Trends Concerning Land in FY2016

Basic Measures in Relation to Land in FY2017

Abstract

May 2017

Ministry of Land, Infrastructure, Transport and Tourism

“Trends Concerning Land in FY2016” and “Basic Measures in Relation to Land in FY2017” are created based on the provisions of Article 10, paragraphs (1) and (2) of the Basic Act for Land (Act No. 84 of December 22, 1989).

Part 1 Trends Concerning Land

Chapter 1 Trends in Land Prices and Land Transactions in FY2016

The Japanese economy in fiscal 2016 continued a moderate recovery in the context of improved employment and income environment.

Section 1 Economic Situation Surrounding the Real Estate Market in Japan

(Changes in GDP)

Influenced by the improvement in the employment and income environment and other factors, Japan's real GDP in 2016 experienced positive growth for the full year.

(Trends in corporations)

The fund-raising environment of corporations continued to improve in the context of expansion of monetary easing by the Bank of Japan. The sense of equipment overcapacity among companies had been falling since 2009 in both manufacturing and non-manufacturing industries, but remained almost unchanged in 2015-2016.

(Trends in households)

Concerning the employment environment, employer's perceptions regarding excesses in employment have improved since the July–September quarter of 2009 and the employer perception that there is a labor shortage became a stronger trend in fiscal 2016 than in the previous fiscal year. Active opening rate also has been rising since the July–September quarter of 2009.

In regard to consumption by households, final real household consumption expenditure that had been falling compared with the preceding quarter since the October-December quarter of 2015 turned positive in the April-June quarter of 2016.

Section 2 Trends in Land Prices

According to the publication of the land values of standard sites by MLIT, the national average volatility as of January 1, 2017, turned from being negative to being flat for residential land, and that of commercial land increased for two consecutive years from 0.9% to 1.4%. The values of all sites also increased for the second year in a row.

The average volatility of the three major metropolitan areas showed a slight increase, unchanged from the previous year, in residential land, while that of commercial land has been on an upward trend for last four consecutive years.

In other areas, the average volatility continued to decline in both residential and commercial land, but the rate of decline contracted. The average of four cities – Sapporo, Sendai, Hiroshima and Fukuoka – showed an increase exceeding the increase of the three major metropolitan areas in both residential and commercial land.

Looking at the changes by the use of land, residential land prices generally remained steady, while the employment conditions continued to improve nationwide.

In regards to commercial land, the interest in opening stores, hotels and the like was strong in central parts of major cities in response to the increase of foreign tourists and other visitors from in and outside Japan as well as increased turnout thanks to the progress of redevelopment and other projects. The profitability of commercial land is generally improving as office building vacancy rates are generally continuing to decline and rents are improving in some areas. In this context, willingness to invest in real estate was strong and commercial land prices were generally firm, partly because the financing environment was favorable for corporate investors and others due to monetary relaxation.

By area, the average volatility of residential land in Tokyo and Nagoya areas increased four years in a row, while the average volatility of residential land in Osaka area became flat in this survey. The average volatilities of commercial land in Tokyo, Osaka and Nagoya areas also increased four consecutive years.

In other areas, average volatility of both residential and commercial land continued to fall but the rate of decline became smaller with the decline in the value of all sites becoming the smallest in the past 24 years.

Chart: Fluctuation in land prices (year-on-year)

(%)

	Residential land					Commercial land				
	2013 Publication	2014 Publication	2015 Publication	2016 Publication	2017 Publication	2013 Publication	2014 Publication	2015 Publication	2016 Publication	2017 Publication
National	-1.6	-0.6	-0.4	-0.2	0.0	-2.1	-0.5	0.0	0.9	1.4
Three major metropolitan areas	-0.6	0.5	0.4	0.5	0.5	-0.5	1.6	1.8	2.9	3.3
Tokyo area	-0.7	0.7	0.5	0.6	0.7	-0.5	1.7	2.0	2.7	3.1
Osaka area	-0.9	-0.1	0.0	0.1	0.0	-0.5	1.4	1.5	3.3	4.1
Nagoya area	0.0	1.1	0.8	0.8	0.6	-0.3	1.8	1.4	2.7	2.5
Areas other than Tokyo, Osaka and Nagoya	-2.5	-1.5	-1.1	-0.7	-0.4	-3.3	-2.1	-1.4	-0.5	-0.1
Sapporo/Sendai/ Hiroshima/Fukuoka	-0.2	1.4	1.5	2.3	2.8	-0.3	2.0	2.7	5.7	6.9
Others	-2.8	-1.8	-1.3	-1.0	-0.8	-3.6	-2.6	-1.8	-1.3	-0.9

Source: "*Publication of value of standard sites*" Ministry of Land, Infrastructure, Transport and Tourism

Note 1: Regional classifications are as follows:

Three major metropolitan areas: Tokyo area, Osaka area, and Nagoya area.

Tokyo area: A group of municipalities that include existing urban areas and suburban development areas provided by the national Capital Region Development Act.

Osaka area: A group of municipalities that include existing urban areas and suburban development areas provided by the Kinki Region Development Act.

Nagoya area: A group of municipalities that include urban areas provided by the Chubu Region Development Act.

Areas other than Tokyo, Osaka and Nagoya areas: Those other than the three major metropolitan areas.

Other: Areas of municipalities other than Sapporo, Sendai, Hiroshima and Fukuoka among local district areas

Note 2: 2013 Publication: from January 1, 2012, to January 1, 2013
2014 Publication: from January 1, 2013, to January 1, 2014
2015 Publication: from January 1, 2014, to January 1, 2015
2016 Publication: from January 1, 2015, to January 1, 2016
2017 Publication: from January 1, 2016, to January 1, 2017

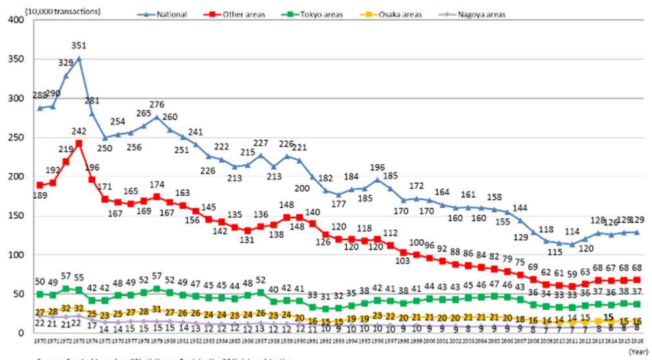
Note 3: [yellow] The drop ratio decreased or the appreciation rate increased from the previous year [blue] The drop ratio increased or the appreciation rate decreased from the previous year. [white] Same ratio of change from the previous year

Section 3 Trends in Land Transactions

(Changes in the number of land transactions, etc.)

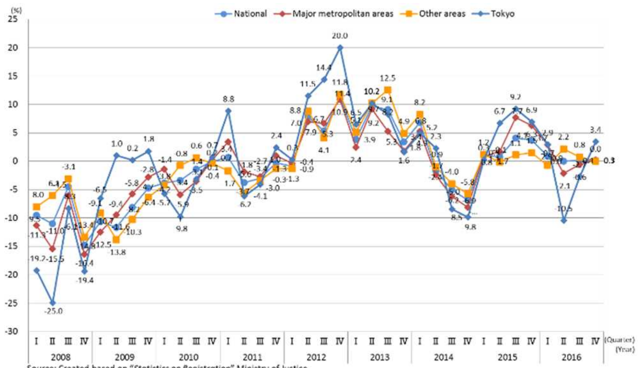
The trends in land transactions are followed by the number of transfers of ownership registered through buying and selling. The number of land transactions increased to 1.29 million in 2016 (up 0.3% from the previous year). In terms of year-on-year quarterly changes, the figure of Tokyo was significantly negative in the April-June quarter.

