including existing structures) as a single lot. These various deregulation measures and the fall in land and construction prices of recent years have increased the nighttime populations of the three central wards to 360,000 people in 2009.

2.3.1 IMPLEMENTATION OF URBAN REGENERATION MEASURES

Redevelopment projects have a very high ripple effect on the economy and greatly contribute to economic recovery through an expansion of domestic demand. The proactive promotion of urban redevelopment projects by private companies as measures to invigorate the country's economy, which was mired in a continuing slump, had large expectations placed on it. Due to these expectations, the government came up with a number of measures between 1997 and 1998 to promote redevelopment projects within its economic measures and improve the business environment. These included application of the Urban Development Corporation (presently the Urban Renaissance Agency) and Organization for Promoting Urban Development to prepare a support infrastructure along with the creation of a system of approved redevelopment projects and a specific project participants system and establishment of measures to speed up and support redevelopment projects. In 2001, the Urban Renaissance Headquarters was established in the cabinet with then Prime Minister Koizumi as its head.

The objective of this measure was to tackle the regeneration of cities nationally so that major metropolises could heighten their international competitiveness and regain their economic vitality. This was particularly the case for major metropolises that suffered a drop in land value internationally since the collapse of the bubble. The new organization reviews systems without sanctuary so that the funds and vitality of the private sector could be drawn out. It also had to tackle tasks including measures for preparing the necessary urban improvements for regenerating cities so that monetization of land could be promoted and structural reformation of the economy pursued as a means to regenerate Japan.

As a result of efforts in this area, the Urban Renaissance Special Measures Law was established in 2002 and as of 2010, a total of 65 areas with a total of about 6,612 hectares (designated as 1st to 6th levels) have been designated as urgent city regeneration districts (11). Within the critical demand for the public and private sectors to work together to regenerate cities, there are huge expectations for the real estate industry with its ability to provide total coordination of town creation.

2.3.2 PROGRESSION OF CITY REDEVELOPMENT PROJECTS

The implementation of these types of city regeneration measures promoted the development and such of land sold by the JNR Settlement Corporation and as a consequence, an enormous supply of large office buildings has been released into the market since 2002 in Shiodome, Shinagawa, Roppongi (all Tokyo) and other areas. Each area has built multiuse developments that are not just office buildings but also include functions such as hotels, theaters and movie houses. Additionally, some projects have been widely reported on their completion by the mass media like the Marunouchi Building and Roppongi Hills and attracted the attention of many people. Shin-Marunouchi Building and Tokyo Midtown, akasaka Sacas and Otemachi 1-chome Area Redevelopment Projects, completed in 2007, 2008 and 2009 respectively have office functions but also retail facilities, hotels, international conference centers and other facilities.

End Notes:

(1) Special Urban Block area

Districts designed by city plans for preserving and forming superior city spaces. Within these designated blocks, regulations concerning FARs, building coverage ration, height restrictions and sunlight regulations under the Building Standards Law are not applied and unique FARs, height restrictions and wall plane locations are designated for said blocks (Article 8 of the City Planning Law and Article 60 of the Building Standards Law)

(2) FAR Regulations

FAR refers to the ratio of the total building floor area to lot area that is designated according to the use zone. Prior to the introduction of FAR these absolute height restrictions were of 20 meters in residential areas and 31 in other areas. Creating this system enabled the construction of tall buildings (Article 52 of Building Standards Law)

3) Air Rights

1) Right to use space above the land and 2) Rights to receive transferred FARs from neighboring lots (transferable development right). The former is the same as sectional surface rights selected in the Civil Code. Both can be transferred through sale and an example of the latter is Hibiya City. The excess FAR from the Nippon Press Center Building was transferred to the Hibiya Kokusai Building and other spaces.

4) City Redevelopment Law (categories 1 and 2)

In category 1, landlords in the districts hence individual implementers and an association of all landowners

(we must note that an association can be considered when there are at least 5 landowners or leaseholders.) along with the local public body become the instigating party. The basic structure involves transferring the rights of landowners before the project is forwarded to the new buildings's floor area and common interest in the site after construction (rights conversion), then disposing of remaining floor and site rights (reserved floor) and applying those funds to the project costs. The developer therefore becomes an individual employee or member of the association, or as the agent of an individual employee or the scheduled purchaser of the reserved floor.

Category 2 on the other hand involves paying compensation to the right holders in the district and purchasing the entire rights for the land and building.

The implementing body is a local public entity or Urban Renaissance Agency and they can in addition expropriate the land.

5) Comprehensive Development Design System

A system in which approval by the specific administrative agency for a site area which has secured a certain ratio or more of empty land for a building of a certain size and it recognizes a special exception on the absolute height in a dedicated Category 1 or 2 exclusively low-rise residential district of for FAR or setback restrictions (Article 59-2 of the Building Standards Law.)

6) Town Environment Promotion District Plan

When in an already existing city are the building height arrangement and form are classified as a unified district plan in accordance with the district characteristics and necessary regulations are put forward, then the application of the FAR restrictions and Set back restrictions based on the width of the road to the front are excluded. This was introduced to promote the city environment through individual building activity, ration, healthy and effective use of land and formation of a good environment. (Article 12-5 of the City Planning Law.

7) Skyscraper Residence Promotion District

Community districts allocated as districts for promoting the building of residential skyscraper. This is set for Category 1 residential districts, Category 2 residential districts, quasi-residential districts, neighboring commercial districts and quasi industrial districts.

8) Comprehensive Development Design System by lots Size

A comprehensive development design system which the increase in FAR becomes greater the larger the lot size. This provides the developer with an incentive for combining lots by increasing the FAR in accordance with the size and was created with the objective of promoting the construction of good structures that contribute to improving the city's environment.

9) Rationalization of FAR Limits for Condominiums and other Apartments

This heightened the usable FAR by removing hallways and stair common areas of condominiums and other apartments from the calculations for FAR limits. As a result, it became possible to use FAR about 1.2 times that if hallways etc, are included in the floor area. (Article 52-5 of the Building Standards Law.)

10) Consecutive Building Design System

This system admits exceptions to the rule of one building for one lot. When buildings are constructed according to a rational design based on the premise of the existing building remaining on an integrated land site comprised of several lots, special measure exceptions are applied that recognize several buildings as existing on the same site when the specified government agency recognizes that the location and structures of each building presents no safety, disaster prevention or sanitation problem. Specifically, FAR and building coverage ratios are applied with the multiple buildings recognized as a single unit, and sunlight restrictions and neighbouring lot setback restrictions related to each building in that districts are judged individually. This system is expected to promote sophisticated use by enabling unused FARs of neighbouring lots to be used and overcoming of FAR restrictions using road widths when the neighbouring lot borders a wide road.

11) Urgent City Regeneration District

This is a district where improvement to the urban area through the city redevelopment project, is critical and important, because of its role as a base of city regeneration and because it is an area that is designated by central government ordinance based on the Special Measures Law for Urban Renaissance. Improvement policies are set for each local area by the central government. Designation as such an area makes it possible for private developers to propose city plans and to use a system concerning special city regeneration districts that excludes application of existing city planning regulations.



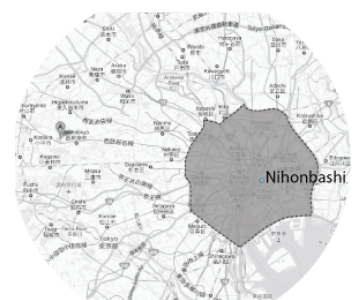
Under the concept of 'preserving and revitalizing the past while creating the future' Mitsui Fudson, one of the three largest Real Estate's in Japan, with Mori as its competitor, is promoting the Nihonbashi Revitalisation Program, that aims to revitalize and create new appeal in the Nihonbashi area, as a cooperative public, private and community initiative. Nihonbashi is situated in the East part of Tokyo just above the finance district of Ginza. The core development is the East Nihonbashi East Muromachi District Development Project, a joint reconstruction operation that will integrally develop five blocks A to E on a total site area of 12,000 sqm. The project is brought about in various stages. In October 2010, the East Muromachi Mitsui Building (COREDO Muromachi) was completed in block B. Following this, demolition work began on some buildings in blocks A, C and D.

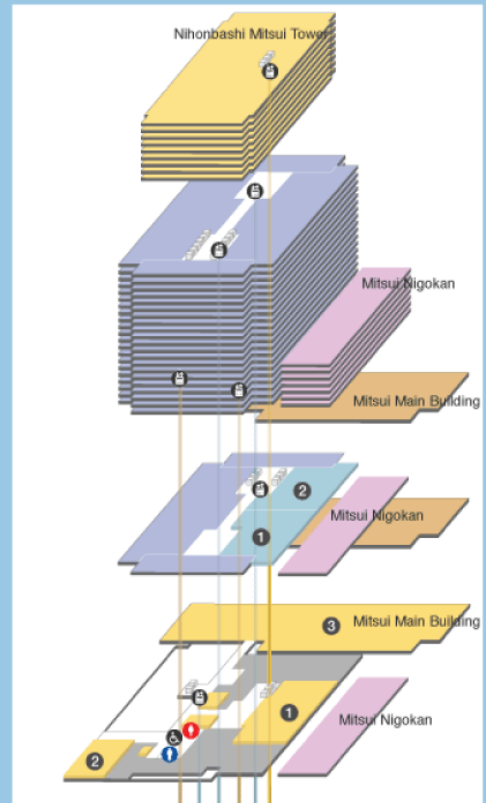
New buildings in this districts are scheduled to be finished by the end of 2013 and the construction of the later including block E are intended to be completed in 2014.

The project is segmented into three sections, encompassed by twenty-two floors above ground and four floors below. The upper section floors B1 to 7 is referred to as COREDO Muromachi, which includes 25 restaurants and shops (B1 to 4) and Nihonbashi Mitsui Hall (floors 5 to 7). At the entrance of B1 floor is the Nihonbashi Information Desk, with a concierge, providing town and vicinity information. Whereas between floors 8 and 9 is an intermediate machine room floor, that serves to supply electricity to other blocks. On floors B4 to B2, which are underground parking spaces, connecting to other blocks, are heating and cooling facilities that also serve the surrounding blocks.

PROPERTY OVERVIEW

Name	East Muromachi Mitsui Building
Location	2-2-1, Nihonbashi Muromachi, Chuo Ward, Tokyo
Completed	October 1, 2010
Structure	Steel structure, partially steel-reinforced concrete/ferroconcrete; 22 floors above ground and 4 floors below, 2 penthouse floors
Site area	Approx. 2,454m ²
Total floor area	Approx. 41,000m ²
Coordinating architect	NIHON SEKKEI, Inc.
Design	Norihiro Dan and Associates





Even under the severe market conditions, the upper section of the East Muromachi Mitsui Building was able to secure full occupancy by the time of its completion. Moreover, businesses with long histories moved in the commercial section, making the tenant lineup one which is in accordance to the basic concept of the Nihonbashi Revitalisation Program-inheriting the culture and traditions of Japan while transmitting a new kind of appeal. The number of those coming to Nihonbashi is gradually increasing with the adjustment of operating hours as well as the operating Shibai theater, contributing greatly to attracting customers to the Nihonbashi area after work hours and on weekends.

Mitsui Fudosan began promoting the Nihonbashi East Muromachi District development project in 2003, which aimed to revitalize the Nihonbashi district, a central location in various fields during the Edo period, as a town with its own unique regional appeal. The goals Mitsui Fudosan wants to achieve with this project are the implementation of the urban planning proposals of landowners, advanced integral development of the five blocks and to the promotion of harmony and prosperous coexistence of the old town with the new facilities.

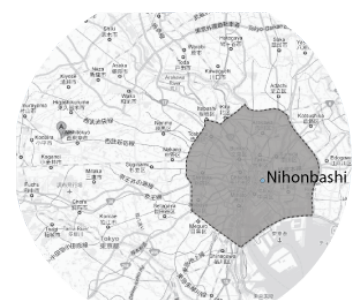




Illustration 5_ Kanagawa Prefecture

2.4 RESORTS

The first resort project in Japan that was developed to serve as a health resort within the mountains, ocean and nature was the Shonan (Kanagawa Prefecture) area, which began as a full-scale development from around 1877. Shonan since then developed as a villa area, hence a developed area for middle-upper class Tokyoites, followed by Kariuzawa, Nasu, Unzen and other areas primarily developed by foreigners. Upon entering the Showa era in the mid-1920s, resort hotels were repeatedly developed in national parks including Nikko and Hakone.

From the mid-1970s, with the spread of a five-day workweek, Japanese people had more days available for leisure and resort facilities boomed including the emergence of large multi-use resorts with marinas or ski resorts with lodging facilities, theme parks and ocean-side resorts. Nevertheless, the Heisei recession drastically lowered the volume of the formerly booming resort condominiums and some resort facilities filed for bankruptcy.

2.4.1 RESORT DEVELOPMENT

From the early 1960s, the general public once again was able to afford the luxury of leisure and steps were taken to develop tourist destinations throughout Japan. In particular business groups centered on mass transit companies such as Tokyu and Seibu began development of comprehensive projects that included, transport, vacation homes, hotels and sightseeing at famous resorts such as Izu, Hakone and Kariuzawa. In addition large and small real estate companies launched businesses selling vacation homes in the respective resort areas starting with the Nasu area.

2.4.2 RESPONDING TO INCREASING TIME OFF AND DIVERSIFYING NEEDS

As stated previously the 1970's was a pivot point for the Japanese. As the five day workweek was introduced which meant more time off. This combined with such factors as diversifying needs and the switch to domestic demand driven economy resulted in the re-emergences of a resort development boom. It was around this time that Japan witnessed numerous developments of large multi-use resort that comprehended of ski resorts, golf course, marina and various lodging facilities expanding over spaces ranging from several hundred to over a thousand hectares. An additional characteristic of this trend was that participants in the resort business were not limited to transport and real estate companies but also expanded to include steel, ship and chemical manufactures, trading companies and companies from various other industries. In parallel with the transformation of the industrial structure, them parks and seaside resorts were erected on old industrial sites.

2.4.3 ESTABLISHMENT OF THE RESORT LAW

These developments were further encouraged by the introduction of the Law for Development of Comprehensive Resort areas 1 , what was known as the "Resort Law" in 1987. The Law was believed to comprehensively develop sites of tens of thousands of hectares through private-public collaboration all over the country with the aim of realizing a leisurely lifestyle for the Japanese people promoting areas. By the end of March 1994, forty one prefectures had established and approved basic concepts and resort development had become the focus in promoting local areas. The Government Housing Loan Corporation also began providing loans for second homes 2 in 1987. Japan as previously stated had finally entered an era where the national government was actively supporting the enhancement of the leisure time of its citizens and helping them realize multiple residences. However, as all good things, the resort boom also started tapering off with the start of the Heisei recession at the beginning of 1991. In 1990 there were 16,000 resort condominium units sold, but this drastically dropped to 1900 units by 1993, a horrific 88 percent drop. Unfortunately, to this day not even 1,000 units are sold per year. The first project approved under the resort Law was the massive resort destination Seagaia (Miyazaki Prefecture) but it led to corporate reorganization followed by Huis Ten Bosch in Negasaki Prefecture in 2003. Due to the failure of these and other development projects, and concepts and so forth, the Ministry of Land, Infrastructure, Transport and Tourism rethought the basic policy of the Resort Law in February 2004.

Resort development had begun to show totally different signs with the Ministry calling on related local bodies to dramatically review their projects and operations and in some cases were told to take even more drastic measures and abolish them completely .

2.4.4 REBUILDING THE RESORT BUSINESS

In 1995 the Real Estate industry took steps to form an organization to nurture a healthy resort business and launched the Japan Resort Enterprise Association. The Association conducts fact-finding studies on resort

developments and operations as well as researching and proposing resort policies.

Support for the acquisition of second homes has taken the form of expanded financing system and also tax reduction measures such as reduction of the real estate acquisition tax and real property tax that went into effect in 1998. Moreover, the Law promoting the Building of Superior Suburban Housing was passed to promote the construction of superior stand-alone housing in good natural environments. Yet in addition to the basic format of either a vacation home or/and resort condominium ownership, resort services have begun to be provided in variety of formats based on memberships.

There is a great need amongst Japanese to spend their leisure time within the abundant nature of Japan and there are a large number of baby boomers who consider living in the country or having a second home upon retirement. This does not only require an augmentation of the vacation system and enhances measures on taxation but also rebuilding the resort business..

End notes

1) Law for Development of Comprehensive Resort Areas

This Law involves the public sector taking the initiative in planning and preparing related infrastructure and establishing special tax measures so the large long-stay resorts can be prepared nationally by harnessing the power of the private sector. The Law aimed to promote local areas and to drive growth in domestic demand by guiding private investments to resort developments backed by strong economy of the time.

2) Second Home Financing by the Government Housing Loan Corporation

With the economic stimulus measures in November 1997, the traditional “country home financing” became “special residence expansion (borrower’s residence)” and the regional requirement that had restricted applicants in relation to their place of residence and the location of the subject housing was abolished. This restrictive stipulation specifically stated “when residents of the three major metropolitan areas and their families build or purchase housing to be used on weekends etc, outside of the three major metropolitan areas.” Later beginning of December 1, 2005 it became possible to use Flat 35 (securitised residential loans) to acquire vacation homes.

2.5 REAL ESTATE TRANSACTIONS

The real estate transaction (brokering) business involves the brokering of land and buildings through their buying, selling and leasing. The capital requirement is small and there are strong local characteristics and elements needed. As a result, this field used to be dominated by small local players until major real estate firms entered in the mid-1960s. There are roughly 130,000 companies with licenses based on the Building Lots and Buildings Transaction Business Law (1), but most of these remain small land medium-sized companies specialized in brokering.

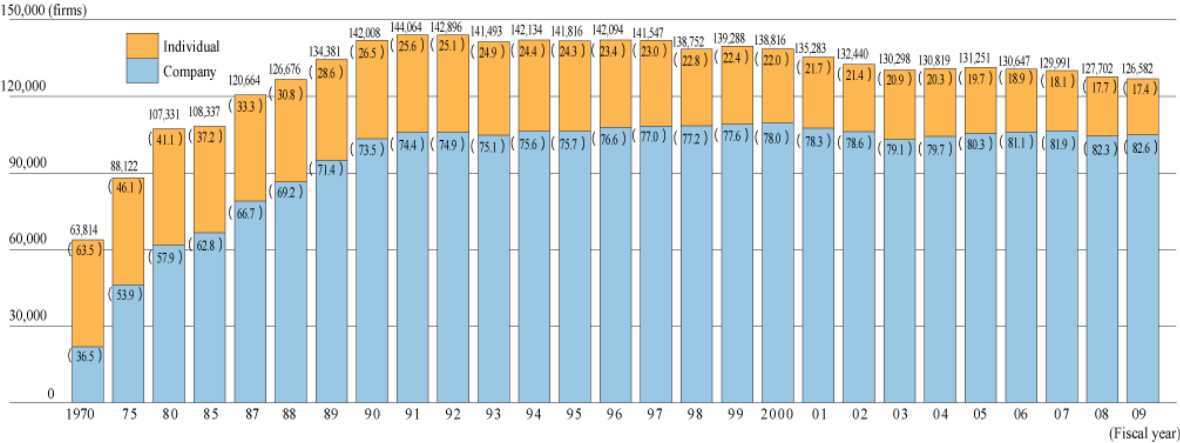
Most of their work involves acting as an intermediary for the buying and selling of existing homes and renting of apartments and other housing. However, large brokers are also involved in brokering the sale of large buildings

and acting as the sales agent for new stand-alone housing and condominium projects built by developers.

Average Number of Employees per Office (Private)

	Average Number of Employees per Office	Number of Offices	Breakdown of Share of Real Estate Business		Number of Employees	Breakdown of Share of Real Estate Business	
			Breakdown (100.0%)	Breakdown of Share of Real Estate Business		Breakdown (100.0%)	Breakdown of Share of Real Estate Business
All Industries	9.7	5,869,395			56,935,841		
Real Estate	3.2	320,474	5.5	100%	1,029,467	1.8	100%
Building sale/acquisition business and land sale/acquisition business	7.5	18,018		5.6	135,408		13.2
Real estate brokering business	4.3	46,987		14.7	200,580		19.5
Real estate leasing	4.1	18,726		13.6	178,734		17.4
House leasing and room leasing	1.7	147,331		46.0	254,340		24.7
Parking lot business	2.1	36,099		11.3	74,940		7.3
Real estate management	6.6	28,313		8.8	185,465		18.0
Manufacturing	18.1	548,171	9.3		9,912,949	17.4	
Construction	7.6	548,799	9.4		4,144,394	7.3	
Wholesale and retail business	7.8	1,604,587	27.3		12,446,331	21.9	

History of Building Lot and Building Transaction Firms



Source: Website of the Ministry of Land, Infrastructure, Transport and Tourism.
 Notes: 1. Figures represent those as of the end of each fiscal year.
 2. The figures in the parentheses indicate the breakdown (unit: %).

Chart 8_ History of Building Lots

2.5.1 MODERNIZATION OF REAL ESTATE TRANSACTIONS

The real estate transaction business is the modern day equivalent to what a broker in the old days used to do. Brokering is a key original element of the real estate industry along with "management agents," who are involved in the management of leased land and housing. The license system for these brokers was established in 1952 with the establishment of the Building Lots and Buildings Transaction Business Law (1) and the number of companies rose dramatically through the early 1970s with the concentration of industry and the population in major cities and growth in housing demand. There are a number of factors behind this and they include: (a) Increase in housing stock including owner occupied homes used for a long period, (b) The steep increase in the supply of condominiums from the early 1970s, and (c) Reinforcement of the attitude that a person seeks to

change residences in line with life stages. This was right around when major companies began entering the industry. Along with modernizing the real estate transaction business, this served to bring the business under the eye of society including the coordination of roles and responsibilities among major as well as small and medium-sized players.

2.5.2 THE REAL ESTATE TRANSACTION MODERNIZATION CENTER FOUNDATION ESTABLISHED

In 1978, a study group formed by the Ministry of Construction (presently, Ministry of Land, Infrastructure, Transport and Tourism) and private companies issued a report titled, "Report on Promoting Modernization of Real Estate Transactions." The report proposed several measures including introducing a joint processing system for property information, securing accuracy, establishing a broker contract system (2), establishing appropriate price appraisals and improving the quality of companies and employees. The Ministry of Construction revised the Building Lots and Buildings Transaction Business Law in 1980 in accordance with this and not only established a general and exclusive broker contract system, but it also formed the Real Estate Transaction Modernization Center Foundation to provide instruction in modernizing the industry.

2.5.3 LEGAL SYSTEM FOR BROKER CONTRACTING SYSTEM

Real estate transaction intermediation, or brokering, involves a party taking a position between the two parties to the sale or lease transaction and acting to bring the contract to a conclusion. The broker contract sought to clarify a situation apt to cause trouble due to the contractual relationship being traditionally unclear. The 1980 revision to the Law sought to overcome this situation by requiring documentation for certain items concerning the content of the broker contract and to clarify the contract relationship. In addition, with regard to the exclusive broker contract in which the contracting party cannot ask multiple companies to act as its broker or agent, the law called for parties to register as much information as possible on the purchases in an information network organization and to disclose information so that conclusion of a contract could be promoted. Eight industry bodies, including the Real Estate Companies Association of Japan, support this information network organization. As a result, there are now over 100 certified information network organizations nationwide working to move the real estate transaction system one step closer to the sharing of information and networking of companies. However, the initial objectives have not been adequately attained because of the negativity shown in exchanging information between the organizations and also many cases where this is impossible due to differences in the systems.

2.5.4 DEVELOPMENT OF REINS AND REORGANIZATION OF THE ORGANIZATIONS

For this reason, in 1986, the Ministry of Construction (currently, Ministry of Land, Infrastructure, Transport and Tourism) established the Real Estate Information Network System (REINS) with the Real Estate Transaction Modernization Center Foundation in order to foster cooperation between information network organizations. On the other hand, with the implementation of dedicated exclusive brokers contracts from 1990, transactions based

on these contracts required the broker to register with an information network organization designated by the then Minister of Construction. In correlation with this, it became necessary to prepare an information system and to organize and integrate the information network organizations. Using REINS, information network organizations integrated by supply/demand region were newly designated by the Ministry of Construction and assumed the responsibilities of the "certified information Furthermore, the Building Lots and Buildings Transaction Business Law was revised in April 1997 so that it became necessary for exclusive broker contracts to be registered with certified information network organizations in addition to the dedicated exclusive broker contracts.

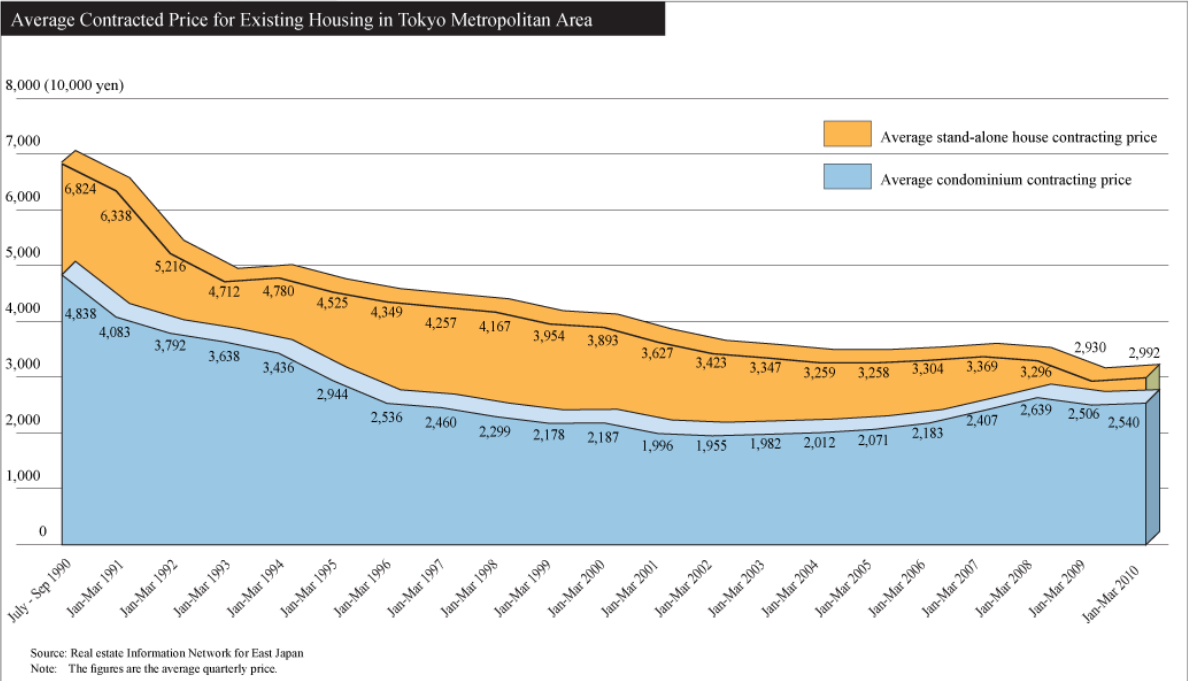
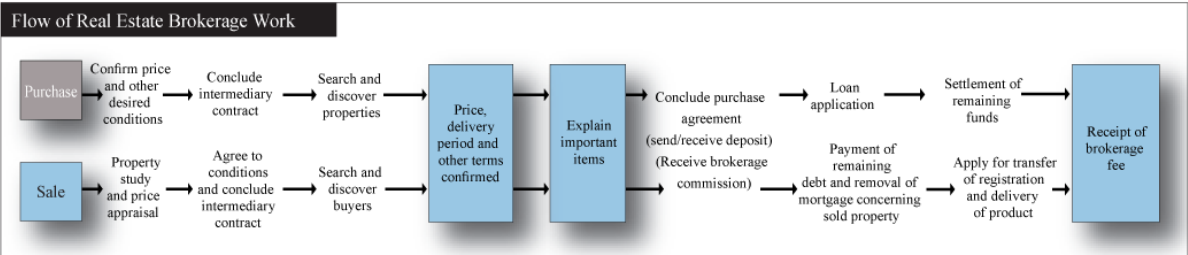


Chart 9_ Average Contracted Price for existing Housing in Tokyo Metropolitan Area

It is clearly regulated that a certified information network organization must be a public interest corporation and the new information network organizations eventually were reorganized from 37 certified information network organizations nationwide to four organizations in four districts. Slightly over 1.23 million such contracts were newly registered with certified information network organizations in fiscal 2008. Of these, a little over 110,000 contracts were signed. From when the certified information network organizations began in May 1990 to 2002, the average contract price for existing housing dropped 60% for condominiums due in part to the prolonged slump in land prices and the massive supply of new condominiums at suppressed prices. However, this number began to increase since then and it increased 35% by 2008. Stand-alone housing prices decreased around 50% until 2005 but increased slightly until 2007. However, both prices decreased slightly after that, although starting

from 2010, they have slightly increased.

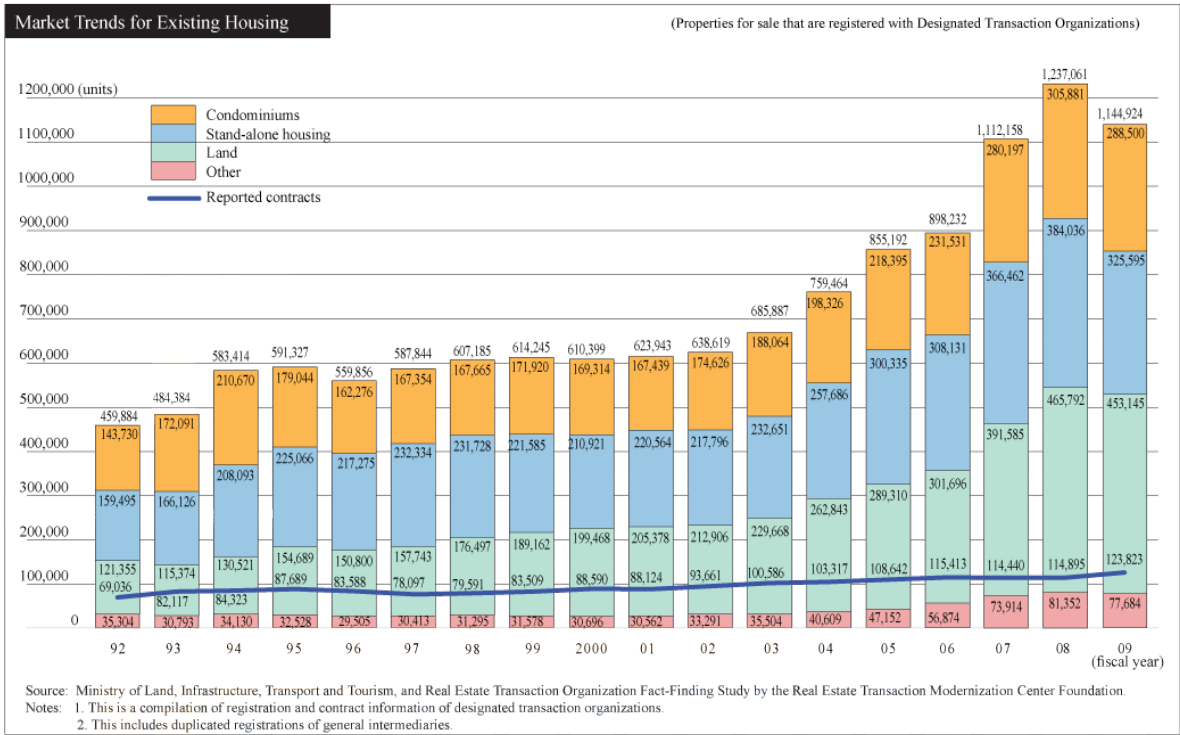


Chart 10_ Market Trend for Existing Housing

On the other hand, there are expectations for greater choice among consumers with the spread of greater quantities of high quality housing meeting their needs. Thus there are expectations that this market will grow rather than decrease. The government also introduced a housing performance indication system for existing housing in 2002 to eliminate worries about transactions involving these houses. This was preceded by a similar system introduced for new housing in fiscal 2000. Moreover, with the penetration and spread of the Internet throughout society, more and more companies have begun using the Internet for real estate transactions. In addition to the information respectively provided by real estate companies using websites, there are various information sites on the Internet that demonstrate the respective strengths and characteristics of the bodies behind them including industry bodies like the Real Estate Japan website launched in October 2003 or those created by locally successful real estate firms that present more detailed information on those local areas.

The Ministry of Land, Infrastructure, Transport and Tourism also provides information on transaction prices through a general land information system. This service is based on transaction price information voluntarily provided by parties to land transactions and has the objective of supporting general consumers grasping market prices for real estate transactions. Processed contract information (prices, etc.) of REINs was provided on the Internet beginning in the spring of 2007. Presently the general consumer is able to easily and broadly collect information on real estate. However, the truth is that contemplation for acquiring a specific property requires more detailed information than is available on the Internet and specialized knowledge about real estate transactions. In light of this, it is now even more important for real estate companies to properly face their customers and be truly

skilled and knowledgeable concerning real estate transactions. In other words, a property introduction alone is inadequate. Previously, there was a disparity among managers in how customer and personal information was handled in their operations. But the Personal Information Protection Law was passed in April 2005 and a framework for handling such information was established.

End Notes

1. Building Lots and Buildings Transaction Business Law

This Law designates a licensing system of entities in the building lots and buildings transaction business and regulations concerning the business with the objective of securing fairness in lot and building transactions and in looking to achieve smooth transactions to protect the profit of the customer. A license is necessary when a business either involves sales or exchange of lots and buildings or acting as an intermediary for sales, exchanges and leasing of lots and buildings. However if you personally lease housing, building etc, there is no need for a license. In addition administrative regulations that require the important items of a transaction to be explained by a building lot and building transactions supervisor with qualifications as designated by law (broker), there are no regulations that establish limits on deposit amounts and regulations that revise the content in the civil code.

2. Brokering Contracts

Intermediation consists of brokering or mediation and falls under a semi-consignment of legal responsibilities. Unlike agents, there is no right for the party entrusted with the request to conclude a contract. There are three types of broker contracts regulated in the Building Lots and Building Transaction business Law. A general broker contract is a contract which the client can ask multiple companies to broker a deal. An exclusive broker contract is a contract in which the client can only ask one company to be a representative. The longest length for the contract is three months, and there are obligations including reporting on the status of operations and registering with a certified information network organization within a set period. Whereas a dedicated exclusive broker contract is one type of contract that also prohibits the client from contracting with a party for a sale without a contractor.

3 Certified information Network Organization

Certified information network organizations conducted registration and searching of properties through an outline networking of member companies through 37 national areas from 1990. This was reduced in April 1997 to four certified information network organizations and the system was re-launched. In the means to modernize real estate transactions and to bring transparency to the market

2.6 JAPANESE PLANNING LAWS

In a small country such as Japan, land is recognized as a limited resource and a basic necessity of life that is common to all the people. Thus the use of land enters the public domain and as such is subject to public

restrictions. The Basic Land Act does not include specific restrictions, but proclaims abstract ideas and basic concepts. It is a policy guideline addressed to the central government, local authorities, business enterprises, and the general public. These are the four fundamental principles: (1) Social welfare has priority in land use. (2) Land must be used properly according to the various environmental, social, economic, and cultural conditions in each area. It must comply with land use planning which was established to maintain a reasonable and rational use of land. (3) Speculative development should not be permitted because it causes land prices to inflate higher than their actual value. This would contravene the role of land and property to enhance social welfare. (4) Owners will be taxed accordingly if the value of their land has increased as a result of changes in the socio-economic conditions of the area (Artt. 2-5 Basic Land Act).

There are no special rules for investment by foreigners into real estate in Japan except certain requirements of notification under the Foreign Exchange and Foreign Trade Control Act. In line with the absence of special regulations for ownership of real estate by foreigners, there are also no requirements for permits of ownership by foreigners.

Consequently, Japan is also not party to any specific treaty concerning investments of foreigners in real estate in Japan. The Japanese planning systems are a complex set of ingredients covering legal and legislative controls, plan-making, land use planning, zoning, control over population density etc. Planning in Japan is carried out at three levels - national, regional and local.

2.6.1 NATIONAL DEVELOPMENT PLANS

The Comprehensive National Development Plan is based on the Comprehensive National Land Development Act of 1950 and is determined by the Prime Minister of the country, in consultation with concerned ministers. The First Plan was approved in 1962. The high growth of industrial activity following the World War II caused excessive concentration of population and industry in the larger metropolitan regions, leading to both overcrowding and to socio-economic decline in rural areas. With complementing regional development plans, the Growth Pole development strategy was adopted to encourage the development of industrial cities away from the existing large metropolis. As a part of this strategy, the New Industrial City Development Act was enacted in 1964. Fifteen new industrial cities were designated from 1964 through 1966. Prefecture level plans covered such issues as industrial development targets, population, land use, roads, harbours, factory sites, and housing. The emphases and strategies in national plans has also to be seen in the context of various economic strategies and changes in employment structures that took place during this period, which led to sustained economic growth. For example, the share of primary industry declined from 48.5 percent in 1950 to 32.7 percent in 1960, and to 10.9 percent in 1980. During this period, encouraging heavy and petrochemical industries in the Pacific Coast areas pursued higher economic growth. A notable government policy was the 1960 National Income Doubling Scheme, and its target was achieved in 1967, two years before the deadline.

The Second Plan, which was published in 1969, attempted to further the basic goals set out in the First Plan by constructing a nationwide transportation network of motor ways and rapid national railways ('Shinkansen') system

together with implementation of large-scale industrial development projects.

Measures were also taken to relocate industries from over-concentrated areas ("removal areas") to less developed areas ("promotion areas").

The Third Plan (1977) set forth a settlement scheme that put emphasis on the creation of self-contained quality environments for human habitation, in the form of "comprehensive development projects for human habitation". This emphasis was seen as a supportive strategy to the industrial development plans of earlier plans.

The Fourth Plan (1989-current) differs from earlier plans with its emphasis on the National Capital Region (NCR) and its positive role that it plays in the development of Japan as a whole. Growth in population, a strong industrial growth coupled with globalization and information-driven economy, and heavy investment in social infrastructure characterized the period until 1989. The Fourth Plan covers the period from 1989 to the year 2000 (15 years). The NCR was divided into two zones - the Tokyo Metropolitan Area and the 'Outer Areas'. This strategy envisaged the development of the NCR as a national and international centre of political, economic and cultural activities. The NCR's interrelation with its suburbs (Outer Areas) as well as other regional urban centres was seen within a supportive multicore framework, where natural and man-made environments also received prominence.

2.6.2 REGIONAL PLANNING

Japan is broadly divided into eight regions. There are the three largest metropolitan regions - National Capital (Tokyo), Kinki (Osaka-Kobe-Kyoto), and Chubu (Nagoya) Regions. In addition to these, there are the Hokkaido, Shikoku, Kyushu, Tohoku and Chugoku Regions. The plans for NCR and the Kinki Region contain important strategic policies and projects, particularly industrial location control in central built-up areas, the development of industrial sites in suburban areas, large-scale new town plans, and the construction of metropolitan motor way networks. Green belts and other provisions in restricting physical urban expansion made under the First Plan (1958) could not be established - leading to planned urban development while preserving some of the green areas.

Most regional development acts were enacted in the 1960s with industrial and infrastructure provisions for special areas throughout the country. The Industrial Relocation Promotion Act of 1972, for example, specifies regions to which industry should be relocated and provides special financial assistance and tax incentives.

2.6.3 NATIONAL CAPITAL REGIONAL BASIC PLAN

The NCR Basic Plan was a regional plan covering Tokyo and seven prefectures surrounding the city. Regional strategies underwent major changes as the population of Tokyo and three prefectures of southern Kanto (of which Tokyo forms a part) jumped from 15.4 million in 1955 to 27.0 million in 1975 – an increase of 11.6 million in only twenty years. The first 1958 plan covered an area of 100 km radius, and was modeled after the Greater London Plan of 1944. It emphasized restriction of new construction that contributed to population concentration;

development of green belts; and establishment of industrial areas in the suburbs. But many of these strategies could not stand the force of population increase and high economic growth. The 1968 Plan shifted the emphasis from physical restriction of growth to that of promoting planned urban development. Further accent was provided for these strategies in the 1976 Plan taking into account the increases in population. Safety and environmental capacity, expansion of urban areas, housing and industrial development received prominence in these plans. The NCR Basic plans promotes a number of projects including motorways, rapid transits, new towns, and water resource development projects.

2.6.4 KINKI REGION BASIC PLANS

The Kinki Region Basic Plan (1965, 1971, 1978, and 1985) covers eight prefectures, including Osaka, Kyoto and Kobe metropolis. As with the NCR Basic Plans, the basic strategy is to encourage dispersal of population and industry from built-up areas to surrounding suburban and urban development areas.

2.6.5 CITY PLANNING OUTLINE

City planning in Japan stipulates the basic provisions for the planned development of urban areas. They include

- (I) The types and standards of city planning,
- (II) Planning procedure,
- (III) Planning control and
- (IV) Urban development projects.

Details of regulations and planning practices are specified in separate legislation. For instance, the Building Standard Act regulates building activities in accordance with the zoning plan, and the Land Consolidation Act provides legal procedures for land consolidation projects on sites specified in the authorized city plans.

The City Planning Act of 1968 forms the basis for city planning in Japan.

The main features of this Act include :

A) EFFECTIVE LAND-USE CONTROL

Areas within a city were designated as 'urbanization promotion areas' and 'urbanization control areas' depending on the degree of urbanization. Development permission system was also introduced to provide sufficient level of infrastructure in development of building land.

B) FUNCTIONAL CITY PLANNING AREAS

With rapid economic development, improved motorways and other factors, 'functional city planning areas' were

designated integrating multiple municipalities into single planning units. This formed a common basis within which a prefecture governor makes plans involving more than one municipality.

C) DELEGATION OF POWER TO LOCAL GOVERNMENTS

Power to effect city planning was initially vested with the Minister of Construction (under the 1919 Act).

This was delegated to the Prefectural Governors under the 1968 Act. The Governor makes City plans involving more than one municipality, while the municipalities make other plans.

City plans are decided principally by local authorities of cities, towns and villages, and by the Prefecture Governor for plans that require integrated planning on prefectural basis. Exceptions are cases that stretch over more than two prefectures, where city plans are to be decided by the Minister of Construction. Local City Planning Councils are established in prefectures, cities towns or villages for this purpose. An original draft plan is prepared and explained to the public.

The Draft Plan is then opened for public opinions and concerned municipalities. This results in a Proposed City Plan. A public notice is issued, and submissions of written opinions are invited from the public for two weeks. The Local Planning Council is constituted for implementation. Approval from the Minister of Construction is sought in coordination with concerned Ministries. The Final City Plan is then implemented. The regulation of land development is ensured through various acts, including Nature Conservation Act, Agricultural Land Act, Forest Act etc. Within urban areas, there are primarily two types of regulations - a development permission system that regulates the location and form of development, and the building confirmation system, which regulates the use, and structural safety of building. Further reinforcing the multi nuclei regional structure, and revitalization of regional economies with international linkages and information industries complements this.

2.6.6 LAND READJUSTMENT PLAN

Land Readjustment is a method whereby a group of landowners can join forces to develop or redevelop land. In other words, LR is a process whereby ownership of scattered and irregular plots of agricultural land is pooled, roads and main infrastructure is built, and the land is then subdivided into urban plots.

Each landowner must contribute a portion of their previous land holding (usually about thirty percent of the total) to provide space for roads, parks and other public services and reserve land. The reserve land is sold at the end of the project to pay the costs of planning, administration and construction. This method is appealing to the landowners due to the land having substantial increase in value using this process; hence the value of the individual land holdings can be greatly increased, even though the remaining area is smaller. Whereas the appeal for the planning authorities is that projects provide land for public facilities, and build needed urban infrastructure.

Land readjustment is key to Japan, due to its rapid urbanization and industrialisation in a very short period of time after World War two. Moreover, it is the first Asian country to have undergone an industrial revolution and a much

analysed economic success story. Japan is now the third largest economy in the world with 13% of the world GNP, with similar levels of wealth and urbanization as the developed western countries, however with a very different tradition of land use, ownership and planning. Japan also shares a heritage of rice-based agriculture and land tenure patterns with many other Asian countries. As Ginsberg (1991) stated and argued, that the land ownership structure of rice agricultural areas can have intense effects on urbanization patterns.

Land Readjustment has long been a key part of the Japanese urban planning system, about thirty percent of the current urban areas have been developed using this method, this method was imported to Japan at the turn of the 20th century and initially followed a German model. At first it was used principally for agricultural land consolidation and irrigation improvement projects, although it was soon put to use for suburban expansion projects as well. At the beginning only individuals were legally authorized to start projects. Nevertheless, after the Great Kanto Earthquake of 1923 a modified form of LR was used to rebuild large areas of downtown Tokyo and Yokohama. A special government was set up to carry out these works. In the 1930's it was largely used by the central government to establish military facilities.

In 1954, a full revision of the LR law was passed. Lease holders of land were given formal rights for the first time to participate in the project implementing body, local public corporations were allowed wider scope to execute LR projects and increased processes for review of Action and Replotting plans and involvement by those affected by the projects were included.

This act is still very present to this day as the basic Land Readjustment Law. This method has been extensively used, in different ways and circumstances: for urban expansions in agricultural areas, downtown redevelopment, new town building, public housing projects, railway and mass transit developments as well as others. An important feature of this new law was that it empowered the national government to subsidize local government initiated projects. This money was taken from the Road Improvement Special Account, which collected the revenues of the gasoline tax (Ishida, 1968a, p.83) The motive for this, is that whenever the roads are constructed by the Land Readjustment projects it is unjust that local owners bear the burden, as the roads primarily benefit others outside the project area. Thus, national subsidies are used to grant road construction at the same rate as land acquisitions. This initiative quickly became a major source of income for local government conducted LR projects and allowed a prominent expansion in the total area of new projects during the second half of the 1950s from less than 1000ha / year of new projects nation wide, to over 3000 ha/ year in just over 10 years. Other subsidies are available in Japan, ranging from various grants for plan preparation and project organization, to low interest bridge loans to finance projects in which main expenses are invariably gained up front and the main revenues from land sales come near the end. The share of costs usually paid by the sale of reserve land varies greatly between different initiators, with private projects more dependant on land sales and public project receiving a higher proportion of their funding from public funds.

There is a strong distinction drawn between privately initiated projects and publicly initiated ones in Japanese

Land Readjustment. There are five distinct project executors: Individuals, Associations, Local Governments (municipal and prefecture), Administrative Agencies (Ministry of Construction or prefecture governments) and Public Corporations (Japan housing and Urban Development Corporation)

The first two listed above are private executors while the later are all public ones. Individuals may only execute projects when all landowners and leaseholders within the project area are in agreement on the project, therefore this is considered the less bureaucratic procedure.

An Association on the other hand is a corporation including all owners and leasers of land in the project area. Before the Association can be incorporated at least two thirds of all owners and leasers have to be in agreement. The goal of organizers is to achieve 100% approval even though projects tend to start at 80% this is due to the possibly of carrying out an Association Land Readjustment project over the objections of one third of the landowners, various legal safeguards are built into the process. To establish the Association at least seven members must prepare the project program and articles of association. The program will generally include a plan of the site area indicating road layouts, public facilites etc. and a rough schedule. Precise indication of land reduction at this stage is not generally underlined. Once two thirds of the parties have agreed, they can apply for approval of the prefecture governor. The governor at this point takes on board the responsibility of exhibiting the program publicly for two weeks; this allows people who are affected by the project to submit written complaints within this time. Once the review is terminated the governor can either order changes to the program to satisfy the complaints or allow the program to proceed as is. Approval is then rewarded and the Association is legally established.

3. CHAPTER THREE: THE REAL ESTATE INVESTMENT TRUST (REIT)

3.1 ECONOMIC RECOVERY AND REVIVAL OF THE REAL ESTATE MARKETS

Japan's construction state influences spatial structures when it builds: bridges, dams, tunnels, or airports, and covers shorelines and hillsides with concrete: projects that are more directly visible in Japan's rural areas than in the cities. These public works projects are part of a comprehensive development and construction plans that are characterized by very high levels of central government control. This initiated in the 1950s aiming to supply badly needed hard infrastructure in the rural communities. However, what was meant to be a steady economic growth in the structurally weak regions failed to occur and public works have not scored any real success at lessening the regional disparities. In fact the obvious outcomes of regional planning were the unparalleled concentration of wealth and power in the metropolitan areas in the Pacific Coast Industrial Belt and the "unipolar" concentration on Tokyo. Very similar to countries like the United Kingdom, where London to this day is the nucleus of the country. Moreover, public works have aggravated the regional economies' dependence on construction to an irrationally high level. As a consequence, like we see similarly in Italy, a large number of government financed projects, some of them ridiculously expensive are still under construction or under planning in the regional areas.