Chart: Changes in the number of land transactions through buying and selling



Source: Created based on "*Statistics on Registration*" Ministry of Justice
Note: Regional classifications are as follows:
Tokyo areas: Saitama, Chiba, Tokyo and Kanagawa Prefectures
Nagoya areas: Aichi and Mie Prefectures
Osaka areas: Osaka, Kyoto and Hyogo Prefectures
Other areas: areas other than above.

Chart: Changes in the variation (year-over year) of land transaction through buying and selling



Source: Created based on "*Statistics on Registration*" Ministry of Justice
Note 1: The numbers of land transactions are those of transfers of ownership concerning land through buying and selling.
Note 2: Regional classifications are as follows:
Major metropolitan areas: Saitama, Chiba, Tokyo, Kanagawa, Aichi, Mie, Kyoto, Osaka and Hyogo Prefectures
Other areas: areas other than above.

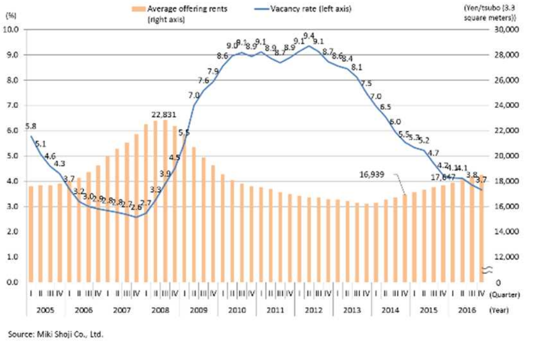
(Perception of land transactions by corporations)

According to the Survey of Land Transaction Trend conducted by the Ministry of Land, Infrastructure, Transport and Tourism, the diffusion index (DI: the ratio of corporations responding that transaction activity is "vibrant" minus the ratio of corporations responding that it is "sluggish") regarding the perception of the current land transaction situation at the location of headquarters increased for Tokyo's 23 wards, Osaka and other regions.

(Trends in the office market)

Against the background of the increased demand for rental offices, the vacancy rate continued to decline in the five inner-city wards of Tokyo (Chiyoda ward, Chuo ward, Minato ward, Shinjuku ward and Shibuya ward), dropping to 3.7% in the October-December quarter of 2016. Average offering rents continued to rise since the January-March quarter of 2014.

Chart: Changes in office building rents and vacancy rates (five inner-city wards)



(Trends in the residential market)

The total number of new housing starts was 967,237 units in 2016, up 6.4% from the previous year, increasing two years in a row. Numbers by use form were 418,543 units (10.5% increase from the previous year) for houses for rent and 250,532 units (3.9% increase from the previous year) for houses built for sale. Especially the number of new houses for rent exceeded 400,000 for the first time since fiscal 2008.

Comparing the number of new sales with that of the previous year as an indication of the condominium market trend, the number for the nation was 76,993 units (down 1.4% from the previous year) while the number for the Tokyo metropolitan area was 35,772 units (down 11.6% from the previous year) and that for the Kinki region was 18,676 units (down 1.3% from the previous year). The number of concluded contracts of second-hand condominium sales was 37,189 (increased 6.9% from the previous year) exceeding the number of new condominium sales.

Chart: Change in the number of new housing starts by use form

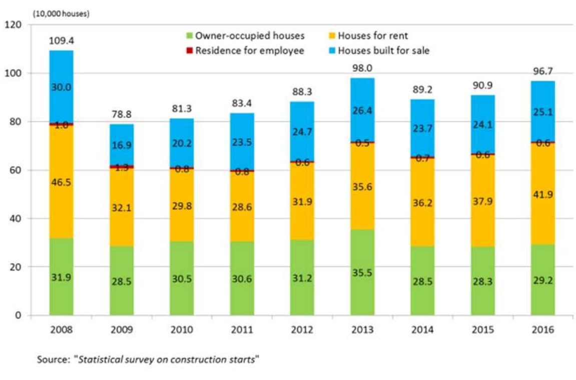
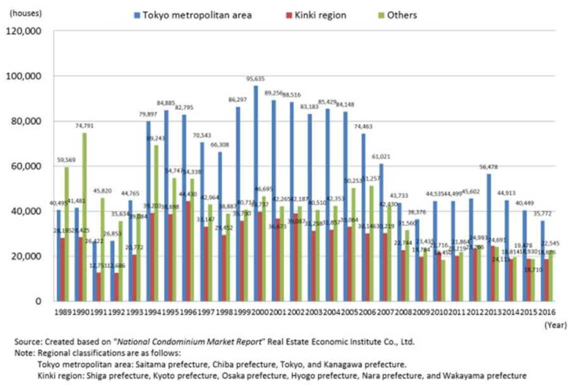


Chart: Changes in the number of new condominium sales by region

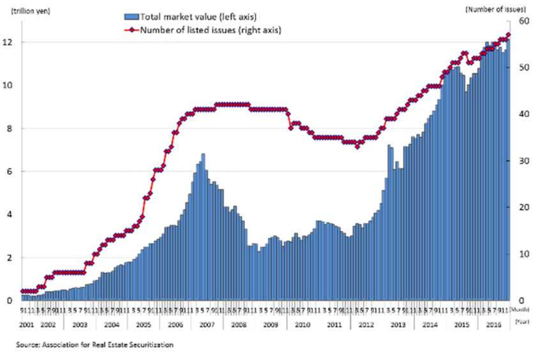


Section 4 Trends in the Real Estate Investment Market

(Trends in the J-REIT market)

There were seven new listings of J-REIT in fiscal 2016. As of the end of March 2017, 58 different stocks of J-REIT were listed on the Tokyo Stock Exchange and the current aggregate market value of real estate investment trusts was about 12 trillion yen.

Chart: Changes in the number of listed J-REIT issues and their total market value



Section 5 Trends in Land Use

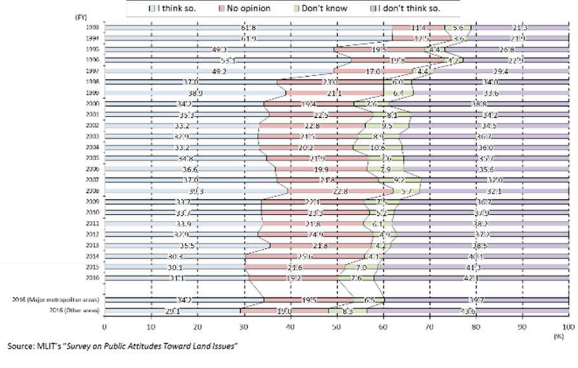
As of 2015, the total area of Japan was approximately 37.80 million hectares. Forestland accounts for the largest portion (25.05 million hectares), followed by agricultural land (4.50 million hectares), thus marking a decrease from the preceding year. When combined, forestland and agricultural land account for about 80% of the national land area. In addition, developed land, such as residential and industrial land, amounts to 1.93 million hectares, roads occupy 1.39 million hectares, surface water, rivers, and canals cover 1.34 million hectares, and fields total 0.35 million hectares.