There are three main problems with construction state policies.....

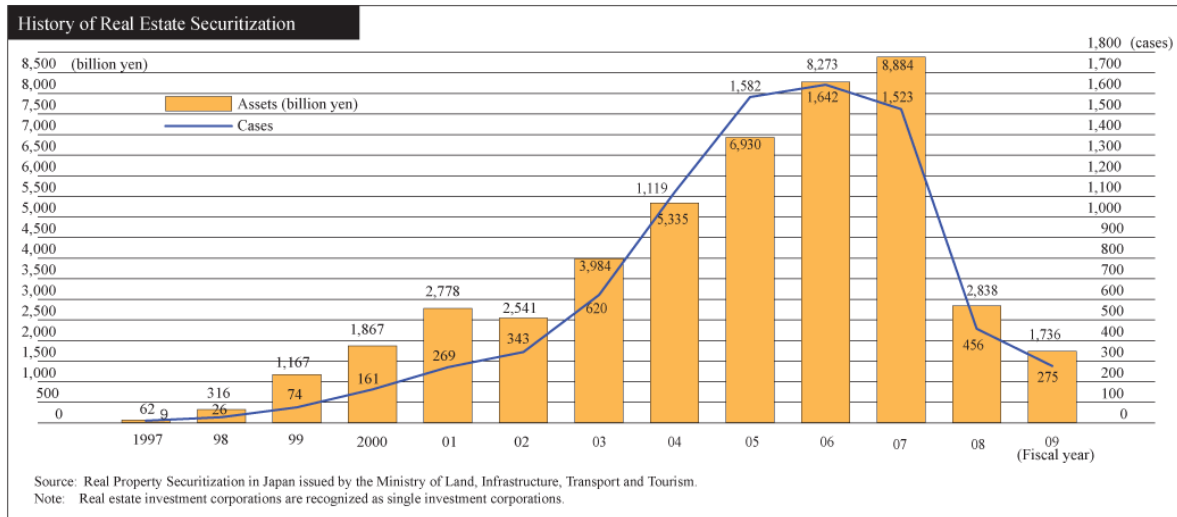


Chart 11_ History of Real Estate Securitization

3.1.1 REAL ESTATE INVESTMENT TRUST

Investment trusts are a financial vehicle in which funds are gathered from many investors and managed by an investment professional and earnings are distributed to investors. Traditionally, the primary vehicle managed in this structure was limited to investment securities.

In Japan although the Exchange Traded Fund (ETF) market and the Real Estate Investment Trust (REIT) market both emerged in 2001, both have a very distinct story of how it came together. The speed of growth of the two markets also differs. However, both are valid investment schemes traded in public securities market.

During the major restructuring effort to the financial system through deregulations in Japan (Big Bang Program) the government believed that it was vital to expand and grow the investment trust market to revive the depressed securities market. The government soon realized that the concentration of household assets in bank deposits and postal savings did not allow the capital market from maturing. It was expected that the investment trust would become the driving force in the diversification of household assets as well as the growth of capital markets.

In 1998 the Japanese market undertook major restructuring of the investment trust systems. The government's first priority was to ease regulations on investment trust management companies, while maintaining securities as the main investment choice. As a result of these restructurings, many foreign companies decided to enter the Japanese markets for the first time, helping to develop a competitive fund management industry. Moreover, allowing the banks to sell investment trusts in their branches contributing significantly to the growth of the industry. It encouraged individual investors to buy investments trusts, who had previously deposited the majority of their assets at the banks.

However, the amendment of the Investment Trust Act 1998 introduced privately placed investment trusts and corporate-type investment trusts and reinforced requirements for disclosure. Privately-placed investment trusts, which were used for the two to forty nine accredited investors, have been used by corporate pensions, regional banks, and credit unions and assets in such private trusts are increasing. Investment corporations were finally introduced in Japan after several attempts to introduce such company-type funds based on foreign models. Even though, investment corporations have a governance mechanism similar to that of corporations asset managements companies did not use investment corporations at all until the emergence of REITs, due to investments corporations required to have independent directors and the administrative costs were high. Still today most securities investment are still contract-type, and most investment corporations are REITs.

Nevertheless in 2000 there was a Partial Revision to the Investment Trusts and Investment Corporations Law and real estate was recognized as a target investment. Hence resultant in the first real estate investment trust in Japan under the name of J-REIT, was listed on the Tokyo Stock Exchange in September 2001. The number of J-REITs listed by the end of December 2010 was 35 and the market grew to about 8 trillion yen (77.6 Billion Euros) in total assets under management.

Nevertheless there has been wild fluctuation has been observed in aggregated market value in recent years. Until 2007 it had been growing steadily. However, J-REIT investment prices starting declining due to the drain of Foreign capital coming through, due to the sub-prime loan crisis in the US and for the first time a J-REIT in 2008 went under in the aftermath of the global financial crisis due to the Lehman Brothers shock and other factors. Under these circumstances, aggregated market value fell to less than 2.1 trillion yen (26.8 Billion Euros) at the

end of October 2008 after reaching a peak at 6.8 trillion yen (66 Billion Euros) at the end of May 2008. It recovered nevertheless to 3.7 trillion yen (36 Billion Euros) at the end of 2010.

There are two types of REIT structures:

- 1) the “company type”, a structure in which funds gather capital from investors and manage those through a management company
- 2) the “trust type”, a structure where a trust bank gathers capital from investors and manages those through the trust bank itself or a management company.

There are also two trust types: the settler directed and non-settler directed types.

Investors have shown an interest in REITs as a new investment vehicle for expanding their portfolio strategies and real estate companies have interpreted REITs to be a new business opportunity for selling, managing and operating real estate as part of REIT management.

However for the further development of the real estate fund market, the further preparation of indices to assist investors in making their decisions and various other measures to overcome the recent financial crisis are needed and anticipated. In addition the Central Bank of Japan established an “Asset Purchase Program” as part of its “Comprehensive Monetary Easing Policy” and planed to purchase around 50 billion yen worth of J-REITs by the end of 2011.

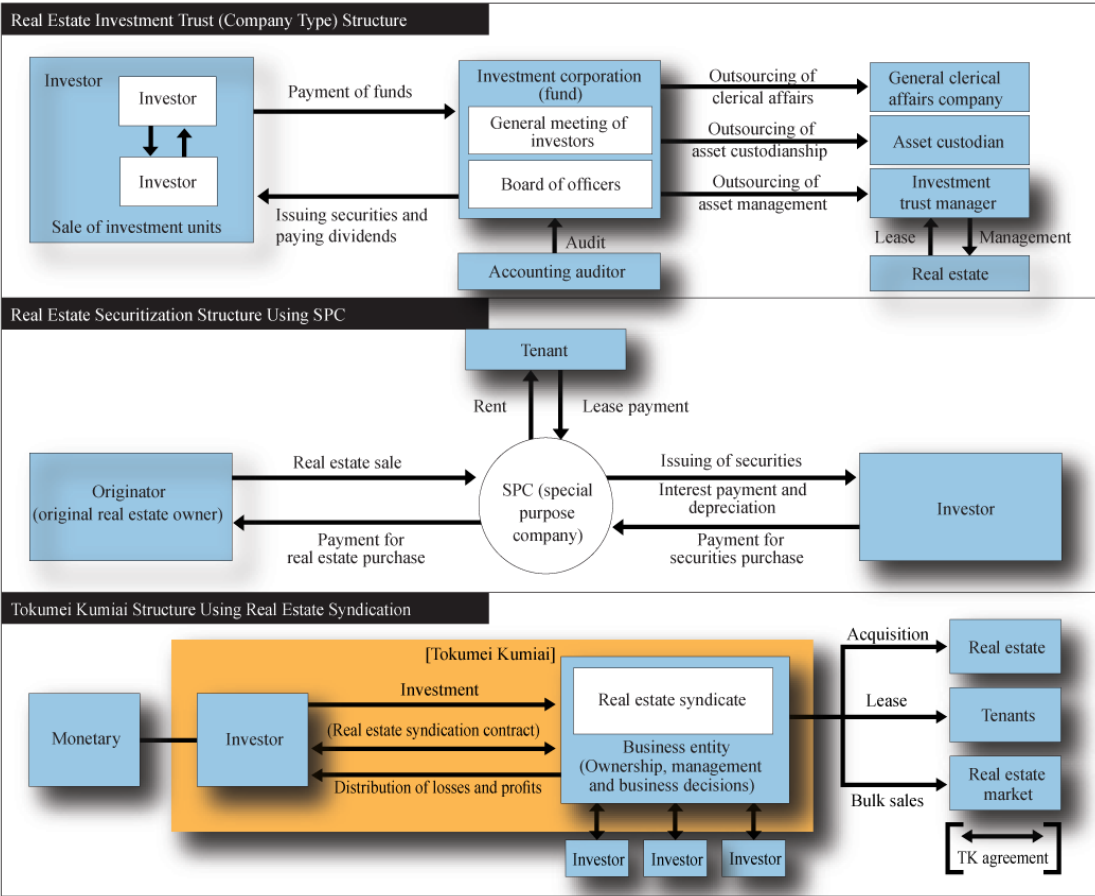


Chart 12_ Real Estate Structures

3.1.2 ASSET MONETISATION SECURISATION

The history of Real Estate Securitization is quite long and goes back to the period of the mortgage security system founded in the 30s. During the 80s however real estate small lot products began being sold primarily by real estate firms. What really launched it off was the 1995 establishment of the Real Estate Sydication Act and the 1998 establishment of the Law on Securitization of Specified Assets by Special purpose Companies (former SPC Law). In addition the revision to the Investment Trusts and Investemnet Corporations Law in 2000 made real estate a possible management asset of investment trust and this led to the introduction of specific Japanese Real Estate Investment Trust (J-REITs) The revision of the former SPC Law into the Law on the Securitization of Assets (SPC law) also led to an increase in securitization cases because it simplified the procedures for asset monetization type real estate securitization.

The progress of real estate securitization expanded investment opportunities by diversifying investment methods for real estate investors and a new opportunity was considered from management and operation of real estate to the fee business market where they could collect other forms of compensation.

The Law on Securitization of Qualified Assets by Special Purpose Companies (SPC Law) was put into practice in 1998. Since then many companies have tackled real estate Securitization using SPCs mostly on apartments for foreigners, major shopping center, etc. Real estate Securitization is expected to be a new great form of business for the real estate industry within the structural transformation of the national economy.

Real estate securitisation is one of the methods for direct procurement of capital from the market by issuing investement securities backed by real estate or assets consisting of real estate or real estate backed debt (housing loans, mortgages etc)

How do we consider the relationship between the actual flow of funds with real estate:

- 1) SPC issues preferred equity securities and specific bonds to procure funds from the market for purchasing real estate;
- 2) A real estate company or other original real estate owner sells the real estate to an SPC at market price
- 3) The SPC receives rent from the tenants as the new oner of the real estate;
- 4) The SPC pays agreed interest to the investors that bought the specific bonds and pays any remaining profit to the investors in preferred equity securities in the form of dividends.

Further a portion of the SPC Law was revised in May 2000.

The old SPC Law had many restrictions on the structure including rigid limits such as the prohibition to purchase qualified assets with borrowings. Hence there were aspects that were hard to apply to the securitization of assets like real estate that were highly commercial. As a result of revision, the assets subject to monetization by the SPC were expanded from designate monetary debts, real estate and their beneficiary interests in trusts to general property rights, and restrictions concerning the establishment and operation of SPCs were simplified and rationalized. Steps were taken to improve the ease of the system. The significance of the SPC Law system is that it improves the financial constitution of the originator itself, realizes a high investment efficiency compared to owning real estate and obtains new business chances by promoting real estate monetization. It is expected that the system will take root in step with reforms to the economic structure such as diversification of fund procurement methods, real estate management, cash flows etc.

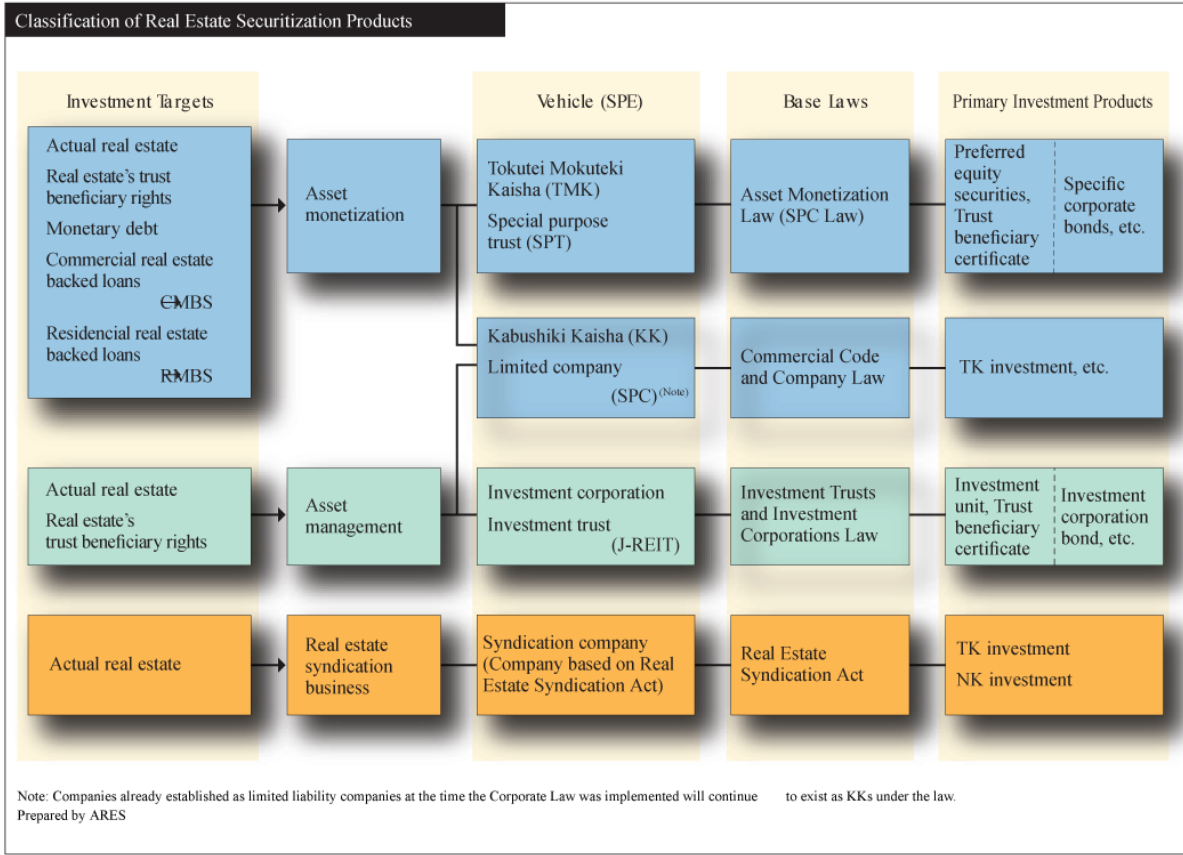


Chart 13_ Classification of Real Estate Securitization Products

3.1.3 REAL ESTATE SYNDICATION

Real estate syndication is when multiple investors jointly invest in real estate to own and manage real estate to obtain earnings from it.

The syndicated investment product appeared around 1987 as a “small lot product” in which developers divided ownership of a commercial property (tenant building, etc) and sold the equity to investors. Before the act enforcement, approximately 700 billion yen (6.7 billion euros) in syndicated investment products have been

supplied. However there were many cases in which investors suffered damages because of the subdividing by financially unstable real estate companies or inadequate information disclosure to project participation of business risks.

In April 1995 the Real estate syndication Act was introduced primarily to protect investors.

To incorporate various deregulatory measures the act was further revised in May 1997 in the perspective of promoting proactive utilization of real estate syndication, hence removing restrictions concerning the period the business is executed and not applying regulations barring monetary loans and intermediation of such when the participants are professional investors.

This Act covers five types of contracts consisting of nin-i-kumiai, (Japanese Civil code partnership) tokumei kumiai, (silent partnerships) lease, contractual products based on foreign laws and products based on other governmental legislation. Of the 404 cases of syndication with cumulative offerings used the tokumei kumiai (silent partnerships), which proves that performance grew centering on the tokumei kumiai method,

3.2 CHARACTERISTIC OF REAL ESTATE MARKETS IN JAPAN

Land prices are extremely high in Japan because arable land is extremely rare. Mostly due to its geographical state, volcanoes, tremors, earthquakes, typhoons and tsunamis which make it by nature a threat. Dwelling area in fact accounts for only 4.8 percent.

As a consequence building lots are over densified and mostly concentrated in few major urban areas. The national density is 341/sqkm, Italy has 203 /sq km, the densities of Tokyo however is an astonishing 5,517/sq km, Milano has 6,899 /sq km.

The major difference of Japanese Real estate to most other countries is that land is regarded as a separate asset from buildings. Freehold is the only type of property ownership in Japan.

There is no equivalent system of leasehold property ownership, but there is a property holding system called "land lease": the right to ownership of a building only, excluding the land. Therefore, the price of land is calculated separately to the building price.

Land prices, are usually determined by market comparisons using land prices indices prepared by the Japanese government, whereas building prices are normally settled through market cost approach. Nevertheless due to the land prices declining at a constant rate in the last fifteen years and the spread of real property securization, property prices are determined by exposing the income from the subject properties, where real property assets are considered as a whole, using the income approach: net income divided by yield, minus building costs.

The prior example to real estate formed in Japan in the early stages was condominiums. They played a major role in Japanese real estate in the definition of commercial real estate covers four main structures: private commercial real estate equity, private commercial real estate debt, public commercial real estate equity and

public commercial real estate debt.

Public real estate equity can be split up in to two structures:

REIT (Real Estate Investment Trust) and REOC (Real Estate Operating Company.)

Real Estate Operating Company is a total service real estate company. These companies offer a complete package of real estate services. REOCs, acquire, develop, manage and lease commercial real estate. In addition they offer asset- and portofolio management, property management and brokerage services. Moreover, financing of real estate belongs to the possibilities of REOCs.

On the other hand we have Real Estate Investment Trusts. This is a company that owns and operates income-producing real estate such as apartments, shopping centers, offices, hotels, warehouses and logistics. Real Estate Investment Trusts were initially developed to overcome difficulties that small investors encountered when putting money into commercial real estate properties.

In order for a company to qualify as a REIT, it must fulfill certain provisions. Later in this chapter, these provisions will be briefly touched upon in an historic overview divided by two countries Japan and USA.

3.2.1 THE USA SCENARIO

The REIT system was first introduced through the US congress in the United States in 1960, to make large-scale investments, and to produce real estate income accessible to small investors. The Congress decided that the way for average investors to invest in large-scale commercial properties was the same as investing in other industries, through purchasing equity. The stockholders of a REIT can earn with a pro rata (proportional ratio) share of the economic benefits that are a result of the production of income through ownership of commercial real estate. REITs offer distinct advantages for investors: greater diversification through investing in a portfolio of properties rather than in a single building and management by experienced real estate professionals.

Once the structure was formed, it was only a few years until the first REITs were established. The US REIT regime, which is governed by tax laws and by regulatory laws, has been modified on several occasions since its initiation. The REIT market was relatively quiet until the late 1980ís. The Tax Reform Act of 1986 had a major impact on the market for REITs; this law enabled them to manage most types of income-producing commercial property. This law combined with the savings and loan crisis of the late 1980s and overbuilding led to a decline in the real estate economy. REITs benefited from this because many private real estate companies could hardly survive, and many investors believed that the market had bottomed out and wanted to get on board before a recover.

3.2.2 THE SIGNIFICANCE OF THE EXPANSION OF J-REIT MARKET

Looking at the history of real-estate deals in Japan, there was a propensity not to consider the “ability to create a lasting and stable cash flow” which was a major feature of real estate as a financial asset, as it was believed that

real estate did not necessarily devalue and was a scarce resource. Hence, commercial real estate was hardly ever traded as a financial asset: commercial real estate continued to be owned even if the owners did not need it anymore; commercial real estate was traded for buying capital gains through development or resale. Due to transaction costs being very high, therefore there is very little opportunity for retail investors to be involved in these trades. Based on the inefficient real estate market, the creating of a huge sum of credit was carried out via land-collateral loans in the late 80s. As a matter of fact, it is believed that the bubble occurred due to the land appraisal methods did not rely on discount cash flow models, but on simple comparisons with the similar properties. Therefore, in the market environment suggested expectations for increases in land prices, over sized financing of land increased the price of surrounding land and enabled the owner of the land to borrow more and as a result, the pace of credit creation accelerated.

However, when the cycle reversed in 1990s and land prices weakened rapidly, hence the quality of bank loans worsened to the point that caused a crisis in the financial system. Moreover, real estate ownership was heavily concentrated among corporations and real-estate developers and there was no system for securitizing real estates. Therefore when the loan problem emerged, it was not so broadly recognized how invasive it was and remained unnoticed for many years to come.

Even though the J-REIT market has not solved all problems, it can be said however that it has a significant impact on:

1) Opening Opportunities to Invest in Real Estate and Expansion of Investor Base

The emergence of J-REIT opened the doors to investment in real estate for retail investors. This meant that J-REIT introduced diversified methods of asset management of individual investors and for domestic financial institutions that were confused over finding reasonable investment choices. Also foreign investors also invest in J-REITs. Many foreign investors and non invested in J-REITs because they thought that the Japanese economic recovery would put upward pressure on real estate values. The total value of the real estate that J-REITs have acquired is about 4 trillion yen. However, after the 2007 Lehman Brothers crisis brought about significant change.

2) Changes in Real Estate Valuation Methods.

J-REIT has influenced significant changes in real estate appraisal methods. As REIT is a financial product backed by operating real estate, its valuation methods are based on cash flow or earning yield. If there is a profuse evaluation this will be adjusted in the market. Moreover, the expected returns which investors look for in the J-REIT market had an effect on the entire real estate investment market as a consequence the appraisal methods for commercial real estate was changed to put greater importance on the cash flow and earnings and yield. So far the dividend yield has been the most important factor determining the price of the

J-REIT investment units.

3) Forming an Institution Real Estate Investment market

A J-REIT is a fund that distributes income gain from portfolio operating real estate under a conservative financial strategy; it is therefore possible to formulate the concept of investment fund which is designed to exit through the J-REIT market. The fund invests in development projects, properties with high rate of vacancy, and sells these assets to the J-REIT after the completion of the constructions, acquisition of tenants, adjustment of rights and obligations. These funds have a relatively high risk therefore the fund raises the capital through a private offering to a small number of investors and therefore setting its debt control high.

4) Reduction of Risk Premium for Real Estate Investment

The capitalization rate in the global commercial real estate market has decreased as the REIT market has increased. It is very hard to scrutinize the capitalization rate in real estate deals as there was no previous condition in which real estate was traded according to investments yields. Therefore, no adequate comparison can be made with its introduction in 2001 and the bubble period. Nevertheless studies, have stated that the gradual expansion of investments choices by investment funds including J-REITs have had a great impact on the capitalization rate of studio apartments and suburban shopping centers, which died out after the capitalization rate of office buildings in large cities decreased.

It is believed that the emergence of J-REIT improved transparency in Japanese Real estate deals, and that the flow of ample money into the real estate funds gradually reduced the risk premium for real estate investments in Japan.

In the past, the price of real estate was mostly determined by expectations of price increase irrelevant to revenue from the real estate. In addition real estate assessment based on income or earning yields was inexistent, traditionally corporation would have many different pieces of real estate for their own use. Due to securitization progressing, discount cash flow and other methods based on incomes are now becoming a mainstream.