Section 6 Situation and Perceptions of Land among Corporations and Households

(Situation and perceptions of ownership of land/house among households)

According to the “Survey on the Public Attitude Toward Land Issues” conducted by MLIT every year, the percentage of people answering “yes” to the question “Do you think land is a profitable asset compared with deposits/savings or stocks?” has been declining year to year, falling to 31.1% in fiscal 2016. The percentage of people answering “no” to the question has been

Chart: Do you think land is a profitable asset compared with deposits/savings or stocks?



increasing year by year reaching 42.1%, the highest level since the survey was first conducted.

Section 7 Situation Surrounding Real Estates, etc. After the Earthquakes

Looking at the trends in land prices based on the 2017 Publication of MLIT as of January 1, 2017 in the three most disaster afflicted prefectures (Iwate, Miyagi and Fukushima), residential land prices in Iwate prefecture continued to decline at the rate of the 2016 Publication, and the rate of decline increased for commercial land prices. In Miyagi prefecture, the rate of price increase expanded both for residential land and commercial land, whereas the rate of price increase contracted both for residential and commercial land in Fukushima prefecture.

Looking at trends in land prices in Kumamoto and Oita prefectures, areas that suffered damage from the Kumamoto Earthquake, residential land prices increased by 0.1% based on the 2016 Publication but shifted to a decline (-0.4%) in this term with fewer price increasing sites. Commercial land prices continued to decline but the rate of decline contracted to 0.1%. In Mashiki town, which was especially severely impacted by the earthquake in the prefecture, residential land prices declined due to deteriorated functioning of facilities providing daily living conveniences and other factors caused by the wide-spread damage, and commercial land prices declined due to reduced shopping and amusement options, lowered ability to attract customers and other factors.

In Oita prefecture, the rate of decline contracted for both residential and commercial land prices, while the number of sites with higher prices increased both for residential and commercial land with no considerable impact of the earthquake on land prices compared with Kumamoto prefecture.

Chart: Trends in land price fluctuation rate in prefectures affected by the Great East Japan and Kumamoto Earthquakes (annual basis)

	Residential land					Commercial land				
	Fluctuation rate (%)		Number of sites			Fluctuation rate (%)		Number of sites		
	2016	2017	Increase	Flat	Decrease	2016	2017	Increase	Flat	Decrease
Iwate prefecture	- 0.4	- 0.4	28(31)	39(32)	60(62)	- 1.7	- 1.8	0(3)	21(21)	30(28)
Miyagi prefecture	1.9	2.4	284(286)	53(46)	64(55)	3.2	4.7	95(88)	13(19)	29(28)
Fukushima prefecture	2.9	2.1	204(198)	43(47)	59(43)	0.9	0.8	57(53)	13(14)	25(23)

	Residential land					Commercial land				
	Fluctuation rate (%)		Number of sites			Fluctuation rate (%)		Number of sites		
	2016	2017	Increase	Flat	Decrease	2016	2017	Increase	Flat	Decrease
Kumamoto prefecture	0.1	-0.1	51(67)	58(34)	53(55)	-0.2	-0.1	31(30)	9(8)	31(31)
Mashiki town	0.6	-4.5	0(2)	0(1)	3(1)	*	-6.2	0(－)	0(－)	1(－)
Oita prefecture	-0.7	-0.3	34(10)	32(34)	78(96)	-0.8	-0.5	11(8)	20(7)	42(55)

Source: "*Land Market Value Publication of 2017*" Ministry of Land, Infrastructure, Transport and Tourism
Note 1: Fluctuation rate was calculated only for the sites of continued observation.
Note 2: Numbers of sites in ( ) are values based on the *2016 Publication*
Note 3: There is only one commercial site in Mashiki town. Comparison with the previous year was not possible because of a site change in 2016.

Chapter 2 Optimal Utilization of Land and Real Estate Based on the New Land Demand in Growing Fields

In order to accomplish economic growth in the context of rapid population decline, Japan needs to realize productivity increases exceeding the decrease in the number of workers. For this purpose, it is required to further introduce investors' funds to growing fields through further utilization of the real estate investment market and to smoothly supply land and real estate through correct responses of land policy to meet demand for land in these fields.

This Chapter captures moves of growth industries from the perspective of real estate investment in Section 1. Sections 2 to 4 describe, from the perspective of promotion of optimal utilization of land/real estate to maximize stock effects of social capital, changes in land use caused by the situation surrounding growth fields and improvement of logistics facilities; changes in land use caused by inbound and other demand for tourism, and; intercity competition and land use status in urban areas in the context of globalization.

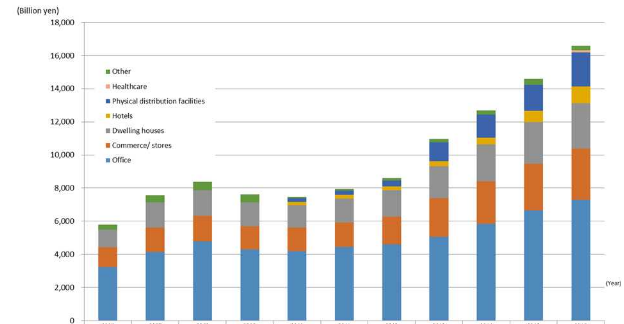
Section 1 Trends in Real Estates in Growth Industries from the Perspective of Real Estate Investment

1. Trends in real estate investment

(The appraised value of the real estate incorporated in J-REITs)

J-REITs account for about 0.8% of the total real estate value in Japan, but the appraised value of the real estate incorporated in J-REITs has been increasing from a level of around 7.5 trillion yen in 2010 to about 16.6 trillion yen at the end of 2016. The increase was especially large in logistics facilities and hotels; and the appraised value of the former increased to about 2 trillion yen and that of the latter to about 1 trillion yen.

Chart Changes in the appraised value of the real estate incorporated in J-REITs



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other	287	432	505	493	80	119	157	184	257	357	280
Healthcare	0	0	0	0	0	0	0	0	0	0	103
Physical distribution facilities	0	0	0	0	233	243	357	1,159	1,390	1,572	2,053
Hotels	0	0	0	0	204	220	225	290	410	686	1,038
Dwelling houses	1,070	1,529	1,549	1,435	1,348	1,457	1,598	1,937	2,231	2,509	2,726
Commerce/ stores	1,197	1,471	1,556	1,390	1,397	1,473	1,664	2,314	2,552	2,833	3,099
Office	3,233	4,142	4,777	4,299	4,207	4,446	4,606	5,069	5,855	6,643	7,283
Total	5,787	7,574	8,387	7,618	7,469	7,958	8,607	10,953	12,695	14,600	16,581

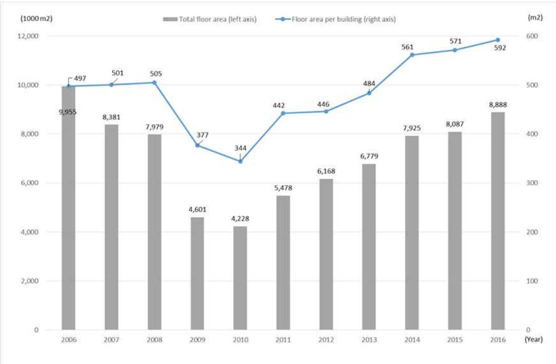
2. Changes in the number of real estate stocks by use

The area of warehouse construction starts including logistics facilities has been on the increase since 2011 and the floor area per building is also on the increase.

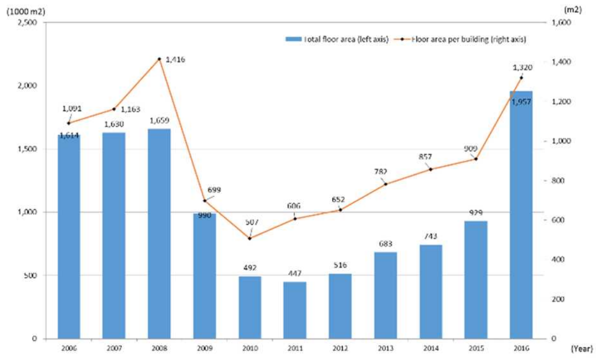
The area of construction starts of buildings for the lodging industry has been on the increase since 2012 and the floor area per building is also on the increase.

Chart Trends in area of construction starts

Warehouses



Buildings for the lodging industry

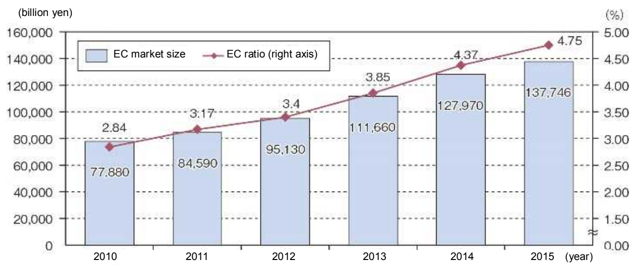


Section 2 Trends in Logistics Facilities and Changes in Land Use in Response to the Expansion of the E-commerce Market

1. Trends in logistics facilities in response to the expansion of the e-commerce market

(Trends in the E-commerce market)

Chart: Changes in the size of E-commerce market



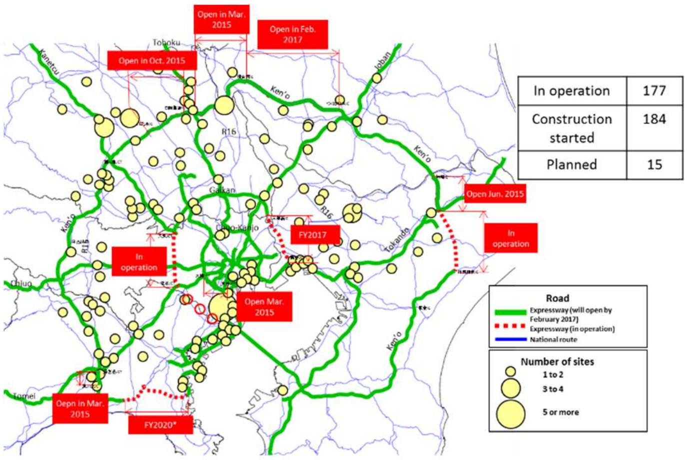
The E-commerce market is rapidly expanding with the penetration of the Internet and other factors in recent years. The size of the consumer e-commerce market in 2015 was 13.8 trillion yen (7.6% increase from the previous year; 76.9% or 6 trillion yen increase from 2010.)

The ratio of the e-commerce market to the amount of all commercial transactions is also on the increase.

(Trends in new development of logistics facilities)

In recent years, development is active not only in coastal areas but also around inland highway interchanges in the Tokyo metropolitan area. According to interviews of people involved in logistics facilities, the development trend is believed to be caused by improved traffic convenience in inland areas thanks to partial opening of the Metropolitan Inter - City Expressway and other expressways as well as low rents to attract tenants of aged high-rent logistics facilities in the coastal area because land can be acquired at lower prices compared with those in the coastal area.

Chart Trends in new development of logistics facilities in the Tokyo metropolitan area



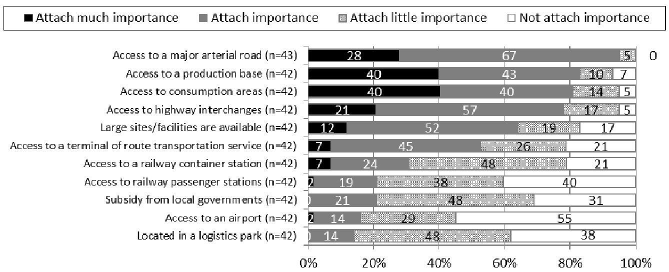
*If land acquisition is smoothly completed through the procedures based on the Compulsory Purchase of Land Act

Source: Created by MLIT based on “Nihon Ritchi Soran 2015 and 2016”

(Important factors for location)

According to a questionnaire survey of consigner companies, a high percentage of businesses “attach much importance” to access to production bases, consumption areas and major arterial roads when considering the location of logistics facilities. According to interviews of logistics facilities, securing of employees for logistics facilities has become a key issue in recent years. For this reason, closeness to residential suburb and stations convenient for commuting also have become important factors.

Chart: Questionnaire survey on strategy for location of logistics facilities



Source: Questionnaire survey on utilization strategy of logistics real estate, SUMITOMO MITSUI TRUST RESEARCH INSTITUTE CO.,LTD, 2007

2. Land price trends pertaining to development of logistics facilities

According to the results of the 2017 Publication, the rate of increase of average volatility of industrial land prices from the previous year expanded to 1.8% in the Tokyo area. The highest increase rate was 10.3% at Iruma 9-1 (inland area) near the Iruma Interchange of the Metropolitan Inter - City Expressway, followed by 8.5% of Funabashi 9-5 (Funabashi, Chiba; costal area) and 8.5% at Higashimatsuyama 9-1 (Higashimatsuyama, Saitama; inland area.). An increasing trend was observed in both inland and coastal areas.

Chart: Standard sites in industrial land of the Tokyo area (with rate of increase from the previous year 5% or higher)

Source: "*Land Market Value Publication of 2017*" Ministry of Land, Infrastructure, Transport and Tourism
The map shows the sites with the rate of increase from the previous year 5% or higher in industrial land of the Tokyo area
1 to 3 indicates the sites with the highest to the third highest increase rate
Note: the map is from GSI Map material of the Geospatial Information Authority

3. Development cases of logistics facilities

As described above, there have been new developments of large logistics facilities in urban coastal areas and suburban inland areas. Here we introduce a case of development in reserve land of a land readjustment project.

(DPL Misato)

DPL Misato is large-scale logistics facilities for multiple purposes opened in a space of reserve land of a land readjustment project in August 2013. Situated about 0.5km from the Misato Interchange of the Joban Expressway, the facilities are close to Misato Junction that is connected to the Metropolitan Expressway No.6, Tokyo-Gaikan Expressway and Joban Expressway.

With operations requiring manpower including merchandise sorting, the facilities created about 3,500 new jobs.

Chart: Exterior photo of DPL Misato

Source: Daiwa House Industry Company

The area that was an urbanization control area and used mostly for placing surplus soil and farming has been transformed into a park of logistics facilities with advanced logistics functions making the most of its location.