Moreover, the capital market now has an influence of real estate market since the introduction of the J-REITs market. Investors in J-REITs require expected earning yields, which include a certain risk premium over other financial assets. The implied capitalization rate is an index that shows one standard of the market participants. The managers of J-REITs recognize the need to assure the earning yield of invested assets in order to distribute dividends according to the expected earning yields in the market. Having said this, it is natural for them to hesitate acquiring real estate at a price which excessively lowers the earning yields.

Investment behaviors of J-REITs, have become key players in the real estate market, having influenced behaviors of private real estate funds and other real estate investors. Therefore, the J-REIT market can prevent price formations from differing excessively from fundamentals and prevent speculation from overheating if the J-REIT market, which is a capital market, exercises healthy market mechanisms.

3.3 LEASING

The leasing of land and houses has a long history in Japan and the operation and the management of leased housing is the root of the real estate business in Japan. It has been reported that influential individuals, facilitators or intermediaries called by a variety of names formed this trade in the Edo Era. Moreover, from around the middle of the Meiji era the trade began to be recognized as a business not just for individuals but on a corporate scale too. In 1921 with the establishment of the Land Lease Law and Building Lease Law, a system of Lease Contracts was established that guaranteed equality between the owner and the tenant.

Office buildings began with the Mitsubishi Ichigokan museum completed in 1894 designed by a British architect Josiah Conder. This was then followed by the building of the red brick Western style buildings at both ends of Babasakimon Dori, and thus the creating of the first Western style business avenue. In 1914, a building full of modern facilities was completed and this building : Mitsubishi Nijyuchigokan, marked the beginning of leasing business.

Although many rented buildings were burnt down during the Second World War, the full-fledged construction of rental buildings took off with the recovery beginning in the 1950s after reclaiming back the buildings and the revision of the Rent Control Act.

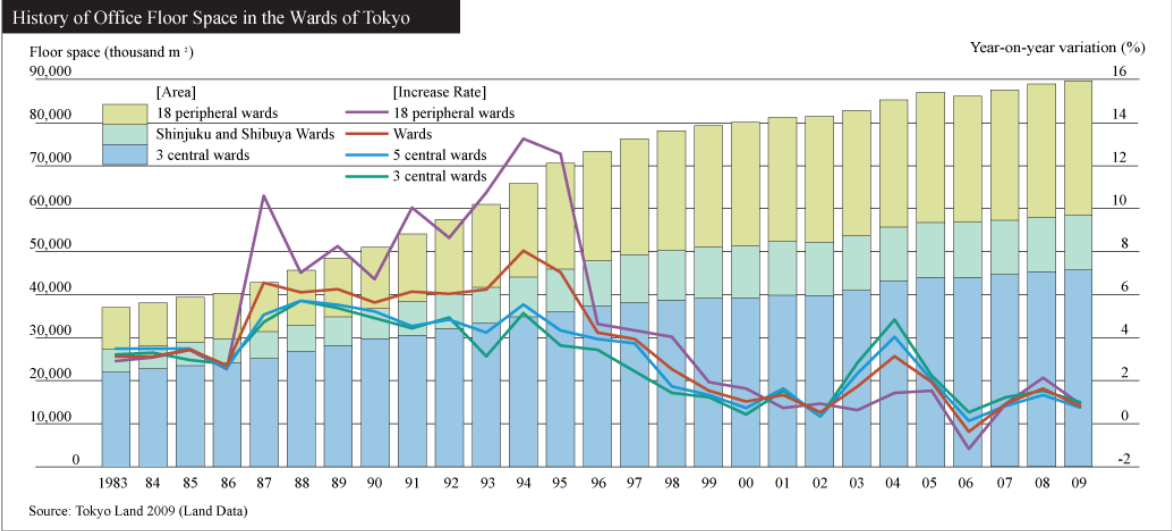
After the burst of the economic bubble, the leasing office building market kept facing severe conditions for a very long period due to the lowered rents stemming from the economic stagnation and an increasing rate of vacancy. However, an improvement tendency was found in newly-built large scale buildings that satisfied new businesses due to their layouts hence creating better rentable space.

3.3.1 Spread of Asset Management and Property Management

The rental housing market boasts an increasing number of high quality stock centering on major metropolitan areas and enjoys the strong support of users.

This support is achieved from the supply of quality properties in the voracious appetite amongst funds centering on J-REITs. Therefore, recently asset management and property management have ingrained themselves centering themselves on buildings and rental housing owned by funds. Property management is a business, which maintains and manages real estate based on a commission received.

This business is divided into two categories. The first includes the creation of management plan, settling of rent levels and the seeking of tenants and completion of rental contracts. The second is the upkeep of real estate facilities as well as the management of the budget and balance of payments. The most important aspect is the integration of both businesses to optimize as much as possible profits realized through real estate.



Fixed Leasehold System

There is presently an extreme lack of large rental housing for families. This is because of the strong protection of living rights that traditionally existed for renters shifting the supply of rental housing to students and newlyweds which have a greater turnover. In response to the change in attitude from a focus on ownership to one of use, the market expects the supply of good rental housing for the family sector. It was based on this expectation that the fixed leasehold system was formed based on the "Special Measures Law for Promoting the Supply of Good Rental Housing" established in 2000. This system terminates the rental (lease) contract simultaneous to the expiration of the period designated in the original contract.

Chart 13_ History of Office Floor Space in the Wards of Tokyo

Asset management represents the formation, management and preservation of real estate and other assets based on commission received, which means controlling the risks and returns. Moreover, in addition to the assessment of the value assets, diversification of investment portfolios and investment targets as well as the settling of investment periods are also very important and required.

These businesses cover a large field of ground. To give an example, asset management that is incorporated within real estate is not only involved in the selection and sale of investment real estate but also in other operations including the setting of rent to determine profitability of real estate and the selection of its tenants.

The rental housing market has shifted from public rental housing provided by public housing corporations to good quality housing provided by the private sector. In particular, the luxury rental housing market has entrenched itself as a strong market in central Tokyo.

We must note however, that from a long-term perspective, the rental market is facing a number of concerns. The major concern is over the decrease of demand for offices due to the fall in worker population and decrease in demand for rental housing due childbirth decline. In addition, already the total number of houses in Japan surpasses the present number of households but an increase in the vacancy rate caused by the successive

provision of new properties has become a growing concern.

While offices, retail facilities and rental housing along with competitive properties with the latest facilities prove popular, older buildings with no competitiveness are suffering from greater vacancy periods and this polarization phenomenon, which is evident in other markets as become obvious. Players in the rental market must develop an ability to flexibly adapt to the market and discern the supply-demand balance by accurately watching the market by monitoring the impact of fewer children, an older population, huge numbers of retirements of baby boomers and other changes in the business environment. The players must hence, create products that can adapt to diversification of needs amongst companies and general consumers. Adaptive measures that have become very significant are remodeling and renovations that rise market competitiveness as a means to raise asset values or conversions to form new markets.

3.4 REAL ESTATE COMPANIES

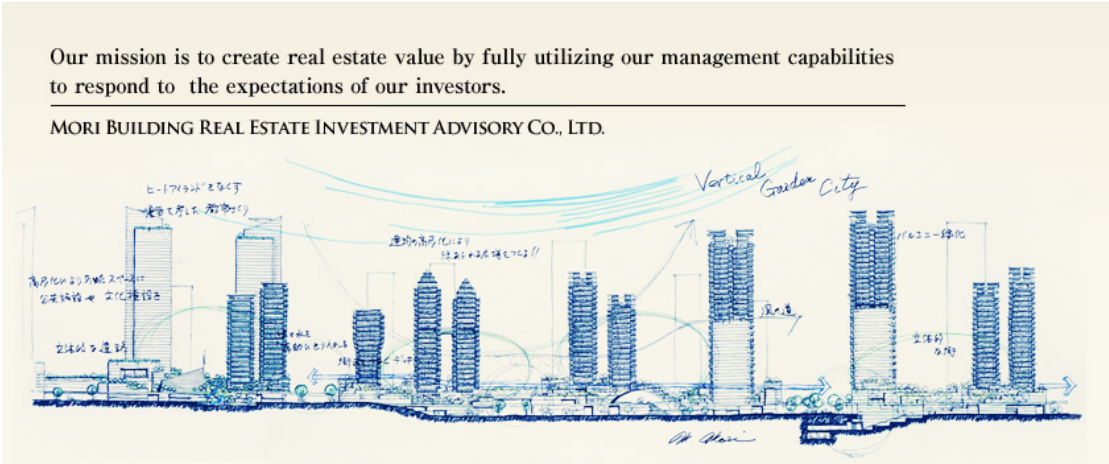


Illustration 6_ Mori Vision

3.4.1 MORI REAL ESTATE

"Someday we will erect new buildings on the charred ruins." Such were the prophetic words of Taikichiro Mori, the father of current Mori Building President Minoru Mori, as he looked over the wasteland that was war-devastated Tokyo.

It started off with one man Taikichiro Mori, one building, and now Minoru Mori the son is the Chairman and is now considered Japan's most powerful and influential building tycoon.

The history of Mori Building began with a relatively insignificant event: the construction of a single building. From that site-by-site approach to development, they evolved into a company capable of carrying out integrated developments. In order to build cities that nurture the future of those who live and work in them, they are not limited by conventional values and standards. Instead, they engage in dialogue, listen to views; consolidate all

these aspects into a plan, and work to make everything come true. Mori Building learns from its history; so, the things we have valued in the past continue as constants as they move into the future.

In 1955, Taikichiro founded Mori Fudosan, the predecessor of Mori Building, and within two years, the new company completed construction of the Nishi Shimbashi 1 Mori Building and the Nishi-Shimbashi 2 Mori Building. A precedent was set at this early time as among the first tenants of these buildings were a number of foreign companies. Soon, Mori Building won a reputation among foreign companies for providing quality office space. The approach taken even then, of inviting the participation of everyone concerned with the development and thoroughly discussing every issue from the outset, continues to be their operational method today.

They have constructed numerous buildings through out the beginning of their venture in 1955.

In the late 1950s, Mori Building made a full-scale entry into the leased office building development market. Concentrating mainly on the Shimbashi-Toranomon district, they constructed many office buildings. As more and more of their fire-resistant buildings rose from the ashes of war, they soon enough shifted their attention to the renewal of the entire area. During this period, all of their buildings were given numbers, rather than names, which gave birth to the nickname, the "Number Building." They were always a market leader. Nishi-Shimbashi 3 Mori Building, for example, drew considerable attention as one of the first leased office buildings to boast both air-conditioning and extensive effective floor space. As demand for office space increased in the 1960s fueled by a period of rapid economic growth, their leasing activities expanded and they began to shift their mind set from individual site development to area developments involving multiple neighbourhoods and roads.

Perhaps the first most influential project by Mori real Estate that changed the vision of real estate was 'LaForet' in Harajuku : conceived to fulfill the dual roles of offering retail space specializing in fashion and event space anchored by the Laforet Museum, Laforet Harajuku opened in 1978 and immediately became the focus of attention as a place to find leading brands, as an incubator for creators, artists and entrepreneurs, as a venue for trend-setting events, and as an originator of very topical advertising. With the recent debut of Omotesando Hills, the Harajuku / Omotesando area has been given yet another fresh injection of vitality and remains Japan's premier home of fashion and style. The trend-setting influence of Laforet Harajuku, which is now commemorating three decades as one of the most recognizable landmarks of the area, also remains undimmed.

Furthermore, Mori contributed to create Japan's first large scale private development ARK HILLS in 1987, which celebrated its 20th birthday in 2006, incorporating office and residential functions with a host of other facilities including a hotel and a concert hall. The concept of a mixed-use, compact city finally came to fruition in 1986, after 17 years of labor, and was the forerunner of all subsequent Hills projects, which are based on the principles of bringing work and residences in closer proximity, promoting the arts, and fostering the coexistence of the city and nature. At the time of completion, many international financial institutions new to Japan located their offices in the office tower, Japan's first "intelligent" building. ARK Hills was soon recognized as Tokyo's premiere

international finance center. Still today, the office tower enjoys a high occupancy rate and remains one of Tokyo's most prestigious addresses. Furthermore, the environment has benefited, as over the past two decades the avenues of cherry trees that form the symbol of ARK Hills, and the seven ARK Gardens have evolved into a vital urban ecosystem.

Mori strongly believes in Urban design and creating future cities in partnership with local resident, by interacting with them and engaging with them in frank dialogue, listening to their views and formulating agree-upon plans. This is the basis of their city planning.

In fact with both Ark Hills and Roppongi Hills, the process took so long 17 years also due to the rewarding partnerships with exciting communities that had been forged. Moreover, they strongly believe that in their city making, they are responsible for the short and long term future of the people who live there. For Mori Building, the completion of a project is just the beginning of their responsibilities.

They have a strong moto, that incorporates all their projects to this day everyday :

"In the creation of cities, Mori Building always pursues three missions: "Safety and Security", "Environment and Greenery", and "Culture and Art". "Safety and Security" The creation of communities that people will seek refuge in, not run away from in times of disaster. "Environment and Greenery" We believe that cities and nature can coexist. "Culture and Art" We build cities that will give birth to new creativity and possibilities."

3.4.1 MORI's AUXILLARY COMPANIES

Moreover, Mori is branched out into diverse and specific categories, it has funds and auxiliaries such as the MORI BUILDING REAL ESTATE INVESTMENT ADVISORY CO. which is a real estate asset management company launched in September 2007 as a wholly-owned subsidiary of Mori Building Co., Ltd.

Mori Building Real Estate Investment Advisory's key mission is to play a role in the "creating of cities" from the standpoint of a real estate asset management company and to provide stable asset management opportunities to domestic and overseas investors through the privately offered funds that we originate.

They also place utmost emphasis on laws and regulations, including the Financial Instruments and Exchange Act, to fulfill their responsibilities in risk management and accountability. At the same time, they strive to maximize investor satisfaction by fully exercising their asset management capabilities.

They use their expertise as a real estate asset management company as further strengthened by the planning and development capabilities accumulated by Mori Building Co., Ltd. through the "creating of cities" over the years. By doing this, they aspire to contribute to the society and economy by "creating value in real estate," "providing continuous and stable funds to real estate" and "enhancing Japan's urban assets" in this city where people have

worked, learned, played and lived over many generations.

Organization framework:

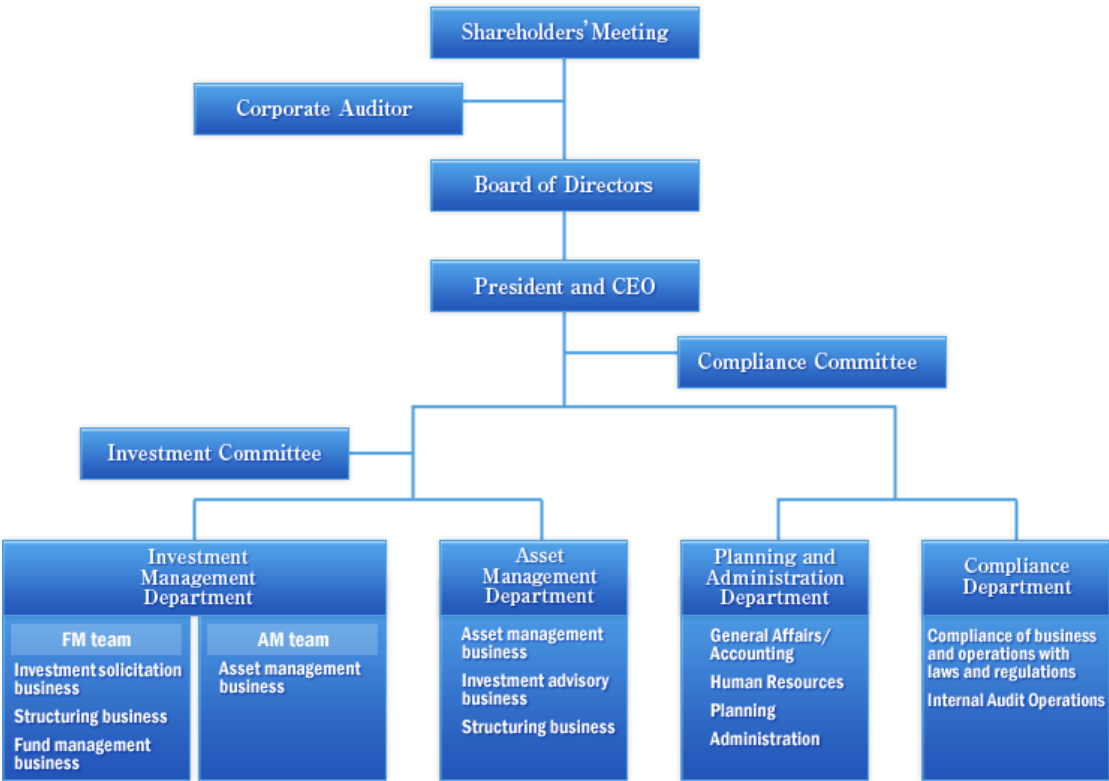


Figure 9_ Organization framework within Mori Advisory
 (Image taken from the website: <http://mori-advisory.com>)

MORI BUSINESS INVESTMENT MANAGEMENT, Mori Building Investment Management Co., Ltd. ("MIM") is an asset management company, which manages real estate investment, trusts (REIT). MIM was established in January 2002 as a group company of Mori Building Co., Ltd.

Currently, due to the impact of the global financial crisis and economic recession, the entire REIT industry faces a challenging environment. However, as the past has shown, there is a definite cycle in business trends and conditions in the real estate market. Therefore, we can expect an upward phase to recur following the end of the current phase. MIM is committed to establishing a new structure, aiming to minimize the impact of the current harsh environment and conducting selective investment and asset management with a long-term perspective in order to benefit MHR (Mori Hill REIT) investors.

MIM is entrusted with asset management by MHR (Mori Hill REIT). MHR invests in high-quality real estate located in excellent locations in central Tokyo, a strategy that is captured in the phrase "Investment in the City." The reason why MHR targets high-quality real estate located in excellent locations of central Tokyo is because it considers that, regardless of the timing, tenant demand and real estate investment demand are strong for such

properties and such properties can maintain high profitability and asset value in the mid to long term.

MIM leverages the comprehensive expertise of the entire Mori Building Group and, they are knowledge in real estate finance business, they mobilize the abilities of all executives and employees and operate business from a wide-ranging perspective in order to carry out the asset management of MHR.

While aiming to maximize the benefit of investors, MIM provides opportunities to invest in exceptional real estate located in central Tokyo.

Organization: framework

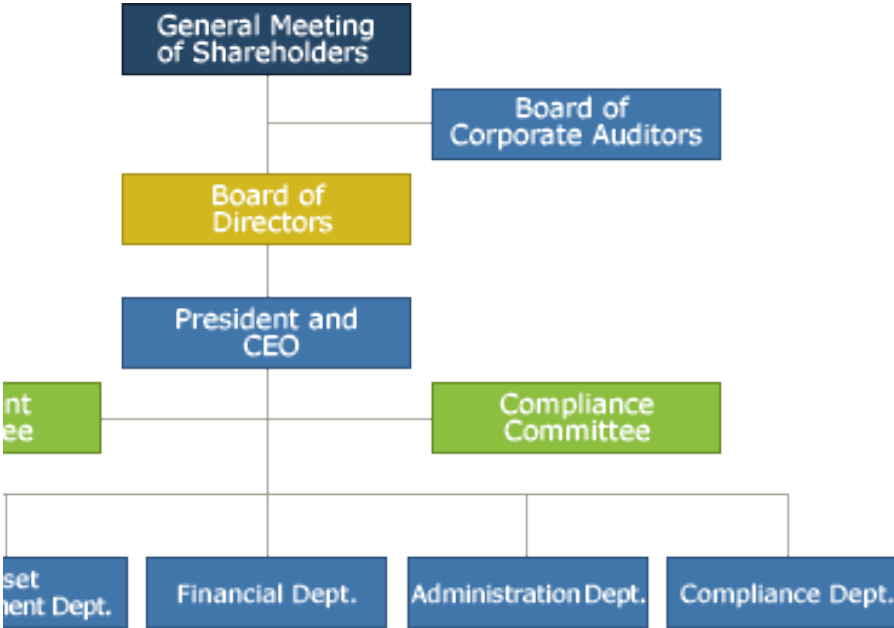


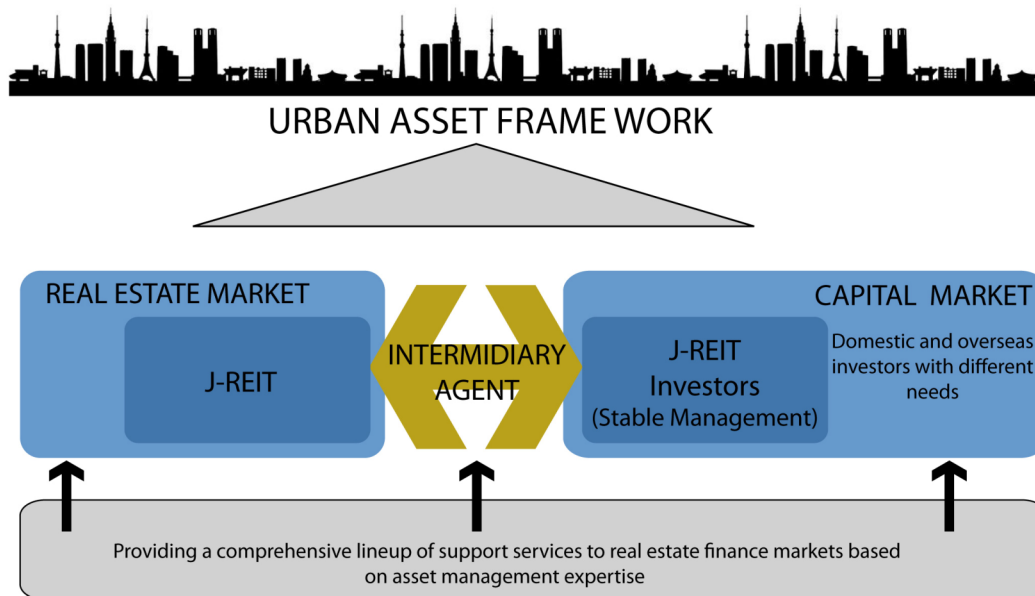
Figure 10_ Mori Business Investment Management Organization framework

Departmental Roles and Responsibilities

Investment Development Department	<ul style="list-style-type: none"> - Acquisition and sales of properties - Formulate and modify investment policies - Formulate and modify financing policies, etc
Asset Management Department	<ul style="list-style-type: none"> - Operation and management of real estate - Formulate and modify investment policies - Evaluation and reporting of property performance, etc
Financial Department	<ul style="list-style-type: none"> - Capital policies and financial strategies - Fund raising, rating, etc
Administration Department	<ul style="list-style-type: none"> - Administration, accounting, personnel of asset manager - Matters regarding dividends - Accounting, taxation, fund management - Disclosure - Investor relations, etc
Compliance Department	<ul style="list-style-type: none"> - Formulate and modify compliance policies, and management of compliance related

- matters
- Risk Management
- Management of claims, complaints
- Internal Auditing, etc

The Business Framework:



Mori Building Investment Management Co. Ltd.

Figure 11_ The Urban Asset Framwork

(All images taken and edited from the website : www.morifund.co.jp)

MORI HILLS REIT INVESTMENT

Another important addition to the Mori Building group are the high-profile properties in the Mori Hills REIT investment portfolio, as well as the REIT itself, carry the name “Hills” – ARK Hills, Atago Green Hills, Motoazabu Hills, Roppongi Hills, Holland Hills and Omotesando Hills.

The common characteristics of these projects are that they were cooperative urban redevelopment efforts involving a large number of property owners. The Mori building Group transformed the urban landscape by incorporating all of the fundamentals of urban life : work, residence, recreation, relaxation, education – into a revitalized and energetic neighbourhood with attractive green spaces and advanced earthquake and disaster-resistant facilities.

Based on these characteristics, MHR believes that its properties will retain their high value, well into the future. Leveraging the comprehensive capabilities of the Mori Building Group, the Company will continue to invest

selectively, in prime locations that match its “Hills” concept. “Investment in the city” will continue to provide a solid foundation for portfolio growth, and allow investors to maximize the value of their investments.