Chart: Aerial photograph before and after the land readjustment project in southern part of Misato Interchange

<Before> <After>

Source: Association to carry out the land readjustment project in southern part of Misato Interchange

Section 3 Changes in Land Use Accompanying Expansion of Inbound Tourism

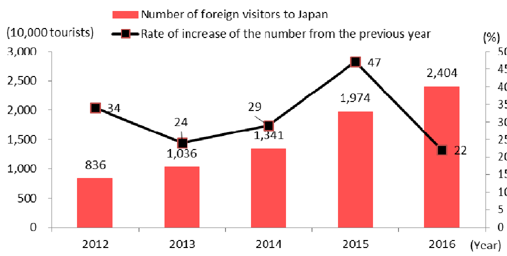
Against the background of substantial changes in the situation surrounding tourism in recent years, the government drew up the “New Tourism Strategy to Invigorate the Japanese Economy,” incorporating medium to long-term goals of tourist policies (decision on March 30, 2016, by the Meeting of the Council for a Tourism Vision to Support the Future of Japan.) The vision outlines the strategy that the government will work together to materialize “a World-Class Tourist Industry” maximizing the four conditions necessary for tourism promotion: history and culture, seasonal diversity and world-class cuisine, which Japan boasts to the world. In this context, the number of foreign tourists visiting Japan has been increasing with prospect for continued growth of the accommodations market. This section will overview the inbound tourism situation, identify land price trends against this background and take up accommodation facilities that support the tourism industry.

1. Situation, etc. of inbound tourism

(About foreign visitors to Japan)

In 2016, the number of foreign visitors to Japan increased by about 21.8% compared with the previous year to 24.04 million. The number has increased significantly in recent years, tripling from 2012.

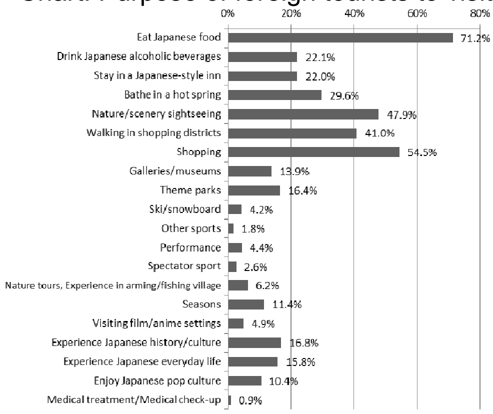
Changes in the number of foreign visitors to Japan



(Purpose of foreign tourists to visit Japan)

The No.1 purpose of foreign tourists to visit Japan in 2016 was “eat Japanese food” at 71.2%, followed by “shopping” at 54.5% and other so-called experiential consumption including “nature/scenery sightseeing” “walking in shopping districts” and “bathe in a hot spring.”

Chart: Purpose of foreign tourists to visit Japan



Source: Japan Tourism Agency

2. Trends in accommodation facilities and land prices

According to the 2017 Publication, the highest increase rate of commercial land was recorded by Osaka Chuo 5-19 with a 41.3% increase from the previous year, followed by Osaka Chuo 5-2 at 35.1%. Land prices increased especially around the Dotonbori area due to the effect of new store opening and hotel development to respond to the increase in inbound tourists.

In Kutchan town, a resort destination in Hokkaido, willingness to open new stores to cater to inbound tourists is strong. The rate of increase from the previous year was 9.3% for commercial land Kutchan 5-1. Land prices of residential land increased throughout the Kutchan town area; by 6.1% for Kutchan-2 and 3.8% for Kutchan-1.

Chart: Standard sites

Commercial land in Osaka city Kutchan

(Sites with over 20% volatility compared with the previous year)

Source: “*Land Market Value Publication of 2017*” Ministry of Land, Infrastructure, Transport and Tourism

The map shows commercial land with the rate of increase from the previous year of 20% or higher in Osaka city. 1 and 2 indicate the sites with the highest and the second highest increase rate.

The map of Kutchan shows standard sites. 1 to 3 indicates the sites with the highest to the third highest increase rate

Note: the map is from GSI Map material of the Geospatial Information Authority of Japan.

3. Status of accommodation facilities and changes in land use

This section introduces the tourism trend and development cases and trends in land prices in Kyoto City where foreign tourists are increasing and land prices are rising due to opening of new stores, demand for accommodation facilities and other factors of inbound tourism.

(1) Trends in accommodation facilities in Kyoto City

(Initiatives by Kyoto City)

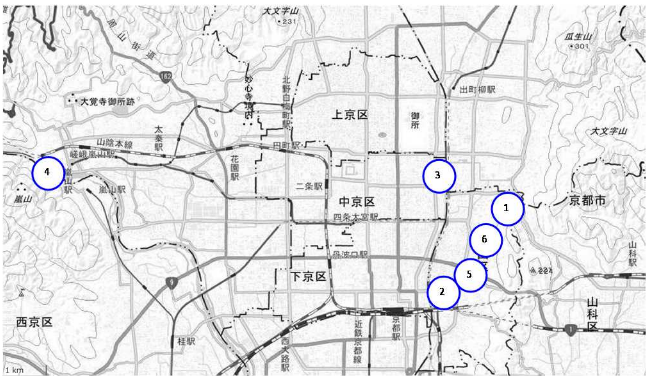
Kyoto set forth "the Kyoto City's policy to expand and attract accommodation facilities" in 2016. As an effort to expand and attract accommodation facilities, the city will actively support expansion and attraction of high-quality facilities that meet the requirements mandated by the city among quality facilities contributing to the enhancement of the city's rank (e.g. luxury facilities,) those contributing to industrial development (e.g. contributing to MICE attraction) and those highlighting local attractiveness of mountainous /submontane areas (e.g. Auberge)

Specifically, its general help desk dealing with expansion and attraction of inns/hotels provides consultation for accommodation facilities you wish to open. The city also selects "candidates for high-quality accommodation facilities" for each type of facilities with focus on utilization of local attractiveness, understanding of local residents and contribution to the community, etc. In exclusive residential districts and industrial districts, the city promotes attraction by means such as special provision for permission of the Building Standards Act and district planning and utilization of existing buildings in the urbanization control area.

(Development trends in Kyoto City)

Kyoto is attracting a number of foreign hotels in recent years. Their most frequent locations are in Arashiyama, Higashiyama and other tourist destinations rather than in the vicinities of railway stations with high traffic convenience.

Chart: Foreign hotel development trends in Kyoto City



Source: created by MLIT

Note: the map is from GSI Map material of the Geospatial Information Authority of Japan

Chart: Four Season Hotel Kyoto

Source: Four Season Hotel Kyoto

Chart: Suiran, A Luxury Collection Hotel, Kyoto

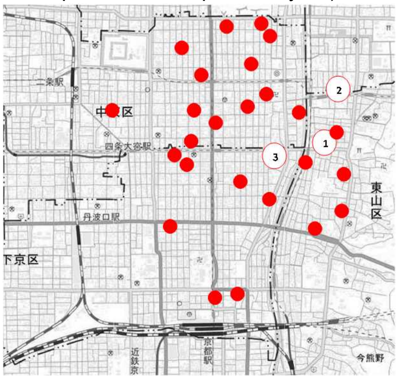
Source: Suiran, A Luxury Collection Hotel, Kyoto

(Land price trend)

According to the 2017 Publication, prices increased for all commercial sites in Nakagyo, Shimogyo and Higashiyama wards due to new store openings and expanded demand for accommodation facilities in response to the expansion of inbound tourism in Kyoto City. Especially in Higashiyama ward with many sightseeing areas, demand to open new stores targeting tourists drove up land prices by 12.1% from the previous year.