Figure 12_ Strategy_Development & Growth

Mori Hills REIT has two distinct Investment Policies:

1. Construction of an Urban Portfolio centred on Premium properties _ high end market
2. Leveraging the Mori Building Group's Comprehensive Expertise

The first MHR seeks to maintain the exceptional level of quality of its portfolio however aggressively expanding. MHR, has established a high standard for its “Premium Properties” that have to comprise at least 50 % of the portfolio

Premium properties = Located mainly in five central wards of Tokyo + Large Scale + High grade specifications

Focus on Premium Properties	
Premium Properties 50% or more	Office buildings
	Residential
	Retail

Non-premium Properties 50% or less; Office building / Residential

Office building focus
Office building 50% or more

Residential and retail
50% or less

Tokyo central five wards focus
Central five wards of Tokyo and their vicinity 50% or more

Residential and retail
50% or less

Earthquake-resistance
Investment focused on properties' earthquake resistance, the safety of the area, disaster countermeasures, etc.

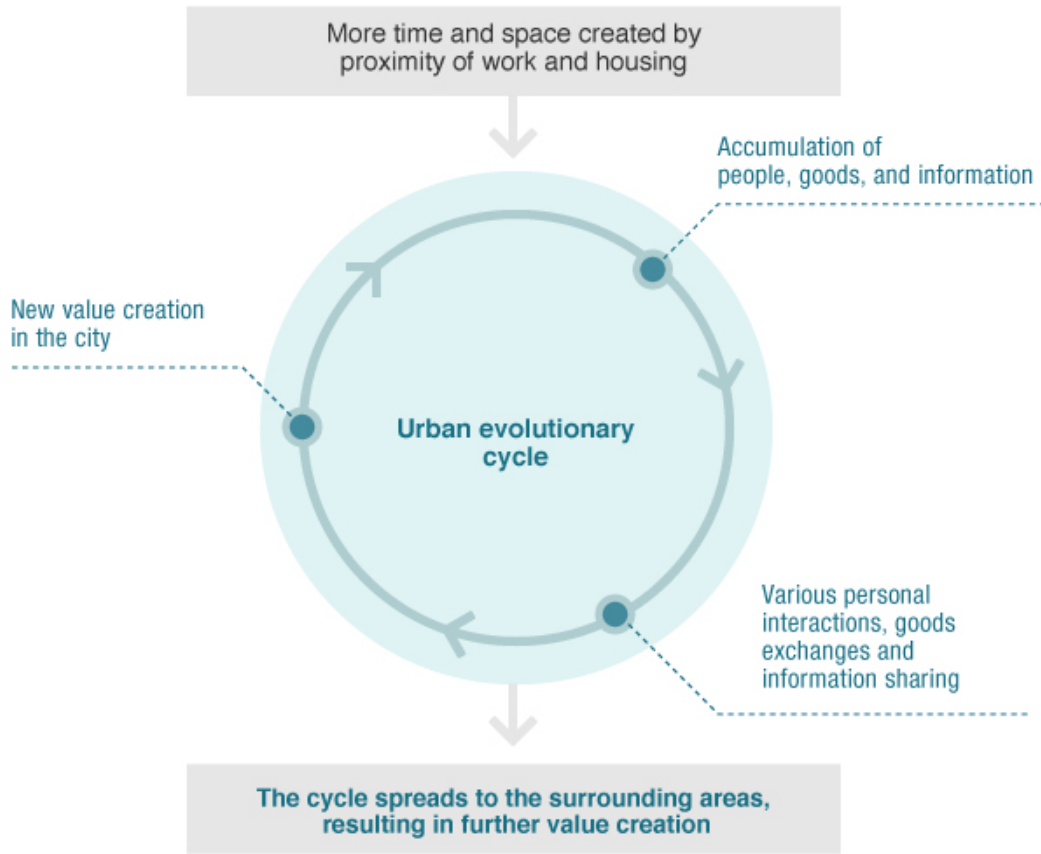
- * Ratios are based on the acquisition price.
- * Tokyo area: Tokyo, Kanagawa, Chiba, Saitama

Premium Properties

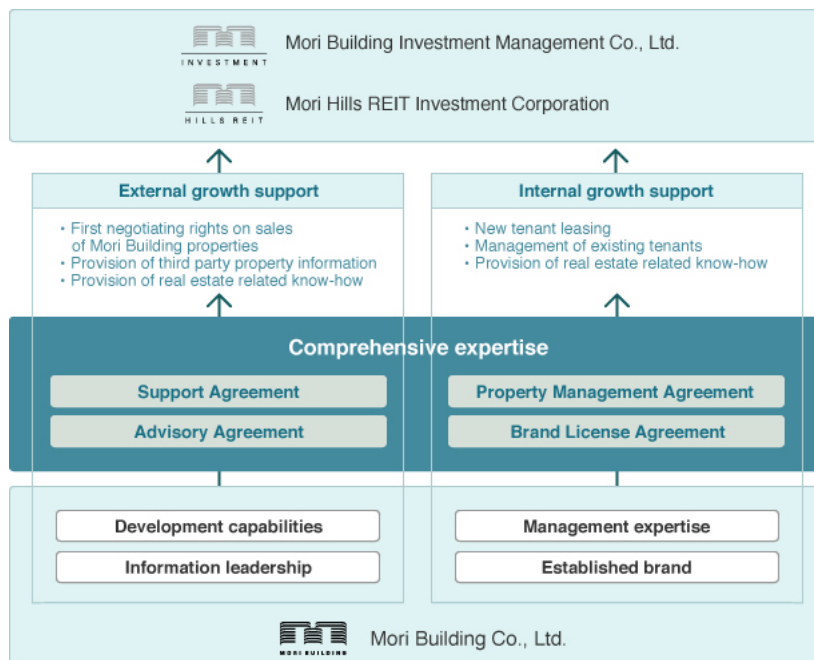
Type	Location	Scale
Office building	Central five wards of Tokyo and their vicinity	Gross floor area of 10,000 m ² or more per-building Standard rentable floor area of 1,000 m ² or more
Residential	Central five wards of Tokyo and their vicinity (primarily in the "three-A" area)	Gross floor area of 2,000 m ² or more
Retail	<Department stores, downtown shopping centers, large specialty stores & retail complexes>	
	Flourishing areas in the central five wards of Tokyo and their vicinity	Gross floor area of 10,000 m ² or more per-building
	<Street front luxury brand shops, etc.>	
	Exclusive, well-known retail destinations	Gross floor area of 1,000 m ² or more per-building

- * Central five wards in Tokyo = Minato-ku, Chiyoda-ku, Shinjyuku-ku, and Shibuya-ku
- * 'Three-A' area: Akasaka/Roppongi areas, Aoyama/Harajyuku areas, and Azabu/Hiroo areas

Whereas for the development of mixed use they believe that diverse urban functions produce an "urban evolutionary cycle" creating a new value in the city.



The second Investment policy is complying with Mori Building Group’s comprehensive Expertise. Mori Hills REIT aims to realise investment in “cities” and enhancement of asset value, The core of the company’s growth strategy is the proactive and maximum utilization of the real estate related know-how that the Mori Building Group has cultivated through property development, large-scale redevelopment, and property management operations.



Support Agreement

- a. First negotiating rights on sales of Mori Building properties
- b. Provision of third party property information
- c. Other necessary support such as staffing

Advisory Agreement

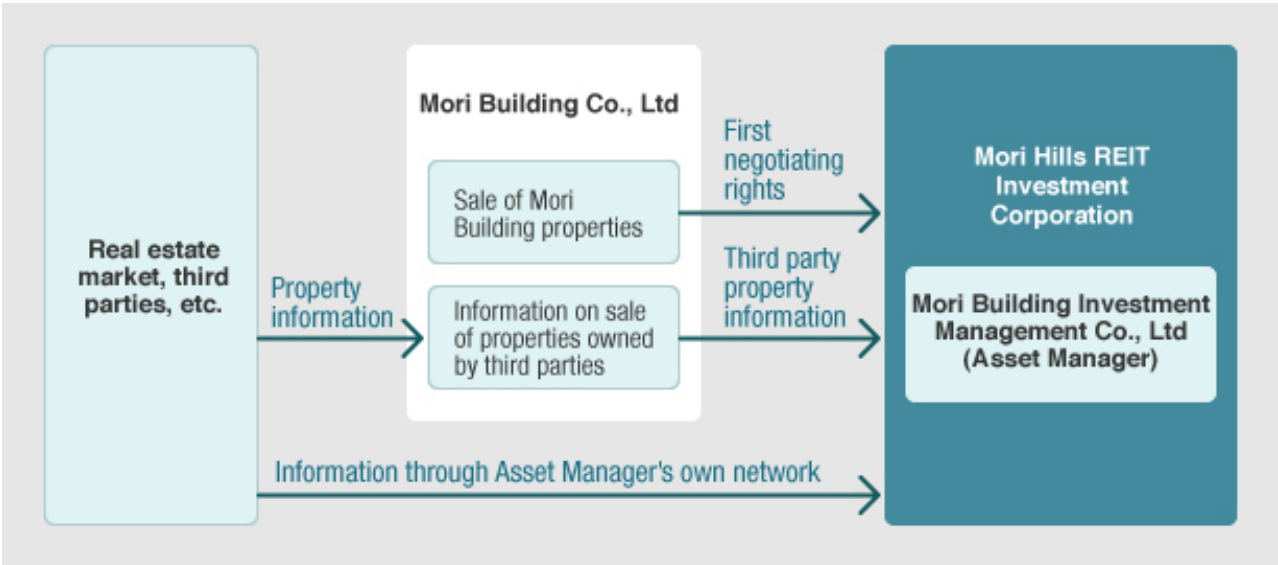
- a. Provision of research-related functions
- b. Provision of advisory and auxiliary functions concerning property acquisition and asset management

Property Management Agreement

Leverage Mori Building Co., Ltd.'s PM capabilities

Brand License Agreement

Leverage Mori Building Co., Ltd.'s brand power and support functions



Mori Hills REIT issues investment units and corporate bonds or borrows funds to ensure medium-to long-term stable earnings and steady growth in operating assets. These financing activities are conducted in accordance with the means and methods judged to be the most suitable, taking into consideration various points such as the mobility of the financing activities as well as the stability of fund management and the improvement of earnings. The funds raised through these means are allocated to the acquisition of assets, renovations, working capital needed for the operation of MHR, the payment of distributions and the repayment of debt (including the refund of security deposits and guarantee money, the repayment of borrowings and liabilities incurred from corporate

bonds and other purposes). However, the use and purpose of funds procured through issuance of short-term corporate bonds are limited to the scope stipulated by laws and regulations.

Capitalization and its major Unit holders:

(as of January 31, 2012)

Total equity	JPY 102,010,939,410
Authorized number of units	2,000,000 units
Units issued and outstanding	231,520 units

Date	Amount Issued (yen)	Total Equity (yen)	Number of Units Issued	Total Units Issued and Outstanding
February 2, 2006 (1)	100,000,000	100,000,000	200	200
March 20, 2006 (2)	12,385,000,000	12,485,000,000	24,770	24,970
April 13, 2006 (3)	30,941,000,000	43,426,000,000	61,882	86,852
July 31, 2006 (4)	4,239,856,270	47,665,856,270	8,398	95,250
November 29, 2006 (5)	25,005,562,500	72,671,418,770	34,550	129,800
September 29, 2008 (6)	14,700,000,000	87,371,418,770	29,400	159,200
March 23, 2010 (7)	13,562,609,000	100,934,027,770	67,000	226,200
April 23, 2010 (8)	1,076,911,640	102,010,939,410	5,320	231,520

(1) MHR was incorporated on February 2, 2006. The subscriber upon incorporation was Mori Building Co., Ltd.

(2) MHR issued 24,770 additional shares/units for 500,000 yen per share/unit on March 20, 2006. The subscriber for this additional issue was Mori Building Co., Ltd.

(3) MHR issued 61,882 additional shares for 500,000 yen per share on April 13, 2006. The subscriber for this additional issue was Forest Urban Fund Inc.

(4) MHR issued 8,398 additional shares for 504,865 yen per share on July 31, 2006. The subscriber for this additional issue was Mori Building Co., Ltd.

(5) MHR issued 34,550 additional shares for 723,750 yen per share on November 29, 2006 as its Initial Public Offering.

(6) MHR issued 29,400 additional shares for 500,000 yen per share on September 29, 2008. The subscriber for this additional issue was Mori Building Co., Ltd.

(7) MHR issued 67,000 additional shares for 202,427 yen per share for March 23, 2010 as its Public Offering.

(8) MHR issued 5,320 additional shares for 202,427 yen per share on April 23, 2010. The subscriber for this additional issue was Mizuho Securities Co., Ltd.

Unit holders ownership categories

(as of January 31, 2012)

Type of Unitholder	Unitholders		Investment units	
	# of Unitholders	Share(%)	# of Units	Share(%)
Individuals	10,604	96.4	43,571	18.8
Financial institutions (incl. securities companies)	83	0.8	102,487	44.3
Other domestic corporations	195	1.8	60,013	25.9
Foreign corporations and individuals	113	1.0	25,449	11.0
Total	10,995	100	231,520	100

Number of Investment Units

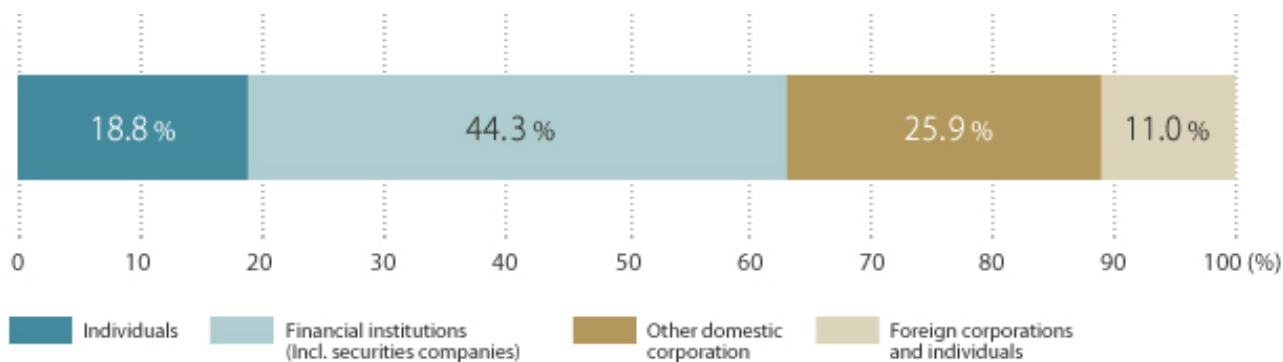


Chart 14_ Number of Investment Units

Number of Unitholders

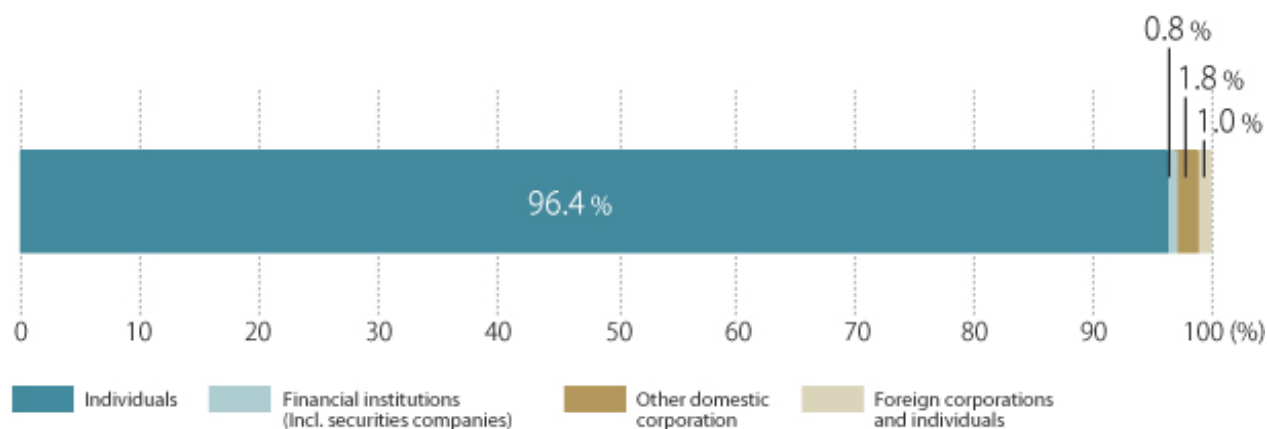


Chart 15_ Number of Unit Holders

All of this data was taken from www.mori-hills-reit.co.jp/en/finance/index1_4.html

Main unitholders _ “Share” refers to the ratio of the total number of investment units issued to investment units held, rounded up to one digit below decimal point.

Name	# of Units Held	Share% (Note)
Mori Building Co., Ltd.	48,918	21.1
Japan Trustee Service Bank (Trust account)	30,277	13.1
The Nomura Trust & Banking (Trust account)	16,424	7.1
Trust & Custody Service Bank of Japan, Ltd. (Securities investment trust account)	14,532	6.3
The Master Trust Bank of Japan, Ltd. (Trust account)	11,109	4.8
The Fuji Fire and Marine Insurance Co., Ltd.	8,213	3.5
JP Morgan Chase Bank 385174	6,240	2.7
Nomura Bank (Luxembourg) S.A.	3,690	1.6
Shikoku Railway Company	3,324	1.4
Trust & Custody Service Bank of Japan, Ltd. (Taxable money trust account)	3,214	1.4
Top 10 unitholders total	145,941	63.0

Via all these means and different branched out auxiliary companies, Mori can successfully develop well structured developments and create ideal cities.

The 21st century brought an increased centralization of people, money and information to attractive cities, leading to increased competition, with cities exerting a growing influence on national economies. While carefully fostering indigenous cultures and identities, Mori Building maintains a global perspective.

While determined to counter possible disasters, they consider the environment and empower sustainable growth. They not only examine urban infrastructure from the perspective of efficiency, but also on behalf of the people who rely on it. Furthermore, they pay strong attention to esthetics through design and landscaping.

Mori creates vibrant cities for present and future generations.

“From a grand design of the future, our creation of cities begins today.” Mori moto

By looking at the data in the following page we can conclude by saying that Mori, specializes in Premium properties, therefore high standard and top market, mostly in the Minato-ku area district, in Milano it would be considered the city center., mostly office spaces, average 30,000 sq meters or more whereas its building age is ranges between building of 10-15 years or more.

Summary of Mori Portfolio

(as of January 31, 2012)

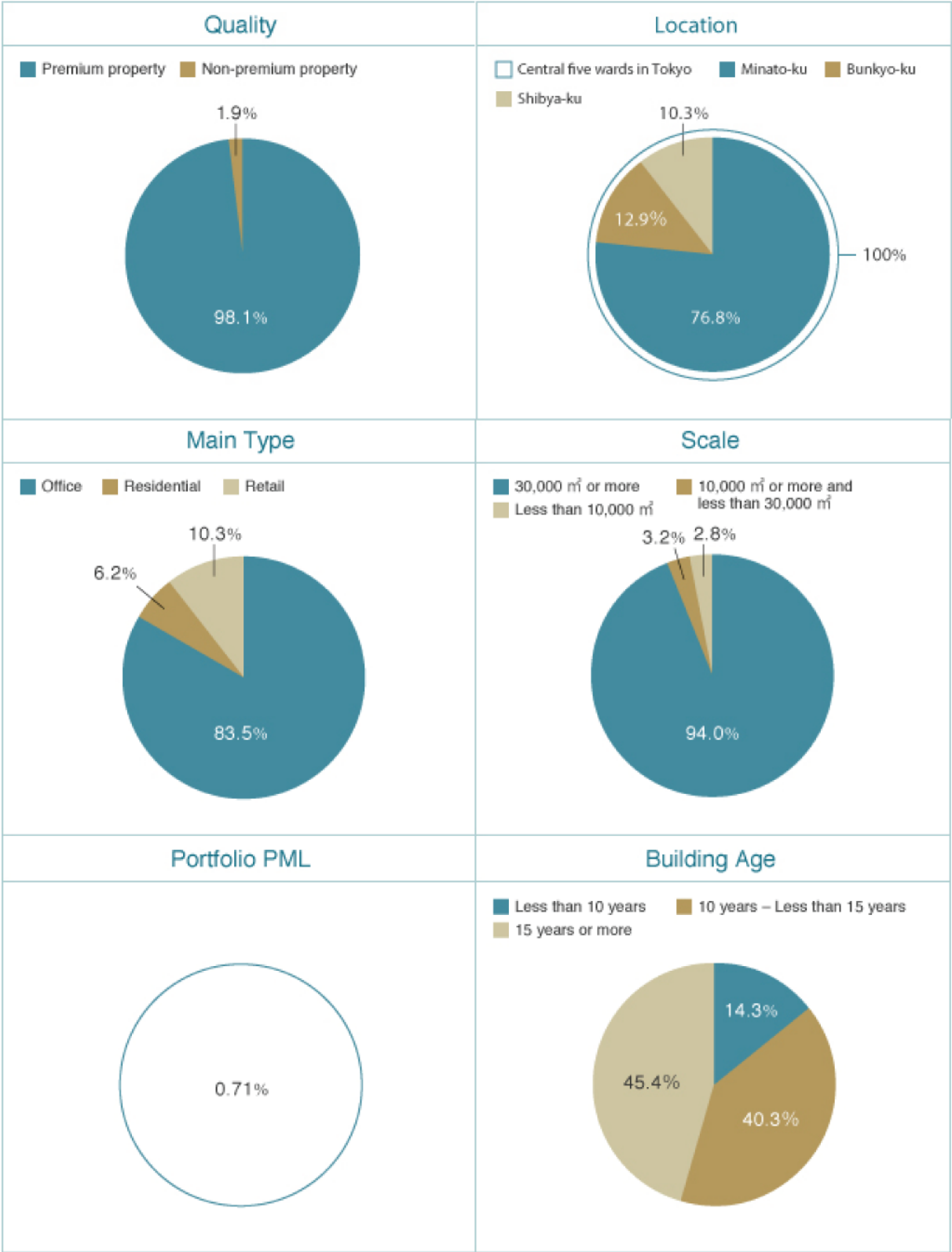


Chart 16_ Summary of Mori Portfolio

3.5 MITSUI FUDOSAN

Mitsui Fudosan is Mori's biggest rival. Eventhough, Fudosan dates back to as early as 1673 when Takatoshi Mitsui, opened the first clothes store Echigo-ya in Nihonbashi



4. CHAPTER FOUR TOKYO

A city, that is familiar to be not familiar.

The Japanese word for roof is 'yane', which is formed by two characters: 'Ya' meaning home and Ne meaning roots.

This instantly makes you question whether in Asia, perhaps the roof is the root of the house/home. Thus the origin of the built up space is not to be found in the foundation but in its roof.

Toyo Ito, cited that men from different times would have been led through a current of nature in continuous change, creating a temporary architectural type.

In an interview, posed by three Italian architects living and working in Tokyo, to Toyo Ito, in one of the questions posed the Japanese architect responded that he does not feel any burden if his projects are to be demolished after 10 or 20 years of them being built. In the contrary he continues by stating that now in addition to the nature of current we have an even more dynamic current that is that of the city.

Tokyo is a prior example of this, an organism that was neither able to acquire any precedent dogma, nor a clear solid urban and architectural plan. Context, to whom Europeans feel is the fundamental base for our cities, is opposed to that of oriental ones.

In addition, Tokyo has 30 percent of its built environment either demolished, rebuilt or transformed every year; context has a very different meaning to that in Europe.

Toyo Ito, in his interview states that in the Japanese game Go, every time you move the checker a new

equilibrium is added to the scheme of the game. This is what happens partially in Tokyo: its context changes at a rapid rate which does not allow a solid base to create an architecture that has not already been recognised as transitional rather than permanent. Therefore, looking to find the roots of space in the roof, and not in the foundations can start to make sense; architecture made of steel and glazing, yet with Buddhist timing.

Moreover, Tokyo, is a city which does not seem to get tired of auto-eliminating and auto-regenerating itself over and over again.

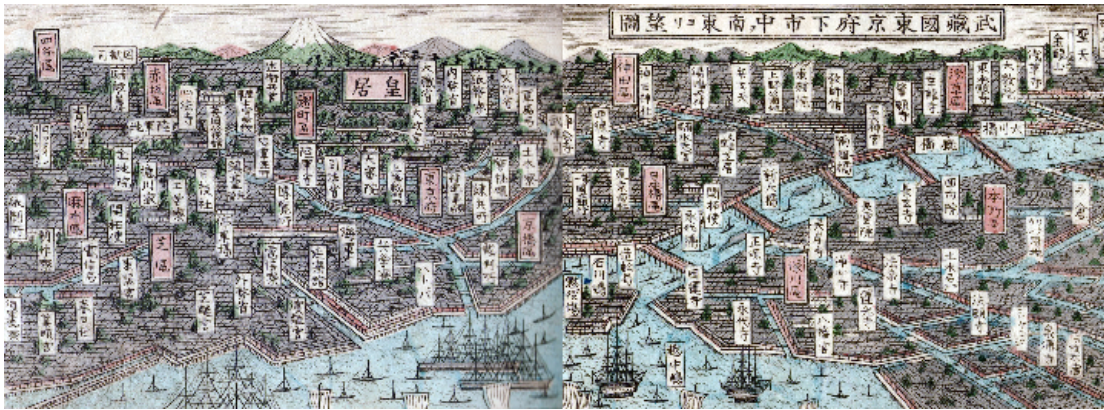
Moreover, for us Western to understand the meaning of “city” for the Japanese, we must note that the word used to translate “city” shows that it is a term formed to describe a new concept that entered the country from outside and is not integral to their cultural identity. Re-looking at the word *Toshi* stated in the introduction was a word formed during the Meiji Restoration period, and was created using the kanji of capital city (*miyako*) and market place (*ichi*). A city was thus described as both a big city and a market place. Though many European cities did indeed develop out of market places, in Japan, this was rare. Most cities came into existence as *jōkamachi*, literally the “*machi* beneath the fortress, neighborhood beneath the fortress” In contrast to European cities where the whole urban area was surrounded by a fortress; in Japan only the actual castle was surrounded by walls. Other Japanese cities came into existence as post stations (*shukuba*), places that offered accommodation for travelers along the old highway system, or as temple towns (*teramachi*). Japanese cities thus developed from different types of towns, many of which combined several functions. In each case, the notion of *machi* (*neighbourhood*) was present.

Abstract and functional differences between European and Japanese cities can be seen even more clearly by comparing the ideas behind capital cities. The kanji for *miyako*, used to write *toshi*, the Japanese word for city, can be understood as meaning a capital city, but in Japan it was traditionally used only for Kyōto. *Miyako* did not apply to regional or specialized centers in the same way as the word “capital” did in Europe. A literal translation of the English word “capital” is *shuto* or “head city.” While this term has been used repeatedly in recent years in the context of a possible transfer of government institutions to a new capital city site, it is usually not applied to other forms of capital cities. Instead, regional or prefectural capitals are referred to as the “seat of prefectural government” (*kenchō shozaiichi*) while regional cities are called *chihō toshi*. These terms do not carry the same symbolic meaning as the notion of a “capital city” in Europe.

Moreover, the pride that people take in being “Tokyoites” seems to be much less apparent than that taken by people in being, for example, “Parisians” or “Londoners”. To find places that people use for terms of their identity, we have to look at particular sections of the metropolis, at urban localities such as Shibuya, a place of young fashion, Shinjuku, the business and entertainment district, or Ginza, the elegant shopping district. These places, which represent only parts of a city, are more common references than is the city of Tokyo itself.

We can perhaps compare this to the importance of cities in Italy. In Italy due to its young history as a united country only 150 years, the pride of an Italian does not stand necessarily to its capital city, but the capital city of

its region.



4.1 HISTORY OF EDO

Tokyo was originally known as Edo, meaning “estuary” (bay entrance). Its name was further changed to Tokyo in 1868 when it became the imperial capital, literally meaning Eastern Capital. During the early Meiji period, the city was called “Tokei”, and alternative pronunciation for the same Chinese characters representing “Tokyo”.

Tokyo consists of 23 central “special wards” and many suburban cities. About 12 million people live within the 23 wards, (10 percent of Japan’s population) and within the Tokyo prefecture’s boundaries, and a mere 35 million in the Greater Tokyo Area. Which include prefectures such as Chiba, making Tokyo the most populated metropolitan area. Tokyo is still considered in 2011 one of the wealthiest and most expensive cities in the world.

It had been virtually impossible at the beginning to construct tall buildings that could withstand the tremendous structural strain generated by earthquakes a major concern for the city of Tokyo as it lies on 19 active fault lines. In fact the developers who had set to rebuild and re-plan the city after its destruction during World War II hesitated to invest in large and expensive structures. Hence, due to these factors, and due to the general mentality and preferences for single family –family one or two storey homes, prefabricated and inexpensive buildings populated the Tokyo urban landscape; automatically spreading the cities surface area. This in turn led to a segregation of various industries across Tokyo and the gradual departure of private residents from central



Kanto Earthquake 1923



World War II bombing

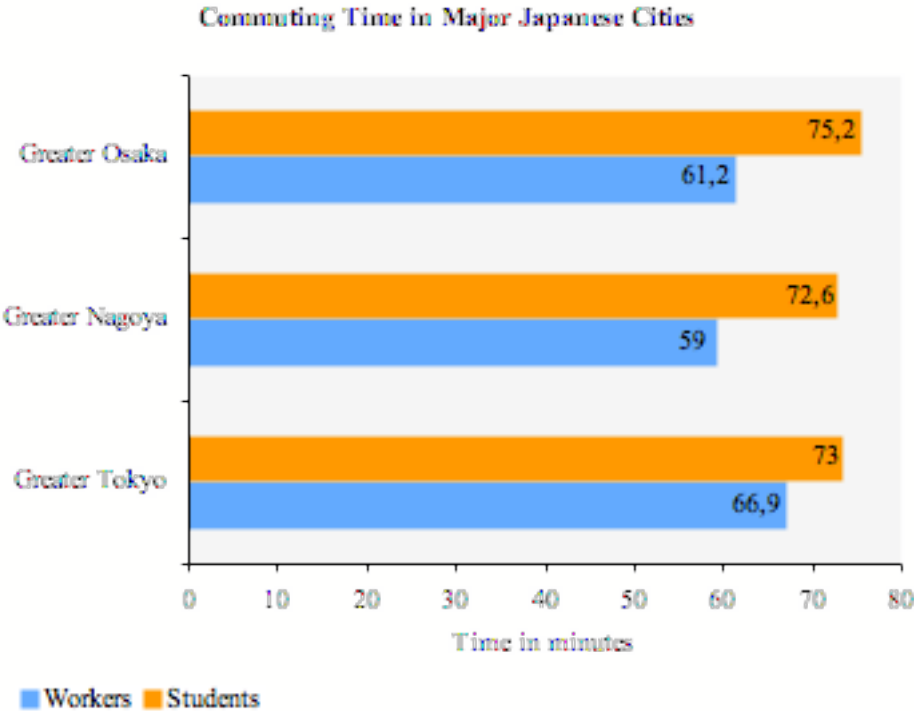
Tokyo, where real estate became extremely limited and expensive.

We must note that Tokyo suffered from a very acute “doughnut phenomenon”: the difference between central Tokyo’s all time population and its daytime population was 18% in 2003 (by comparison, it was 73% in Paris and 44% in NewYork) The average Tokyoite working within the four central wards, was found to commute daily up to 2 hours and 20 minutes.

Major cities	Commuting time in minutes	
	Workers	Students
Greater Tokyo	66.9	73.0
Greater Nagoya	59.0	72.6
Greater Osaka	61.2	75.2

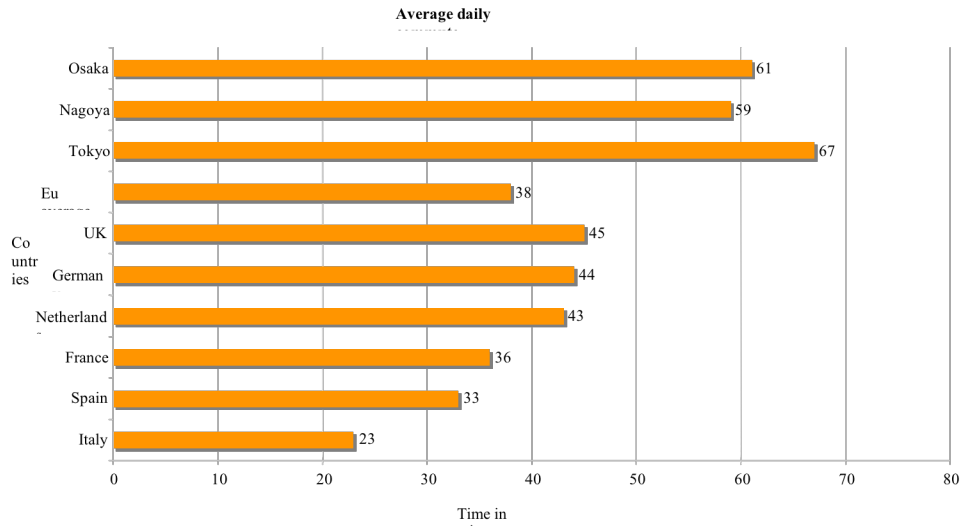
Note: One-way commuting time.

Source: Ministry of Land, Infrastructure and Transport, Daitoshi kotsu census (Major Cities Traffic Census), 2000



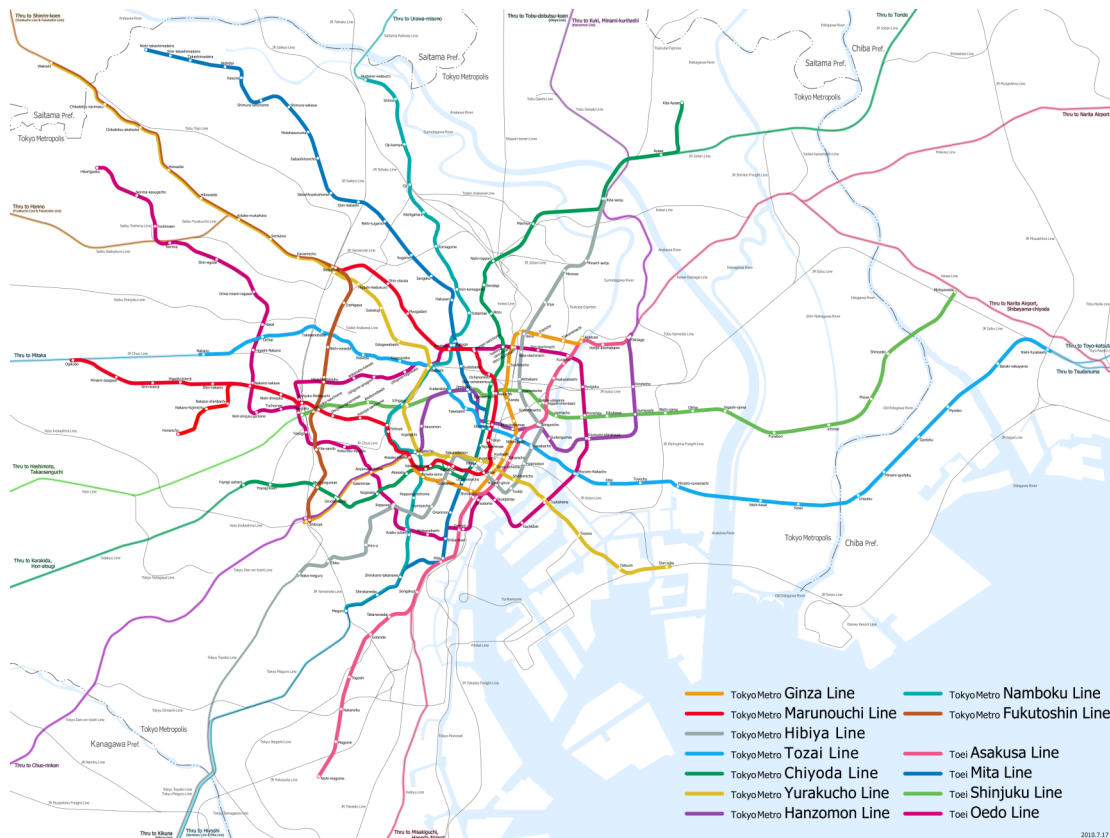
In Europe on the other hand the average daily commute 38 minutes.

Italy: 23 minutes Spain: 33 minutes France: 36 minutes EU average: 38 minutes Netherlands: 43 minutes Germany: 44 minutes UK: 45 minutes (Source: BBC News: July 2003 <http://news.bbc.co.uk/2/>)



hi/u□)

Since the mid 1990's a boom of inner-city construction activity has occurred regardless of the slow economic growth and the stable population. During this period in particular, due to the collapse of 1991 of the speculative bubble of the 1980's land prices halved its value. This decline continued at least till 2005, when land prices finally took a toll upwards. While, in other respective countries, the same investment bubble had been generated nevertheless the post-bubble deflation were all resolved by the mid 1990's; in Japan due to the heavy and strong controls, although no less painful took longer to amend.



(This is the metro map of Tokyo to this day, as you can see the urban sprawl of the 70s and 80s made the Tokyo ring increase)

This had become a particular problem, because with the boom of the 80's the land prices were so high that only offices and commercial uses could be built in the central areas, with the declines in land prices residential units have once again become more affordable to a significant segment of the population, within the inner city. Developers such as Mori and Fudosan responded to these new price conditions quickly and massively. Another important factor, that has affected the construction activity in Japan, has also been the continuous demand for better housing units, due as stated before to the augmenting and high land prices. Most new housing units in the 80's were built in the distant suburban areas, therefore making commuting times even longer, especially in a city as Tokyo which now has over 35 million people in the functional urban area, that unfortunately due to the centralized employment pattern is increasing. Another steady occurrence with the declining inner area population was the result of loss of vitality, especially at night and in the weekends, but most importantly the decline of shopping areas and the increase in crime.

As in most countries now, the phenomenon is to move back towards the city centre, differing to the 1970's and 80's urban sprawl, where housing units were larger and more affordable. After many years of decentralization in Japanese cities, now inner-city locations, near employment areas, retail and services are seen as the more preferred desirable residential locations.

This shift, to increase housing construction towards the inner areas is a noticeable trend within the central wards of Tokyo, due to the developed policies to encourage housing construction in the 90's- In the effort to reduce the decline in population within the centre of Tokyo, several wards introduced local ordinances for "housing linkage programs" (Jutaku fuchi gimu) , whereby incentives were granted to build housing a top of new office spaces of the large development built in the 80's, moreover the Tokyo Metropolitan Government enlarged the total Floor Area Ratio (FAR) bonus for the Plaza bonus developments (Sogo sekkei) for residential use several times during 1983. Furthermore, the "District plan to Promote Residential Use Development" (Yoto betusu yoseki gata chiku keikaku) that permits a larger FAR (floor area ratio, up to 150 times percent of its normal limit) for housing allocation within the ward that was introduced by the revision of the Building Standards law in 1990. Perhaps the most significant factor contributing to both the boom of the inner city residential construction and the conflicts that arose because of it, have been revisions to the planning system by the central government. The Japanese central government has been predominantly active in producing regulatory incentives to increase the construction and the density within the inner city, to augment the economic boost. There deregulations were sought to increase the profitability of urban redevelopments to aid the financial remedy of major property-industry firms and their main leaders, the city banks under monstrous bad loans left over from the bubble period, and have been a massive burden on the recovery of the Japanese economy since the early 1990's .

There are two different types of deregulations that have helped in promoting the growth in inner city areas:

Numerous changes to the building standards by increasing the FAR (Floor Area Ratio)

Special Regeneration act of 2002.

4.1.1 HOW DID THIS AFFECT THE GROWTH

Although they are both quite different in many distinct ways, there are two main aspects they share: they both allow much larger buildings to be built on smaller sites than would have been allowed under earlier regulations, more over they are national laws, hence no local government can prevent any implementation or negotiation. This is extremely significant, as in Japan most buildings are-of-right and therefore, legally buildings permits cannot be refused if the project proposed adheres to zoning and building standards rules. Increasing attempts have been adopted in the last 20 to 30 years to weaken the Building Standards law. Four major measures were passed during the 1990's that allowed much larger buildings built than before.

1. 1992 – there was a change in the regulations for calculating the Floor area ratio in residential buildings, for the first time basements were excluded in the calculation of the floor area. This could seem absurd elsewhere but fair in Japan, as very few houses have basements, due to the country being exposed to earthquakes frequently and moreover if they have them, there are often cramped and tiny, due to the lack of space. This regulation at the beginning was only intended for a one family home but when the law passed multi-family housing as well. However, due to the regulation being very indefinite in clarifying the “ground level”, in hilly areas, developers exploited this new ambiguity to create very large six to eight story tall apartment blocks that had up to 6 floors below the “ground level” at street view.

2. 1996 – a second measure was appended: corridors, lobbies, elevator shafts and all “common spaces” were exempted from the calculation of the total floor space, therefore automatically allowing much taller buildings.

3. To increase construction within the inner cities other measures were loosened too. The most significant was allowing the relaxation of the road setback regulation. From 20-30 first established in 1987, to a mere 15 meters, therefore residents were now living in taller buildings with narrower streets.

4. Another major change was introduced in the Plaza Bonus system in 2002, it changed from being a discretionary system that had to be confirmed and approved by the local building standards to an as-of-right system.

5. In April 2002, a new law was put forward: Special Urban Renaissance Law by the Koizumi government. The act established an urban regeneration office within the Prime Ministers office, with the authority to designate Urban Renaissance Areas, in which landowners, within those assigned areas, they have the right to change the official plans including the regulations. Therefore, allowing the landowners to be free to move as they prefer, hence allowing much greater FAR for the developments within the area. The approval or refusal of the project must be confirmed within six months of the application, by the Planning committee. In Tokyo the Planning Committee is known as the Tokyo Metropolitan. It is ironic to say the least, that the main advocates of these measures have been the largest property development companies, as MORI, and FUDOSAN that have argued

that having simplified planning procedures are essential if Tokyo wants to remain within the competitive global property market as Shanghai and Hong Kong. The main opponents of the deregulations have been the local governments and the local communities which have seen a gradual weakening of the local legal powers to regulate the inner city redevelopments, these abrupt changes to the building standards and the Urban Renaissance Policies, both have deliberately overruled any local planning process by changing national law in the former case, and by allowing as-of-right FAR bonuses for developments within the designated Urban Renaissance Areas. The major issue, is when important developers as Mori or Fudosan propose their design for a building permit, the local governments have no discretion or say, and have no other choice but to comply. Without a doubt this allows for shorter bureaucratic practices and faster and simpler approval, in addition sidestepping any local resident resistance or protest, and any extended processes of public consultation often demanded by the local government. This short cut has been put forth to provide fast growing high-rise developments within the low rise areas of inner Tokyo, providing cheaping housing and office space to allow Tokyo to compete with other world class cities, hence restoring land development companies to profitability.

4.1.2 FOURTH GENERATION HOUSING

Residential sections of Tokyo were primarily developed as single detached houses. In the 1920s suburban housing developments begun, the houses were part of a lineage that corresponds to the so called “modern family” and in 2010 marked their 90th anniversary. We must note that the life expectancy of a Japanese house is very brief compared to say England or Italy, only a mere 26 years. Simple arithmetic suggests that many of them have been rebuilt at least twice. This 90 year period in Japanese society has brought and seen dramatic changes through its building technologies, materials, legal frameworks, economics and the changing structure of the family have also seen important changes. But how much of these changes affected these last 90 years?

At the moment in Tokyo there is an apparent random mixture of houses that range from first to third generation. A landscape in which multiple generations of houses are combined indicates automatically important changes in the social backdrop. Therefore we can confirm, that when most people first describe Tokyo using the adjective “chaotic” it can be said to be due to this intrinsic cycle of 26 years and the repeated occurrence of metabolism.

The form of Tokyo today, is quite different to the Tokyo that had been envisaged in the 1960s by the Metabolist movement. The model that was created in the 60s presented a permanent core with variable capsules in a city that was constructed by a concentration of capital and authority. However, the metabolism that we are concerned with today, constantly maintains and replaces a gap (a void) through the initiative of each individual house owner, the capital and authority at work in the urban space is evenly dispersed, and Tokyo can be seen as an urban landscape of democracy. Moreover, it is interesting to note that there is almost no tax revenue required to maintain this residential environment, and therefore is very sustainable.

In Europe the lifespan of a house is on average around 100 years if not longer. This cycle is similar to the infrastructure that underlies its city. In contrast, commercial facilities and fashion have a much shorter cycle (in some cases six months stretching to a maximum of five years) an ephemeral cycle. In Europe the city can be viewed in terms of a bipolar structure of unchanging social foundation, including houses and short-term urban phenomena, which unfold within. Any attempt to adapt the urban principles of Tokyo, which give rise to these phenomena (the short cycle of housing, activities folded within the urban framework) and force them to be fit in a European model is utter nonsense. Rather, its best to consider Tokyo as an excellent urban model that ranks with the Paris of Haussmann of the 19th Century, and New York of the early 20th Century. Above all, through its in-built cycle of housing renovations, the personification of the changing city is one of Tokyo’s distinctive and fascinating characteristics.

One of the major problems of Tokyo, regarding urban space is that individual structures have simply amassed in a quantitative manner. Unfortunately, unlike the historical cities of Italy, there is neither a concentration of structures representing a specific architectural type in Tokyo, nor is there an organic relationship to the urban

form that has taken shape. This can be said, due to the earthquakes, war damage, the use of wood for building hence easily burnt down, and the rapid economic growth which have destroyed the older layers of the city, moreover that modern Tokyo is in fact still in its infancy. As the city has become so vast, no one is entirely sure where it ends anymore, and it is nearly impossible to determine what sort of effect individual architectural speculation has on the city as a whole. Therefore it is necessary to extract a limited area from the seemingly endless urban fabric of Tokyo and using this as an intermediate unit, and investigating the influence each structure has on the others.

The 21st Tokyo has been hit with a reoccurring phenomena it's residential areas. Specific changes in urban forms have been noticed, such as areas where ten story fire resistant buildings which make part of a distinguished fire-belt combine with a village-like area of two storey dwellings in a pastry-like "crust and filling" type of relationship the so called "urban village": it's the areas in which the border between public and private are distorted due to commercial activity reigns over, places such as Harajuku in Tokyo is a prior example, which was born as a residential area, and now is thriving with people, and shops ("Commersidence"); and first generation suburbs as Okusawa, (developed during the 20s) now perfectly integrated within the capital city, that have been surrounded by expanding urbanisation, and due to the demographic changes and the inheritance taxes and the real-estate investemtns are being subdivided and growing increasingly crowded ("Subdivurban"). These patterns are transitional units that emerge within the temporal condition of renovating and changing the pre-existing houses grain by grain. When one looks at the clusters of structures within these intermediate spaces one can notice a certain set of behaviours in the houses, which seem to be highly individual and lack any sense of unity.

Three distinct invented words make up the capital city of Tokyo: "Urban Village", "Commersidence" and "Subdivurban".