Chart: Trends of commercial land prices in Kyoto City

(Sites with an increase rate of over 10% compared with the previous year)



Source: "*Land Market Value Publication of 2017*" Ministry of Land, Infrastructure, Transport and Tourism
The map shows the commercial sites with the rate of increase from the previous year of 10% or higher in Kyoto city. 1 to 3 indicates the sites with the highest to the third highest increase rate

Note: the map is from GSI Map material of the Geospatial Information Authority of Japan

Section 4 Interurban Competition and Land Use in Inner-city Areas in the Context of Globalization

Total transaction value of real estate for business in Tokyo was about 16.0 billion dollars in 2016 with the value of properties acquired by foreign capital at about 2.1 billion dollars. The values are on the decrease but Tokyo is still a large international market. The Global Power City Index 2016 of the Institute for Urban Strategies issued by The Mori Memorial Foundation, ranked Tokyo as No.3 for the first time. Tokyo is ranked No.1 in "economy" consisting of the market size/attractiveness, economic/human capital accumulation, and business environment/ease. Based on the evaluation content, it is believed that the accumulation of office buildings, residential environment and other factors are highly evaluated.

Based on the above, this section will make intercity comparison of real estate prices, mention overseas investors' evaluation of the Japanese real estate market and introduce a land use case for healthcare, a growing industry ,in addition to use for office buildings, condominiums and commercial facilities in urban area.

1. Trends in foreign investments

(1) Intercity comparative index of rent

(Office price index)

Intercity office price index (floor price unit value index per rentable area of a building) shows that the price is the second highest in Tokyo, following Hong Kong, and at a higher level compared with London and New York. The price increase is significant in Tokyo compared with other cities, which was caused by the lowering of the interest rate in 2016 and the booming market with rising rents and a lower vacancy rate.

Chart: Intercity comparison of office price

Source: Japan Real estate Institute

Note: intercity comparative index for floor price unit of top-class offices in the central business district (CBD) of each city. Evaluation in local currency of the city is converted into yen at the exchange rate as of October 2016

(Office rent index)

Looking at office rent index (rent unit cost per rentable area of reference floor) Tokyo (Marunouchi-Otemachi district) is No.3 following Hong Kong and London. In comparison of the price level, the level of Tokyo is lower than that of London and higher than that of New York, but the difference of the rent level is narrower than that of the price level.

Chart: Intercity comparison of office rent

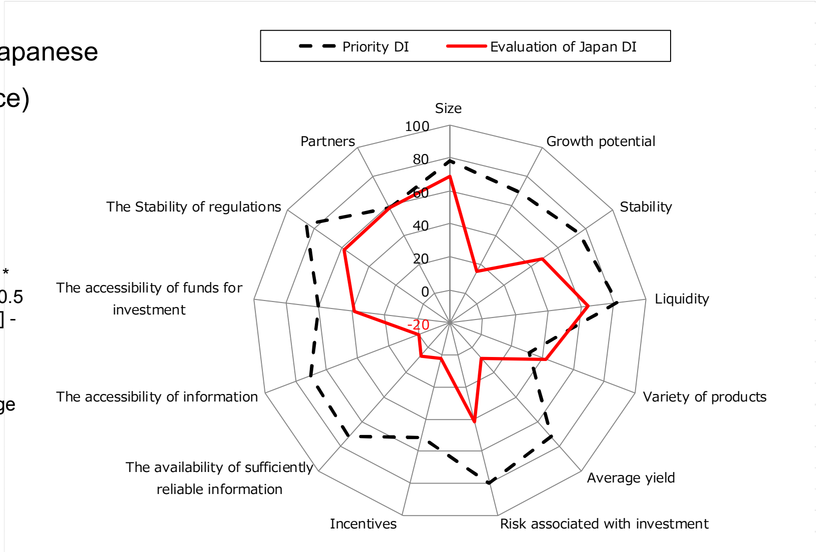
Source: Japan Real estate Institute

Note: Intercity comparative index for floor price units of high-end condominiums of each city. The evaluation in the local currency of the city is converted into yen at the exchange rate as of October 2016

(2) Overseas investors' evaluation of the Japanese real estate market

When asked about their evaluation of the Japanese real estate market, overseas investors highly evaluated the "size of the real estate market (68.8 points)," followed by "liquidity in the real estate market (64.4 points)," "the existence of reliable partners (59.1 points)" and "the stability of regulations for governing real estate investment (58.0 points)." Items that are perceived to be inferior in spite of their importance include "the availability of sufficiently reliable information for real estate investment" and "the accessibility to information that meets investor requirements for real estate." Information provision to overseas investors has a low rating. "Average yield on the real estate market," and "growth potential of the real estate market" are also perceived to be inferior in spite of their importance. The perception is believed to be due to the maturity of the real estate market of Japan.

Chart: Overseas investors' evaluation of the Japanese real estate market (comparison with importance)



Source: "*Survey of Overseas Investors*"
Note: Priority DI = [percentage selecting "attach importance" "%)] + 0.5 * [percentage selecting "somewhat attach importance"(%)] - 0.5 * [percentage selecting "don't attach much importance" (%)] - [percentage selecting "don't attach importance"(%)]
Evaluation DI = [percentage selecting "superior" (%)] + 0.5 * [percentage selecting "somewhat superior"(%)] - 0.5 * [percentage selecting "somewhat inferior" (%)] - [percentage selecting "inferior" (%)]

2. Land use in inner cities

As described above, with the expansion of foreign investment, inbound consumption and J-REIT and other factors, investments are active especially in central Tokyo, leading to higher real estate prices and rising evaluation by overseas investors. In this context, large-scale developments of office buildings and projects have been conducted one after another in central Tokyo. Here, we cover recent development cases of office buildings, commercial facilities, condominiums and healthcare facilities.

(1) Office

○Tokyo Garden Terrace Kioicho (on the site of the former Grand Prince Hotel Akasaka)

Chart: Tokyo Garden Terrace Kioicho

Source: SEIBU PROPERTIES INC.

In July 2016 Seibu Properties Inc. opened Tokyo Garden Terrace Kioicho on the site of the former Grand Prince Hotel Akasaka in Chiyoda ward, Tokyo. The complex consists of Kioi Tower that is directly connected to Tokyo Metro Nagatacho and houses offices, a hotel, and commercial and other facilities; apartment house Kioi Residence, and; Akasaka Prince Classic House, the relocated former Tokyo residence of the Yi Imperial Family (former Grand Prince Hotel Akasaka Old Wing.)

In response to growing corporate interest in BCP as a result of the Great East Japan Earthquake, its plan for an emergency power generator was changed to enable power supply for three days. Water from a well on the property can be used as drinking water as well as for toilets in case of emergency. The facilities have concluded an agreement with Chiyoda ward to accept 2,000 people unable to return home after disasters.

(2) Commercial facilities

○Development of a commercial facility complex (Nihombashi Muromachi-higashi district development project)

Nihombashi Muromachi-higashi district development project was an integral development of multiple blocks on the eastern side of Nihombashi Chuodori street. The plan was to create a gathering place, a road through the facilities, an underground public space, a regional disaster control system, a local communication center dispensing information and other facilities that increase the usage of the street while at the same time having a public nature. The entire facilities were completed in 2014.

Chart: COREDO Muromachi

Source: Mitsui Real Estate Development Co., Ltd.:

Under a commercial concept of “Nihombashi enlivens Japan,” the project worked on two initiatives: “stores seeking new developments while using the history and culture of Nihombashi” under which long-established and well-known stores seek new developments while using the strength of the tradition, and; “enhancement of the functions to further enliven the Nihombashi area” by steps such as restaurants being open on weekends and till late at night and the first cinema complex in Nihombashi.

The underground public space named “Edo Sakuradori Underground Passage” was created jointly with Chuo ward together with a 3,000m^2 underground public space surrounding the passage. Directly connected to Tokyo Metro Mitsukoshimae and JR Shin-Nihombashi stations, Mitsukoshi Nihombashi main store, COREDO Muromachi and other facilities, this underground gathering place is also available for temporary stay for people who are unable to return home after disasters, sends disaster information and provides stockpiles for disaster prevention.

(3) Condominium

○Toshima Ecomusée Town (BrilliaTower Ikebukuro)

Toshima Ecomusée Town is a complex completed in Minamiikebukuro of Toshima ward, Tokyo, in February 2015. The complex is shared by a high-rise condominium and Toshima ward office. This is Japan's first skyscraper apartment house integrated with a main ward office.

The complex is directly connected to Tokyo Metro Higashiikebukuro Station at the second underground level, and has tenants of commercial facilities on the first and second floors. It houses Toshima Ward office from the third to 10th floors while fitness rooms, guest rooms and other facilities for common use for residents are concentrated on the 11th floor. Dwelling units are on the 12th to 49th floors. A beauty lounge and guest rooms are on the 31st floor and a sky terrace on the rooftop.

Chart: Toshima Ecomusée Town (BrilliaTower Ikebukuro)

Source: Tokyo Tatemono Co., Ltd.

The site of former Toshima ward office is leased to business operators with the first refusal right represented by Tokyo Tatemono Co., Ltd. based on a fixed-term land lease agreement for 76 years and six months, which led to a series of developments including rebuilding the site into a complex housing eight theaters.

(4) Healthcare facilities

○Cocofump Kashiwa Toyoshikidai

The Urban Renaissance Agency (UR) is working to build medical welfare centers in communities around housing complexes. In the area surrounding Toyoshikidai housing complex, Kashiwa city, the Institute of Gerontology (IOG) of the University of Tokyo, and UR are jointly implementing a project to create an environment to enable people to stay in the local community till the end of life (Aging in Place).

The city, IOG and UR signed a triangular agreement in Kashiwa to implement the more advanced initiatives in the area surrounding the housing complex.

In this context, Cocofump Kashiwa Toyoshikidai was constructed as residence with health and welfare services for the elderly that also has center functions combining “residence” to stay at home even when you need Long-term Care and various services including “commuting, staying and visiting.“ The complex includes a center that provides medical and long-term care services to the community to establish an integrated community care-system available 24 hours per day.

Chart: Initiative at UR Toyoshikidai housing complex

Source: the Urban Renaissance Agency and Gakken Cocofump Corporation

Chapter 3 Maintain and Enhance the Regional Value Through Creative Utilization of Vacant Lots, etc.

In Japan, full-scale population decline is expected in the future especially in provincial areas. A corresponding decrease in demand for land will generate empty houses and the sites after removal of such houses will become vacant lots. Further, if they are left without management and appropriate transfer registration through inheritance, etc., eventually it might become difficult to determine the land owners. It is anticipated that there will be various problems concerning land use.

This Chapter analyses the trends of sites of empty houses and vacant lots (vacant lots, etc.) that are expected to rapidly increase due to decreasing demand for land, parking lots, storage yards and other underutilized/unused real estate and the current situation of land whose owners are difficult to determine, which will be followed by introduction of distinctive initiatives contributing to appropriate management/utilization of vacant lots, etc.

Section 1 Advent of Full-Scale Population Decline and Changes in Circumstances Surrounding Land

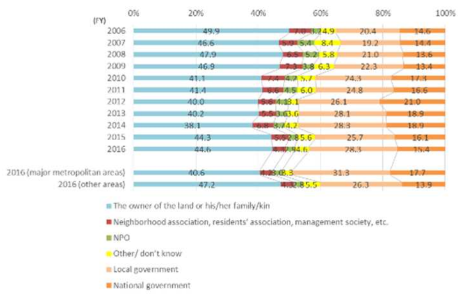
(Changes in demographics of Japan)

The future population of Japan is expected to decline from 127.09 million in 2015 to 101.92 million in 2050. It is projected that the number of ordinary households will begin to decline around 2019 while the ratio of households with aged heads will increase.

(Decline of land property values and the willingness to own and use land)

Since the economic bubble burst, land property value has been on a long-term decrease, leading to a decline in the willingness to own and use land. To the question; "who is responsible for management of unused land?" the percentage of the respondents answering "the owner of the land or his/her family/kin" fell from 49.9% in 2006 to 44.7% in 2016. The percentage of respondents answering "local government" increased from 20.4% to 28.3%.

Chart: Who is responsible for management of unused land?

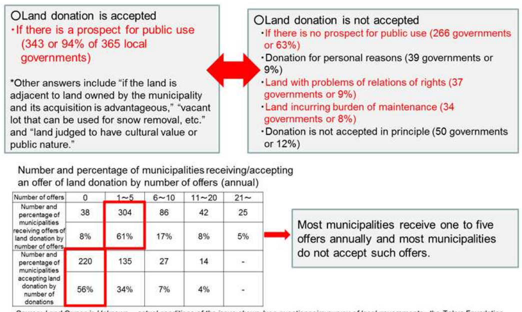


Source: MLIT's "Survey on the Public Attitude Toward Land Issues"

(Donation of land to local governments)

According to the questionnaire survey of local governments, the largest number of them did not accept donations. Many local governments do not accept donations in principle. There is a tendency to refuse to accept donation of land for which there are no prospects for public use and problems of relations of rights or accompanying maintenance/management burdens.

Chart: Offer and acceptance of donation of land to local government



Number and percentage of municipalities receiving/accepting an offer of land donation by number of offers (annual)

Number of offers	0	1～5	6～10	11～20	21～
Number and percentage of municipalities receiving offers of land donation by number of offers	38	304	86	42	25
	8%	61%	17%	8%	5%
Number and percentage of municipalities accepting land donation by number of donations	220	135	27	14	-
	56%	34%	7%	4%	-

Source: *Land Owner is Unknown – actual conditions of the issue shown by a questionnaire survey of local governments-*, the Tokyo Foundation

Section 2 Trends Surrounding Vacant Lots, etc. in Japan

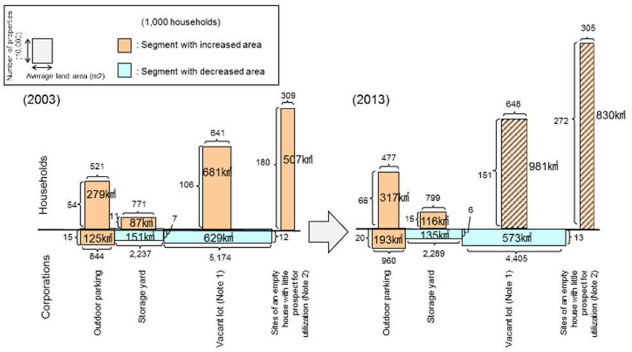
1. Trends pertaining to vacant lots, etc.