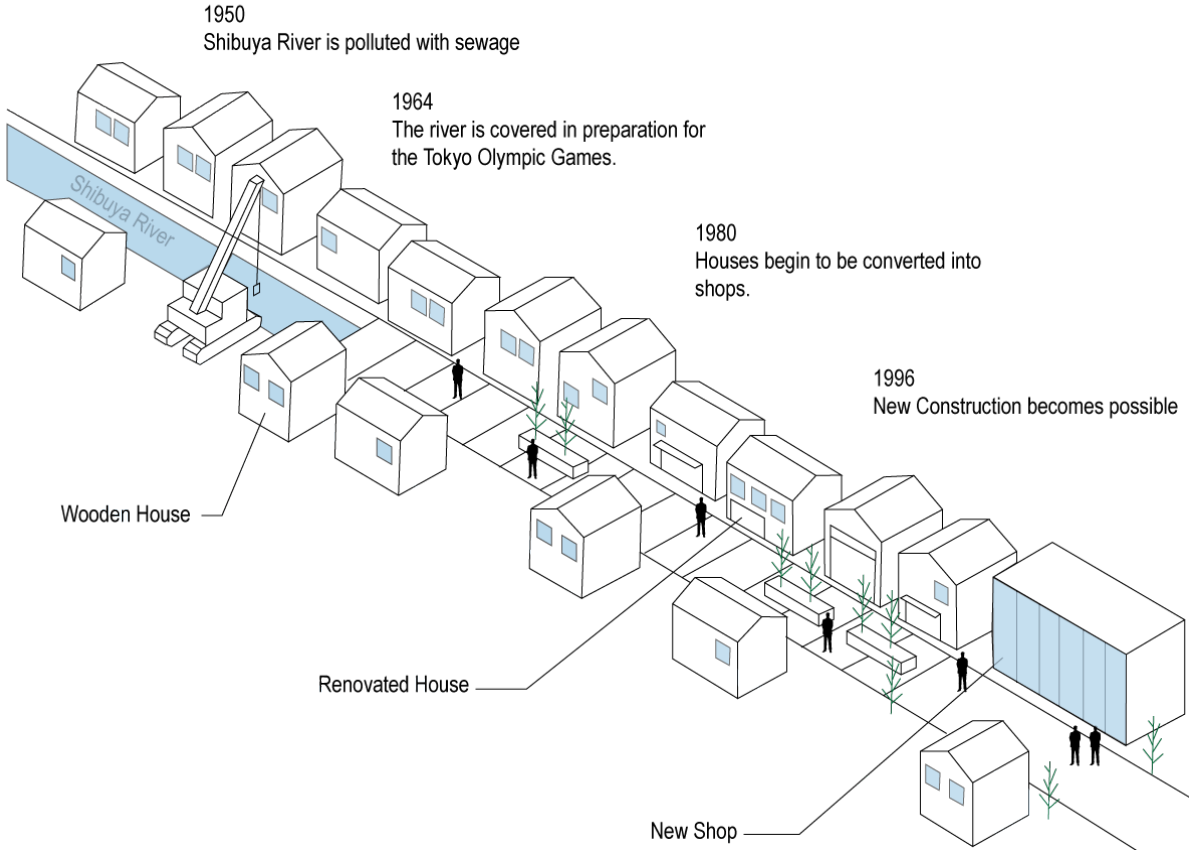
In the heart of Tokyo, 30 meter stretches of main roads were designed as high-capacity commercial zones, and due to the reconstruction projects in which mid-rise, fire-resistant structures were erected an evident urban form arose in which clusters of wooden houses were walled-in. In this dumpling-like form, by simply stepping off a main road one finds oneself in an old quiet neighbourhood with densely packed lowrise houses. These areas are swarming with greenery and due to the prevalence of very narrow, winding alleyways there is no thorough traffic. This village like atmosphere gives it an urban village feel.

In Shinjuku in particular, it is very evident, there are no Land Readjustement Act projects underway, but one can find numerous so-called "mokuchin house belts" (densely packed, wooden rental apartments) that line the Route No 4 and Route No 5 of the express way known as Shuto. It has been estimated that a magnitude 8 earthquake would cause this extremely vulnerable area to burn to the ground within 24 hours. As a result, many main roads in such commercial zones have been designated as "principal disaster reduction network" under the 1995 Development Plan for Disaster Prevention and in return for a higher floor-area ration along the roads, these building have been assigned with the role of an urban firewall that prevents the spread of fire in crowded residential areas.

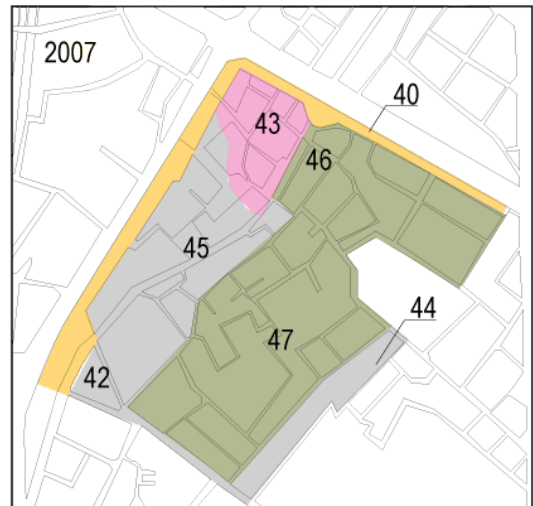
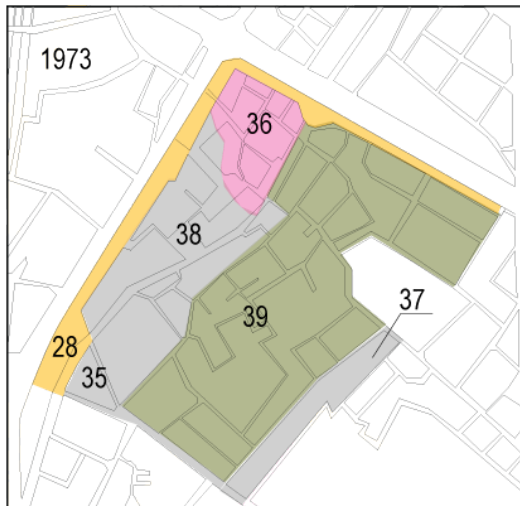
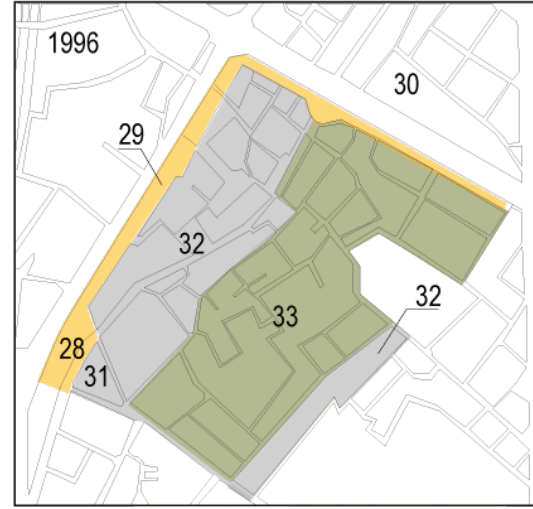
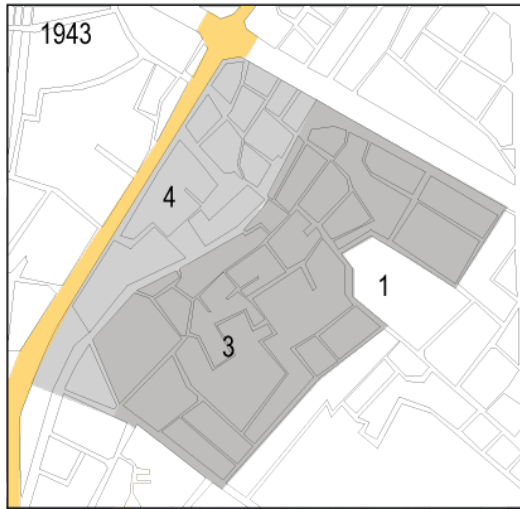
Commerisidence on the other hand refers to the pattern in which the activity of commercial zone overflows and takes over a residential district. The Shibuya River was designed for the development as a road in the lead-up to the 1964 Tokyo Olympics and covered with a channel. It was initially converted into a pedestrian mall, which ran through a group of small houses (1st generation). Then the 80s after second hand clothing shops (2nd generation) began the spring up in renovated houses, the area was known as “Cat Street”. Soon after in 1996, once the road had been widened, it finally became possible to build on the road site lots, leading first to three-storey steel framed shops (3rd generation) and then the reconstruction of commercial buildings (4th generation) set back on the edge of a proposed new road.

Hence, the visual disorder of Cat Street is rooted in regulatory changes that arose in the transformation of the river into a road. Forms were determined with the condition and style of the time; area displays random shifts in urban space in terms of both space and time. By tracing these zoning patterns, it is clear that the area can be divided into a total of 47 sections dating to 1943. Through this method of “time space zoning” in which a temporal shift is added to spatial shift, we can discover the order that is concealed within the commersidence.

Transformation of “Cat Street”_ Shibuya



Era by Era Zoning Changes on Cat Street



Subdivurban refers to patterns that appear when a once suburb is divided after being swallowed in a wave of urbanization. Going back to the example of Okuzawa, situated 10 km from the Tokyo station was the first developed suburb of the 1920s in Tokyo; it was designed to be a pleasant, shrubbery-lined residential area with

systematic road maintenance. However, in recent years these plots have been subdivided after being inherited by successive generations and used for mini-development projects, large properties have been made into strips, cul-de-sacs and flagpole lots, and the greenery has disappeared.

The higher the tax assessment becomes the more likely for larger properties to be subdivided. This is due to the high inheritance tax that is imposed when the head of a household changes. However, once this was different, in the past, the children would cordially divide up their parents' land with the increasing low birth rate, an only child by necessity must resort to measures such as subdividing and selling the property. If we look at the diagram below, we can chronologically examine the tendency of land division since the 1940s, one finds that the area of the lots sold over the last 90 years have shrunk to approximately one third the original size or from 240 to 80 square meters.

It is important to understand the state of these detached dwellings, the changes that have occurred with each generation and the process of renovation over each short cycle. Houses from a variety of generations have continued to be reproduced without any special awareness of the previous one. In Tokyo area we can divide these generations into the following categories:

The first generation houses was composed by a single story house built within a spacious garden surrounded by hedges on a lot of a about 240 square meters. As the structure predates the popularity of private car ownership, the hedge or wooden fence is continuous, and as the house is located beyond the garden the house comes in and out of view. The Second generation is typified by a two-storey structure on approximately 120 square meter plot, on part of which is allocated to the parking space, due to the introduction of private cars. Nevertheless, there is still some space for a small garden. The third generation sees further segmentation, with three story structure occupying a 80 square meter plto. The garden has disappeared, and two-thirds of the first floor frontage in this generation of house is taken up by a parking space. As each generation adjoins the next in a haphazard manner, and the character of the town is determined by the distribution of generations within the whole. By determining the distribution of generations, once can start analysing the townscape.

5. CHAPTER 5 _ Case Studies

5.1 CASE STUDY I

KUNITACHI_ THE MACHIZURURI MOVEMENT

This case study is probably the most influential in terms of "Machizukuri" movements, townscape improvements movement and planning system in Japan. The opposition movement against the development discussed here was probably the largest and the most sophisticated encountered however, the citizens' movement was still unsuccessful in attempt to change the building plan. Hence indicates that this Machizukuri movement is very limited.

WHAT IS THE “MACHIZUKURI MOVEMENT”?

Machizukuri encompasses a new public management system encouraging the general public to be a part of the decision-making and implementation of assorted processes in the cities life.

As a legal system, the conventional city planning method is based on the ideal presumption of equality and right in protection and compensation for each planning control measures or actions whereas, Machizukuri, should be based upon transparent decision making in the local community by its residents. Therefore, the decision making process can be flexible as well as resourceful yet impartial. Its common goals are not quantifiable achievements by benchmarks stipulated in statutory procedures but upgraded quality of life judged by performance standard. A Local network should be either horizontally based on local or theme community rather than vertically based on sectionalism or professionalism.

A Planning system model in the 21st century should shift from conventional city planning of the 20th century to community-led partnership based on local governance. The statutory system should be re-designed to accommodate emerging Machizukuri movements in various phases.

Kunitachi is located in the western suburbs of Tokyo. It is well linked with the Chuo line that forms the border of the city and the Nanbu line that runs through the middle of the city. The area between these two railroads is a well-frequented residential area and was originally developed as a railway garden suburb by the Hakone Estate in the 1920's. As with several other major developments of that period, the main focus of the development was a large university now occupied by Hitotsubashi University one of Japan's most renowned universities. This area consists of predominantly of low-rise detached housing units with symmetrical street patterns. The main “dori” (street) is named University Street and is a beautiful ample boulevard with rows of cherry and ginko trees. The main problem arose with the strict building regulations on this main boulevard, with a floor area ratio of only 1.0 and a 10 meter absolute limit height along the street and the only exceptions are 1.5 for the site near the university and neighboring schools and 2.0 for the site in question, which in addition had no height limitations. The only reason why the site has a higher FAR to the rest is that an office building previously excited on the site when the current zoning system introduced the 1968 revision of the major City planning law and the 1972 Building standards law prerequisites were applied.

The developer at first had planned to build a building of 18 stories and 53 meters in height with 441 housing units, this absurdly would have been the only excessively heigh building in comparison to the low-building along the street and would have towered over the street trees. When the developer first announced their plans to their neighbouring residents that they were not going to have any sort of explanation meetings or negotiations at all, they immediately established the “Association to consider the Environment of University street” against the planning.

The Association gathered around 1,500 signatures opposing the initial development and submitted a petition to the local assembly to halt the project . The number of signatures soon increased to 50,000 by the end of the movement.

In response to the residents request and the assembly's decision, the local government strongly requested the developer to hold explanation meetings, to respond to any questions and doubts the neighbouring residents had. The local government moreover stressed to the developer that before proceeding with the development, the actor would have had to complete the urban environment ordinance. Moreover strict advices were handed over to the developer reconsidering certain aspects of the development such as: preserving the trees on the sidewalks. However, the developer disagreed and produced a counter-argument.

After several months of tedious negotiations, the developer finally decided to hold an explanation meeting. After the first meeting the developer changed the plan from 18 stories to 14 stories and reduced the housing units from 440 to 340. Since 14 stories high were still to tall for the local government, the developer was told not exceed a certain height so that the building could harmonise with the 20 m high ginko trees. The developer refused. To introduce further complications to the developer so that construction kept a toll, the residents with the local government discussed to introduce a district plan to regulate building heights to lower than 20 meters along the University Street. Eighty percent of the residents agreed to the regulations. When the developer realized that this act was coming in vigour he immediately asked for building permission just before the establishment of the district plan, the developer started construction as soon as he was given permission.

As soon as construction started, the inhabitants applied for injunction to stop the building process. However they lost the case and in 2001 the building was completed. The nevertheless sued the developer for damages in the Tokyo District Court and got historic judgement in December 2002. The final ruling declared the fact that the local actors had protected and enhanced the cityscape over many generations and therefore strongly believed that no development should exceed the height of the ginko trees along the street. These strong determinations lead many other Machizukuri movements to be established across Japan.

In this case, the height of the building could not be proven to have damaged the street-scape because there was no official plan expressed nor standards relevant to the building height before the construction.

5.2 CASE STUDY II

ROPPONGI HILLS- A CITY WITHIN A CITY.

The legend states, that Roppongi literally meant "six trees" and took its name from six pine trees that rise where today the Roi Roppongi Building is located on the busy artery of the Gaien-higashi-dori. Nevertheless a far more

poetic claim, is that the names relates to the six feudal lords, that during the Edo period built their estates in that area, and funnily enough, these six lords had tree related names: Lord Ichiryu (Lord One-Willow”) Lord Kutsuki (Lord “Rotting Tree” or Lord Takagi (Lord High Tree) Now one can find the six tree analogy with in the logotype of the newly built roppongi hills. (see image!) six blue circles represent the six trees.

Therefore we can commence by stating that the tale of Roppongi, begins as a dense a diverse green topography with a number of settlements scattered within.

During the Meiji Period, saw Japanese opening to the west, brought wealth to roppongi, due to the presence of foreigners and of the Japanese Military. Moreover, foreign delegations and third Imperial Guard of the imperial Japanese army were housed there. The Second World War destroyed the old order, and the post war, brought the American occupying forces in Roppongi whom consequently changed the character and form of the area. The area soon was the mediator between the occupier and the occupied in a weak and humilitated country. The area became crowded with Americans and Japanese, eating and drinking, gambling and whoring, in an atmosphere of overwhelming energy and fervour.

In the following decade , as Tokyo’s center of gravity shifted and expanded westward, Roppongi’s popularity as an entertainment district for both Gaigin and Japanese continues, and still does to this day, even though for a long time it was not connected to any train network.

It was not until 1964 that Roppongi hills introduced its first subway station, and to this day there is no overground railway station.

Contemporary, Roppongi changes like a chameleon, during the cycle of the day. This relatively small neighbourhood is remarkable for its multiple personae, for its divisions and contrasts. These contrasts of place and time sit side by side or are superimposed, as though several unrelated authors have written the story of this area. Perhaps, the most evident differences, lie between daytime and night time activities. Where, by “day” the fervour of work, productivity, sobriety, propriety and routine, consisting of offices, residences, and cultural places are dominant. During the night however, a more marginal set of activities over thrown the area: fantasy, relaxation, and every for of play and entertainment, consisting of bars, clubs, saunas and love hotels.

Roppongi, received a major economic boost in 2002–2003 when the Izumi Garden Tower , Roppongi Hills and Midtown high-rise complexes were completed. These projects brought high-end office and condominium space to Roppongi for the first time. By introducing high-rise complexes that housed residential, retail, commerce and office space, allowed the area to regenerate into a more “healthy” 24 hour city. Financed by the private fortune of the real estate sector and encouraged by the Tokyo planning authorities, these projects indicate and established power structure whereby architecture is capitalized for maximum profit.

Conglomerated buildings schemed as a total scape of leisure, work and entertainment can be found all over Tokyo, Roppongi, however, is where the phenomenon can be said to be epitomized and prototyped. These buildings not only dominate the city's skyline, but our experience at street level, and also set the determining tone by which public space is currently seen.

Strongly apparent is the emphasis on culture as a sustainable force through which this area is striving to create an identity for itself amongst the urban centers of Tokyo and the world.

Art has become one of the predominant features of this area

In fact, if we take the case study of Roppongi Hills, we can understand the real impact it had in what is "considered the new cultural heart of Tokyo a city with in a city" Roppongi hills consists in a 12 hectare mini city, with a 54 floor steel glazed tower landmark that houses offices, retail, restaurants and residential.

In April 2003 the "hills" were finally after 17 long years accessible to the public. This 17 year long process started off by discussing with over five hundred people who held rights to the land. It was an investment that cost Mori Real Estate, over 2,25 billion dollars (1.6 million Euros) without the land acquisition costs. By 2006 Roppongi hills had acquired the "sought-out to be location for businesses, retail and amongst tourists. The annual visits are outstanding up to 42 million visitors, and 110,000 during any given weekday and another 30,000 on top of that during the weekend. To have a clear idea 110,000 is the population of Brescia.

Nevertheless there were some significant challenges lagging ahead for Minoru Mori. Three issues were of particular relevance. The first despite a lot of visitors at the Modern Art museum it nevertheless made losses close to 7 million euros per annum. Even though most of Roppongi Hills other businesses were profitable, however Minoru Mori strongly insists that decision making should not always made purely based on the financial considerations, he felt it is just as important to explore other ways to increase the museum's annum income. Secondly, Mori Building's efforts to promote the compact city as a key destination for visitors and to build a strong over-arching brand sometimes conflicted with its attempts to satisfy the various internal ingredients, especially the office tenants, residents and some retailers. Minoru Mori pondered the smartest approach to his so called "town management".

Thirdly, the most terrifying and challenging of all aspects were the strong competitors were literally and metaphorically around the corner from his "gem". Mitsui Fudosan, Japan's largest developer finished in 2007 the construction of its Midtown project, a similar concept to that of Roppongi hills, adjacent to them. Even though the site was slightly different and smaller than Mori's , it comes with several very interesting elements including the luxurious Ritz Carlton a notch up to the Hyatt Grand plaza, and two museums. Moreover, after the project was finished, a local newspaper, The Tokyo Metropolis, described the project as "Roppongi Hills+1" and stressed its "grand design, taller tower and more pricey boutiques." What impact has it had on Roppongi Hills? And how did they respond?

5.4 INTERVIEW WITH NEIL SUZUKI – MORI ESTATE PLANNING MANAGER

Having had the privilege to work in Japan for my internship, and to find all the related documentation for this thesis, I was also lucky enough to encounter a Manager working for Mori Real Estate.

How does Real estate work in Japan? Does it follow the same attributes as American and European Real Estates?

Real estate is fairly different in Japan, compared to the rest of America and Europe. Japanese have a strong relationship with the land they acquire, which is usually trespassed from generation to generation. Rather than selling they try to keep it. It is very different to some extent to the American society, which tends to move house and acquire different land.

The Japanese were originally an agricultural race. It means that they lived by agriculture. Because of this, there is still a tendency in Japan that people stay living in their hometowns or a single town for a long time. In the past, lands and houses where families lived were traditionally passed from father to son.

Those who took over them were expected to protect and hand them down to the next generation while living there. These days, they are usually inherited from parents to children. It's already very common to sell them especially in large cities. Still many people feel guilty when they sell them or give them up.

However only now do we start seeing a change in this, as succession tax is very high, and therefore people cannot afford and end up selling. As more and more developers buy land, the young generation buy apartments, however we must note that in Japan the average building lives 50 to 60 years. Therefore, the acquired flat will only last that amount of years. Perhaps we can compare it to the London lease system.

Who are the biggest real estate investors in Japan other than Mori? Who do you compete with? And how?

A .The biggest real estate investors are: MITSUI FUDOSAN, MITSUBISHI HOLDINGS, SUMIMOTO, TOKYU and MORI.

As an employee with in Mori, I should not say who we compete with. However, for instance Roppongi Hill has a grand landmark the Mori tower, Mitsui Fudosan, built in the same area Midtown, which is great competition with our project even though much smaller in meters squared.

However, Mitsui and Sumimoto have very different business schemes compared to Mori's. Moreover, whereas we, Mori, aim at Urban developments, the latter focus more on residential complexes. Also, once the project is

finished, after one or two years of holdings, they sell the apartments and therefore the land. Obviously this way, has an easier outcome, when it comes to paying banks, however, then you end up with nothing.

Mori on the other hand, has a very different business scheme, which to some extent is the compromise for both parties: landowners and real-estate.

Mori believes that all the projects should never be sold. Therefore, office spaces, residential etc, are leased for X years. Moreover, once the project is decided they do not buy land off the landowners. The landowner has two choices:

- it can either keep the land and become a project member
- or it can sell the land to the real estate (this is stated in article 91 of the Building laws) and the land owner is compensated.
- Furthermore, they have another article they have to adhere to which is article 97 – that both parties: selling and keeping landowners have the right of a moving out fee.
- Article 91 and 97 – of Urban Renewal Act

Using the usual example of Roppongi hills, the landowners who decided to keep the land, Mori had to give them a moving out fee and had to build a new apartment block to accommodate them during the 17 years before completion.

They say that after Roppongi Hills, Mitsui Fudosan built Midtown to compete with you? Is this true, how did you manage the competition?

A. Mitsui Fudosan used the same idea as we did, the landmark idea! Signature architecture to promote their brand.

There had been a lot of scandal when they demolished Dojinkai apartments to build Omentesando Hills, commissioned to Tadao Ando, how did it affect the company?

b. It is a very interesting project not only due to its architecture, but also because some property land owners live in the building?

c. How was the land acquired?

A. This is perhaps the most interesting building site Mori had to deal with. At the beginning the site had been handed over to Mitsui Fudosan Real estate, however there had been so much protesting from both the landowners and the public, that soon enough they gave up. This was around the 1990's...also we must note that Mitsui's strategy is to buy off the land from the landowners, therefore the project was only intended as commercial use.

Therefore, this brought anger and rage to the landowners who had no intention to leave their piece of land.

In addition, the Dojunkai corporation apartments (situated on the site!) had been the first housing blocks built in reinforced concrete, after the 1923 Kanto earthquake (earthquake and fire resistant) moreover, these apartments had survived wartime bombing (second world war!)

With Mitsui's failure, the Kobe earthquake in 1995, the land was soon handed over to us, Mori. The Kobe earthquake had scared many people, and sought to change. In addition, due to Mori's business and planning strategy, it compromised with the landowners to accommodate them in the new project.

It was a very tricky project as Omotesandando Dori (street) has a height restriction of 25 – 30 meters, therefore, Tadao Ando, played a lot with increasing the basement's square meters.

The building laws have become very rigid after the economic bubble in the 90's. Has this affected in any way real estate?

A. Not really building floor area to ratio, has changed but has not really affected real estate. As the law is still very loose compared to many other parts of the world.

During the urban redevelopment, for example Roppongi hills, where you 12 hectares of land was bought off private landowners, where they forced out? Bribed out? How do you convince them to leave? Where do they go? How does article 91 work? And Article 97?

As stated in question 2, Mori uses a business strategy that allows the landowner to decide whether they prefer selling the piece of land to the Real estate getting a further compensation and a moving out fee (hence article 91 and 97) or they can keep the land and become members with in the project. As previously said, the Japanese are very attached to their land.

Reading articles after the Tsunami, of the 11th of March 2011, there are people who are so attached to their piece of land that they risk building their new house on their piece of land instead of moving just a few 100 meters up towards the hill, where it is more protected.

"Some say, "I'm afraid of tsunamis since my town was washed away by the huge tsunami, but I don't want to move to a hill. I want to rebuild my house at the same place as before since my land was handed down from one generation to the next for many years" (I've heard that houses which were washed away by the tsunami will be rebuilt on hills based on a resuscitation plan which is being made, and many of the victims involved are showing a positive response to it)" (taken from the internet! Quote!)

When they decide whether to stay or leave, we hand them over a moving fee. During the building process of the new project, we usually accommodate them in an adjacent building at our expense.

Does Mori use the MACHIZUKURI process?

Do they encourage neighbours to give their input? In Italy there is no such name for such process. How does it work?

A. Firstly what is Machizukuri? Machizukuri is made possible through the encouragement and implementation of individual citizen's ideas and by giving individuals the opportunity to make a difference in the district's future, this is a move away from a future that is dictated to us, it is our opportunity to create a brighter more enjoyable future, enriched with pride achieved through a more hands on approach to governance.

Mori and by law you have to go through certain articles and laws to abide to the citizen's ideas and requests. So yes Mori does adhere to this brainstorming with its citizens and neighbours.

Most of the projects Mori designs, are both privately and publicly owned by the government? What is the ratio?

A. All the projects are private, however, the only publicly owned amenities within the projects are the roads, which are state owned.

The government plays a major role in deciding where the investment should take place. Does it give the real estate strict criteria in what to develop as well as the location and area?

No, the government does not decide where the investment should take place, what the government does it suggests the real estate an area that needs redeveloping. For instance Roppongi, before the area was requalified it was a very "dangerous" night scene area, also known for Yakuza owning much of the buildings and the activities. Therefore by developing an urban development, that has multiple functions and activities, it will encourage other actors within the new area. This is what Roppongi Hills has achieved.

A project like Roppongi Hills took 17 years for its completion. How did Mori promote it for it to keep awareness? What were the marketing strategies behind it?

To be honest, such a vast urban development as Roppongi Hills, that accommodates more than 200 shops and restaurants, with a landmark of 45 floors as the Mori tower, really did not need any promotion. Plus it was an on going project for more than 17 years therefore, one of the biggest investment in Tokyo in the 21st Century. Whereas Omotesando Hills, Mori, spent a lot of money on advertisements, TV etc, the project was much smaller, and therefore needed to promote awareness, especially in a shopping area as Omotesando where most buildings are original and designed by Archi Stars, as OMA, MRVD etc.

What does Mori real estate believe in? what is its moto? How does it affect an issue such as sustainability?

“In the creation of cities, Mori Building always pursues three missions: “Safety and Security”, “Environment and Greenery”, and “Culture and Art”. “Safety and Security” The creation of communities that people will seek refuge in, not run away from in times of disaster. “Environment and Greenery” We believe that cities and nature can coexist. “Culture and Art” We build cities that will give birth to new creativity and possibilities.” Taken from the website. www.mori.co.jp

Adopting the “Vertical Garden Cities” as our redevelopment concept, one of our primary missions is to build environmentally friendly cities rich in greenery, striving to maximize open space and “green” the cityscape. Through intelligent consolidation and redevelopment of densely developed areas and the building of high-rise buildings to free surface land for greenery and by taking proactive steps to “green” the buildings with roof gardens, we are able to create numerous corners of nature within the city. This approach to city building not only contributes to the beautification of the environment but also mitigates the heat island phenomenon.

11. After the 11th of March earthquake the north east of Japan has been completely destroyed. How is Mori going to contribute? Will that be a push for the real estate investors? What will happen?

A : Things have changed since the apocalyptic earthquake of March 2011, no damage occurred in Tokyo, however Roppongi hills, has its own automated source of energy (gas) and for the first time the state asked Mori to send them energy. Moreover, in Tokyo, there is a great economy in saving energy, street signs that before were glowing with different coloured lights, have been switched off. 24/7 shops have restricted hours now, to save energy. Bicycles have increased and people are still under shock. Things have changed. But most importantly, building codes have changed, after many many years of insisting, finally the government has realized it has to change some codes. (it took an earthquake to make them change their minds!)

However, an important note, the earthquake of March 2011, was a huge earthquake of magnitude 9 on the richter scale, only 4 in the last 100 years were recorded of this magnitude. The region of Tohoku, is known to have tsunamis every 15 or so years. They are usually prepared. Professors, and engineers, from all over the world, come to this region to study the perfect urban planning of those cities, designed for tsunami escape.

However, I am sure that in the next few years, perhaps 1-2 the economy will hit a low point, but as usual we'll invest in something new, new technologies, and we will rise on our two feet again.

Please tell your colleagues, friends, family, to come and visit Japan, you will help it stand on its two feet again.

OMOTESANDO IN OMOTESANDO

The leafy and well-proportioned Omotesando is undoubtedly Tokyo's most beautiful boulevard. The reasoning behind the boulevard is to provide a dignified approach to Meiji Shrine, built in 1921 to enshrine and honour the spirits of the Emperor Meiji and his wife Empress Shoken.

For most of the twentieth century it was a wealthy and primarily residential street, with the Dojunkai Aoyama apartments, a celebrated example of modernist public housing dating from the 1920s, occupying a quarter of the street's length.

By the turn of the century Aoyama had begun to supplant Ginza as a center for high-end shopping and fashion, and now Omotesando has become Tokyo's premier catwalk for the fashionable and sophisticated. The Champs Elysees in Paris, the Montenapoleone in Milano.

Omotesando is the first row seat of high end runways: Prada, Louis Vuitton, Tod's, Gucci and so forth. These seats have progressively been filled in the first decade of this century by leading luxury brands with distinctive building types, creating iconic flagship stores, renowned globally.

Globalised luxury brands have come to regard architecture as a key component in the construction of their brand image, and the communication of marketing messages. The luxury industry concentrates all on the manufacture of status markers, and maintaining perceptions of distinctiveness is fundamental to this. Achieved through instilling to customers the sense that the brand encompasses quality, uniqueness and authenticity. Architecture, by virtue of its custom-made process, tangible materiality and site specificity, is well placed to achieve these aims. While for architects, the luxury fashion sector, has the design sensibility, the glamour and above all the money to sponsor experimental and ambitious architectural innovation. An alluring romance between Fashion and Architecture has been the result of an exquisite string of architectural jewels lining Omotesando a glittering token of their mutual passion.

Exclusivity, by meaning requires exclusions. Such exclusions by default contribute to the emergence of alternative image cultures and associated fashion industries, which are also present in the architectural spaces.

Two forms of these alternatives can be seen: globalised form and localized form. The globalised form can be seen in the rise of the fast-fashion sector, exemplified with the mass market labels of Zara, Gap and H&M, characterized by cheap production, rapid turnover and accessible. These labels are busily taking up position with custom-built structures along Meiji Dori, the main street bisecting Omotesando, taking advantage of the opening of the Fukutoshin subway line in 2008. The two sides of the globalised fashion industry's are coined: one exclusive, the other populist are inscribed crosswise in the urban tissue of Aoyama.

The local alternative is found in the playful and experimental practices of Tokyo's street fashion. A colourful and playful profusion of looks and styles, particularly amongst the kids meeting around Harajuku Station engaging in a theatrical public performance of costume play, elaborate dress ups based on images sprung in fantasy, manga and music.

Here are angels, devils, lolitas, Goths, punks, rockers, dandies, and many other looks. These fashions enable their wearers to acquire provisional identities, and communicate both rejection of tedious mainstream images and fervent affiliation with local sub cultures. These cultures are more apparent and nurtured in the back streets, not in the main ones. The tightly woven capillary lanes in the areas behind the rationally planned streets of Omotesando and Meiji-dori are the remnants of an older structure of settlement following local landforms and ancient ownership patterns dating from the Edo period (1600-1868). Small plots and narrow, winding paths enable an intimate form of urbanism, filled with distinct cornucopia of tiny boutiques, quirky hairsalons, groovy cafès and restaurants, and private dwellings in cheeky by jowl abundance, inviting pleasurable meandering and lingering. This is the world of the "ura": the back, hidden, informal side of Japanese society, the counterpart to the realm of the "omote": the frontal, visible, official and now global which is accommodated in the big buildings lining the big roads.

Fumihiko Maki's refined Metropolitan Gymnasium, situated along the Gaien nishi dori, one of the planned road cuts for the 1964 Olympics, is an example of what a coherent, enlightened "omote" urbanism could be. Nevertheless even these large roads, despite their increased height limits and dreams of order, cannot avoid manifesting odd smaller wedges of land along their length as they carve through the older fabric. These provide delightful moments of "ura" quirkiness meets "omote" formality, and the result is buildings like Doric (Kengo Kuma) and Watari-um (Mario Botta). The greatest pleasures to these back streets is that of discovery and surprise, to chance upon something wonderful and strange that is in not magazine or guidebook.

Part shopping mall, part luxury residential building. Omotesando hills, houses ninety three commercial establishments and thirty eight apartments into a beautifully concrete-glass structure stretching for more than 250 yards along Omotesando which is a quarter of the street's full length. The structure is far larger than is suggested by its streetward appearance, due to half of the twelve story bulk is buried underground. It is the offspring of an unlikely consummation between Tadao Ando, best known fro the austere beauty of his spaces formed in pristine concrete, and Minoru Mori, he ambitiously showy developer behind the controversial Roppongi Hills we precedently mentioned.

This building was built on the former sit of an icon of early Japanese modernism: the Dojunkai Aoyama Apartments (1927). By the time of their demolition in 2003, these buildings were widely loved by architects including Tadao Ando, and the broader public alike, although they were not protected. In their ivy-clad autumn years, the buildings provided a tangible and evocative link to the alluring atmosphere of Tokyo in 1920s.

Moreover, the physical decay of the fabric of the old buildings, combined with the rising commercial value of the location and the cramped accommodation standards in the apartments compelled actions. However many did not agree with these actions.

As stated in the interview with a Suzuki –san of Mori: this project was a very delicate and complicated one. At the beginning the land was adhered to Mitsui, one of the three largest real estate companies in Japan with Mori. Mitsui's strategy to this day is to buy the land off the landowners and then build commercial buildings. This infuriated the landowners of the Dojunkai apartments and the public and therefore after heavy protesting, the Kobe earthquake of 1995, Mitsui Fudosan gave up the acquisition and handed over the project to Mori. The Kobe earthquake, as many other natural catastrophes as the recent Tsunami , bring fear, and therefore the public seeks for change. Moreover , Mori's business and planning strategy, compromised with the landowners to accommodate them in the new project.

Initially Ando's intention was not to demolish the apartments but in fact to incorporate them within the design scheme, however this approach is apparently proved unviable in Tokyo, despite the fact that such practices now a days are standard in many other cities around the world.

Therefore, Ando sought to atone for his complicity in the destruction of the beloved Dojunkai apartments by basing the design strategies of the new structure on the genius loci of the site; in other words, keeping the same square meters on top of the ground; first by burying the bulk of the building underground to keep it modestly scaled to the street (by law the Omotesando Dori has a height restriction of 25-30 meters). Secondly by incorporating the gentle slope of Omotesando into the complex's public spaces.

This second strategy is the key innovation of the design: a triangular top-lit atrium space around which a walkway winds in a continuous spiral giving access to the stores. Billed as "Omotesando within Omotesando", this allows almost half a mile of store frontage to be folded into six continuously connected stories within the site.

There is one interesting article written by Julian Worrall and Charles Sparkley of the Metropolitix where they have an encounter with Minoru Mori, and ask him a few very interesting questions about the Omotesando Hills project before its grand opening in October 2006.

Here below the interview with Minoru Mori.

What contribution do you want Omotesando Hills to make to the Jingumae area?

I hope that with this project the local area will exceed Ginza as a shopping area and become recognized as a center of fashion and art not only in Tokyo but in Japan and throughout Asia.

How does that fit in with Harajuku's position as an international center of youth fashion and culture?

When I completed Laforet (built and owned by Mori Building), Harajuku wasn't considered a big international-standard center of commerce or fashion. But after that, many brands started to open shops along the street, including Hanae Mori and Comme de Garçons—all the big names from the fashion world. However, it was an aggregation of individuals and somehow it lacked a core to attract people from all over the world, so I hope that Omotesando Hills will become such a core attraction. It's going to be the eyes of the dragon. We say that when you draw a dragon you start with the head and body and only at the very end do you draw the eyes to complete it.

What efforts did Mori Building make to preserve the spirit of the old Dojunkai apartments?

The Dojunkai apartments epitomized the history of modern architecture in Japan. Omotesando was the first boulevard to be built in Japan. After the Great Kanto Earthquake people realized that we should build strong apartments to withstand such natural disasters, and these were the first such apartments built using cutting-edge technology of Japanese architecture at that time, and they became the model of all the other apartments in Japan.

By the end of the war the apartments remained but the torii gate to Meiji Shrine was burnt down. Later with the construction of Washington Heights (in what is now Yoyogi Park) it became the leading center for the introduction of American culture. It was in this atmosphere that the Dojunkai apartments became a sort of elite place to live, and they had an emotional attachment and history. Many people wanted to keep the apartments as they were, but it was decided to redevelop the whole area, so we wanted to create a new tradition to make it a convincing success.

When the old apartments were demolished there were 140 units, only 10 percent of which were being used as residences. Many were shops or other retail-related facilities and many were vacant. The buildings also faced possible collapse in the event of a major earthquake. They had faced the normal wear and tear over the years. Their seismic resistance wasn't up to modern standards, and it was dangerous to leave them as they were. Some owners still wanted to keep living there as they were, but after the Great Hanshin Earthquake of 1995 many realized that they needed to move on and agreed to the redevelopment scheme. So it's an uncanny coincidence that this site was built because of one earthquake and demolished because of another. The apartments were built in 1927 and knocked down in 2003, so they were in service for 75 years. Usually the average lifespan of a building in Tokyo is 25 years, so this is three times the average and about the same as London, I think.

How and why did you select Tadao Ando as the architect?

I thought we needed someone of Ando's magnitude, a world-leading architect, to get wide support for the project.

In many countries, when a sensitive site is being redeveloped there is a public-tender competition

process to facilitate public dialogue about the outcome. Why hasn't Mori Building taken this approach?

No we haven't taken that approach before. We choose our architects according to the specific site, environment or purpose of the development. But of course we have a very heated discussion internally before making a final decision, and we have a process of discussing these matters with landowners affected by the scheme and the people living nearby. So there is plenty of opportunity for these people to understand and get involved, we don't just jump to our final decisions.

Moto Azabu Hills was designed by leading Japanese architect Shozo Uchii, who also designed the Imperial Palace. Some people think the goblet shape is rather odd, but it is quickly becoming a landmark. Atago Green Hills was designed by Cesar Pelli, and with the temple in the middle has a Buddhist theme, and the two towers resemble lotus buds about to bloom. At Roppongi Hills we employed many different architects: Kohn Pederson Fox for Mori Tower, Sir Terence Conran for the residential towers, Fumihiko Maki for the TV Asahi broadcasting headquarters, and others. I think we have been very successful choosing the best architects for the best places.

Even though Ando was a popular choice [for Omotesando Hills] there was a certain amount of opposition amongst the landowners who were concerned that his buildings were too fashionable for the area. But when it opens I think people will understand that it is going to be a site of cultural heritage for the future.

You are unusual among developers in promoting the role of "culture" in your commercial projects. Suntory Hall in the Ark Hills development of the mid-'80s and the Mori Art Museum atop Mori Tower are the two most celebrated examples. What is the function of culture in your developments?

The cities of the past were industrial cities, but today we need cultural cities that are international, comfortable to live and work in, and also fun to visit. I believe that only those sort of cities will thrive in the future. That is why I wanted Roppongi Hills to be the cultural heart of Japan. Ark Hills was mainly a financial center with a cultural aspect on the side, but at Roppongi Hills, culture is at the heart of the project.

In your Urban New Deal proposal for regenerating Tokyo, you say that you want to redevelop the whole city. Aren't there any areas of Tokyo that you would keep as they are?

Since Roppongi Hills was completed, the adjacent areas have changed too, and this also would be true for other developments. I'm thinking about building five more Roppongi Hills-style developments in Tokyo in the next 15 years or so, and so those neighboring areas will inevitably change too. I'm not sure what will remain. The things I would like to keep are parks or historical sights—shrines and temples. But as for other residential and office areas, there is none that I would keep as they are right now.

Which areas of the city are you looking at for these new Roppongi Hills-style developments?

The NPO Council is now being established to debate and lay a plan for the redevelopment of central Tokyo. If they ask Mori Building to undertake any schemes, it should be around here, namely in Minato Ward. Governor [Shintaro] Ishihara has started planning a bid for the 2016 Olympics more than 50 years after the last games here in 1964. In bidding for the games the council wants to change the main street layout and infrastructure of Tokyo, and anything Mori Building does will fit into that citywide plan.

Even if we don't get the Olympics we may have a major earthquake, so we need to rebuild the city sooner rather than later. This is the most important point. We shouldn't just make Tokyo earthquake-proof by using the latest technology such as base isolation systems and vibration control systems. Tokyo shouldn't be somewhere people need to escape in an earthquake but somewhere that can protect them, and where daily life can continue if it happens.

Roppongi Hills is the showcase for the concept you call "Vertical Garden Cities." Is there anything you would change if you were building another Roppongi Hills-style development again?

Roppongi Hills isn't the best we can do, and of course there are many things I would change if we did it again. But each site has its own specific requirements. In the case of Torizaka, neighboring Roppongi Hills, if we develop that area it will be different, more multi-layered with retail and entertainment at the bottom and something more academic above, such as Toyo Eiwa school or The International House, both of which are there right now. And any residences or hotels on the site would also be different. And in the case of the Kanjo Loop Road No. 2 project, we plan to have buildings straddle the street. At Roppongi Hills we built Roku-Roku Plaza over the street, but for this project we are going to see a building actually above the street for a more efficient use of the area.

Mori Building's website states: "Our mission is to create cities, and to nurture those cities together with their residents and other people who use them. In other words, we aim to be involved with almost every aspect of human life." Why didn't you choose politics as perhaps a more appropriate path to achieve your goals?

Politics is not my strong point. Personally I think the academic field needs more attention right now, and I have become a visiting professor at Tokyo Shuto University in order to prevent the spread of wrong ideas about city planning. So I would like to play a role in that area.

And finally, a lighter question—one that everyone would like to know the answer to: Why do you name all of your developments "Hills"?

Tokyo is roughly divided into the Shitamachi downtown area and Yamanote hillside area. Our recent developments are on the Yamanote side and often have slopes and hills as part of their geography. In the case of

Omotosando Hills, it's built on a slope but also it has an ascending spiral "hill" inside as well. And of course there are wonderful places around the world such as Beverly Hills which give the name a nice connotation. Perhaps I should change the name of the company to Mori Hills, too.

<http://metropolis.co.jp/features/feature/the-view-from-the-hills/>

CONCLUSION

Uneven division of incredible political authority shaped every city in history, and we can say its true for modern cities today. The overall form might differ from city to city, but its creation and establishment through power in each particular set of social circumstance is very much the same everywhere.

Under the imperial rule of Napoleon III, Paris was transformed into a grand urban space over the short period of 20 years beginning in the midst of the 19th century according to the the concepts of the Seine prefect Georges-Eugene Haussmann. His ideas were taken by looking at the urban planning of Rome.

Walter Benjamin, giving a clear idea of the construction of the city's road network, wrote: "The true goal of Haussmann's project was to secure the city against the civil war. He wanted to make the erection of barricades in Paris impossible for all time. With the same scope in mind, Louis Philippe had already introduced wooden paving. Engels studies the tactics of barricade fighting. Hausmann seeks to neutralise these tactics on two forms. He started off by widening the streets, as he believed this would make the erection of barricades impossible, and the new streets designed are intended to furnish the shortest route between the barracks and the workers' district. Contemporaries christen the operation "strange embellishment". " This passage clearly indicates, the formulation of the city can be seen as a political measure to aid the bourgeoisie in their struggle against the social authority of the working class.

Creating a network of roads led to the emergence of "public" as a spatial concept in a city. This approach disengaged private space from public and made the city function as a device to suppress people. Erecting barricades in urban spaces that were controlled by "public" entities, Paris created a so-called "free zone". Within this zone, an attempt was made to maintain personal relations without pressure from the city. Perhaps it's the memory of these barricades that inspired the Situationists in the mid-20th century. According to them, the only way to escape overwhelming urban pressure was to decline to take up permanent residency and roam the city. The main aim of this movement was the "spectacle", or advanced capitalism, which as it grew stronger in the 20th century created a sense of acceptance.

With the rise of powerful capitalists at the beginning of the 20th century, skyscrapers began to be built in New York as a symbol of financial power, and within the decade of the 1920s, its urban landscape started changing drastically, in rows and rows of these tall buildings. Rem Koolhaas in his book *Delirious New York*, explains in a variety of instructive episodes how Manhattan came to be overrun by skyscrapers. In each section of New York, a

grid system was created to house huge architectural structures and conduct activities to produce the greatest economic effect. It was as though the city had become a game board of capitalism, without any regard for the people living there.

By the 21st century, ideology was dead and authority nullified in Tokyo, as a new landscape surfaced through the omnipresent presence of a low-grade power, total democracy. One of the world's largest metropolises, whose plots had been subdivided many a times into smaller ones, between approximately 1.8 million owner's. Each plot is subject to variety of building regulations but as long as these rules are obeyed, the owners have the right to build any type of structure they desire. Nearly all of these plots are designated as houses for daily life and the structures constantly change through alternations and extensions based on the owner's life style. This is very different in comparison to Italy, where planning permission for extensions and alternations are always needed. As a result, the average life span of a house in Tokyo is a mere 26 years. In European cities, urban spaces are thought of as concrete entities that meant to exist far longer than people's lives, and change is something the people are not readily aware of, or ready for. Tokyo changes continuously, and it is very hard to orient one self merely using buildings as reference points, as you would do in European cities. In Tokyo, the structures that form the landscape are likely to be completely altered in a just a couple of dozen years. Even though the position might be the same, Tokyo is a city in which entities only exist as phantoms.

There are two contrasting realities in Tokyo. The concept of "public" seems to not exist in Tokyo. The first lies in a majority of land filled with narrowly segmented privately owned living spaces. In these residential areas, "public" spaces blend perfectly with privately owned spaces. There is a very thin lines that dictates what is private and what is public, and therefore the Western concept of "privacy" has never been considered. Instead, they use a code of behaviours in which human relations are mediated through a sense of presence. The reason contemporary Tokyo continues to evolve like a living organism is that its urban structure lends itself to change on the basis of subdivided land. However, there is nothing that divides things into public and private. Moreover, as the city is located in a temperate monsoon climate, it is ideal to live in external spaces. Thus, the inside and outside spaces penetrate each other, and daily life pervades public spaces. A new architecture is manipulating these spaces and revitalizing "places that produce awareness" which were destroyed by the 20th century city.

The second reality is that of Real Estate, who are slowly taking over the city using different means. They either acquire land off the landowners, or negotiate with a landowner to keep the land but to move away, and build in those hundred of minuscule plots, huge skyscrapers and cities within cities, which accommodate offices, residential, arts, public spaces and retail all in one. Creating their own segment of the city for a definite client, and a 24 hour city.

At the end of the first decade of the 21st Century, we find in Tokyo a place of motion without movement, incessantly changing yet preternaturally calm. The notion of chaos that was widely used before the 90s in an attempt to grasp Tokyo's strange energies is behind the times in both theory and reality. Instead there is stillness

in contemporary Tokyo that suggest maturity, satiation, even contentment. The present appears as a refuge from both the deprivations of the past and the uncertainties of the future. Architectural values emerge not through the production of dramatic forms or the staging of private languages but through carefully calibrated gradations of architectural meaning. Contemporary Tokyo presents an open platform for different styles and explorations of space, form and occupation. This diversity does not result in chaos, but forms an ecosystem of responses to the city's conditions and possibilities. There is here the basis for rapprochements between architecture and the city, which differ from traditional notions of urban design. Whatever the future holds, perhaps Tokyo at this moment, advanced, yet modest, ordered yet insouciant, complete yet ever new, strange yet comfortably familiar, offers visitors a model not of a possible future, but of an alternate present.

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