(Current state of vacant lots, etc.)

When empty houses with little prospect for use are removed, their sites are very likely to become vacant lots, etc. Their appropriate management and effective utilization pose a challenge.

According to the Basic Survey on Land of MLIT, vacant lots, etc. owned by corporations are on the decrease except for "outdoor parking lots" but vacant lots owned by households have increased 1.4 times in the last 10 years. The increase of "vacant lots" not used as outdoor parking lots, storage yards or for other purposes is especially significant. "Sites with an empty house with little prospect for utilization" calculated based on a certain estimation are also expected to increase.

Chart: Changes in the area of vacant lots, etc. owned by households/corporations

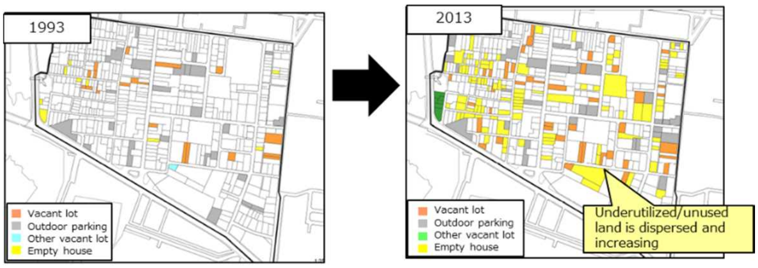


Source: *Basic Survey on Land*, MLIT
Note 1: "Vacant lots" in this survey include waste land, wilderness and ponds and swamps.
Note 2: Product of "average lot area of detached houses" and "the number of other empty houses with little prospect for utilization"
Note 3: The difference between "Other houses" and "Other houses located within 1km from a station and usable with simple repair" among empty houses. However, because the number of the latter was not calculated in fiscal 2003, the figure was calculated by dividing "the figure of 2013" proportionally by "other houses (2003) and other houses (2013)"

(Generation status of vacant lots, etc.)

Vacant lots, etc. are generated not in a planned way but sporadically and discretely by the intention of individual owners and many of them are dispersed. Vacant lots owned by households tend to be small (most frequently 100 to 300m^2) with limited applications.

Chart: Changes in underutilized/unused land (a general housing area of a local city in Kinki region)



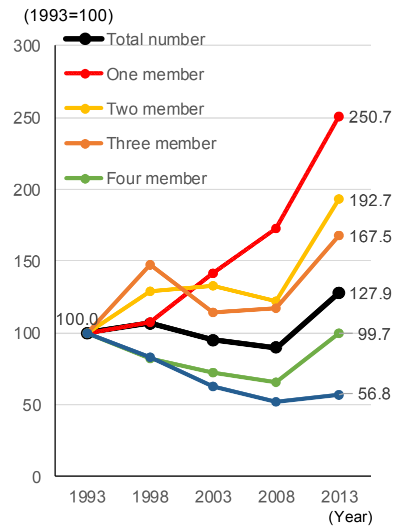
Source: *Research study on factors of generation/disappearance of vacant lots, etc. and new utilization methods*, MLIT

(Characteristics of households owning vacant lots, etc.)

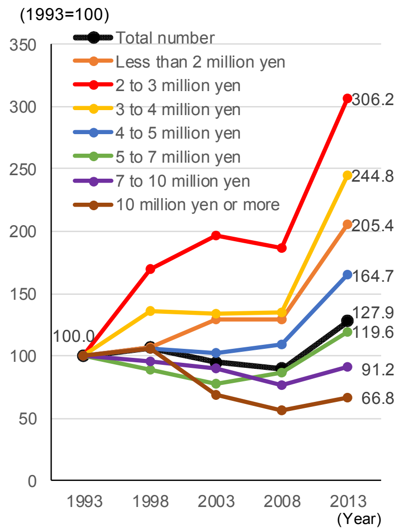
Looking at the changes in the area of vacant lots, etc. owned by households by attribute of the household based on an index where the vacant lot area owned by households in 1993 is set as 100, increase of the area is significant for households with fewer members and lower annual income and without working heads. Based on the above, it is believed that characteristic attributes of households owning vacant lots are “independent children,” “after age-limit retirement” and “aged members.”

Chart: Attributes of households owning vacant lots

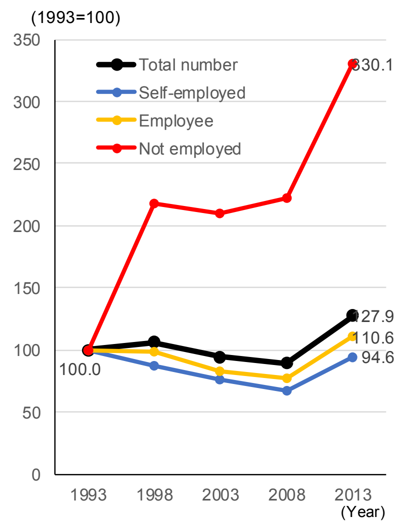
Changes in the area of vacant lots, etc. owned by household by number of members (index)



Changes in the area of vacant lots, etc. owned by households by annual income of the household (index)



Changes in the area of vacant lots, etc. owned by households by form of employment (index)



Source: *Basic Survey on Land*, MLIT
Note 1: Figures are index where the owned area by age of the owner in 1993 is 100.
Note 2: Form of employment is the employment status of the member who is the main supporter of the household.

(Reason for leaving the lot vacant)

Looking at how the households acquired the vacant lots, acquisition by inheritance or gift greatly increased, accounting for about 70 % of all acquisitions.

Chart: Method and time of acquisition of vacant lots owned by households

Acquisition method of vacant lots owned by household (km²)

Acquisition method	Area in 2003	Area in 2013	Increase rate
Purchased from the national or local government	25	22	-12%
Purchased from a company, URA, public or other corporation	69	48	-31%
Purchased from a private person	160	172	8%
Acquired by inheritance or gift	394	701	78%
Other	24	29	20%
Not known	9	10	1%
Total number	681	981	44%

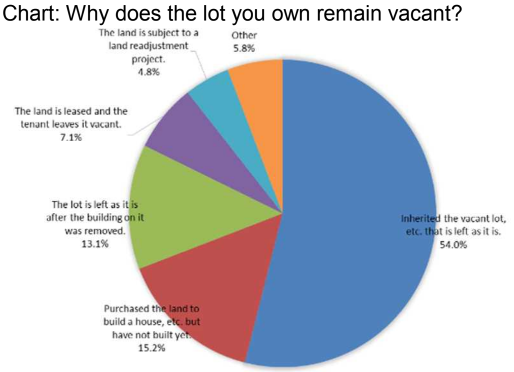
Time of acquisition of vacant lots owned by households (km²)

Time of land acquisition	Area in 2003	Area in 2013	Increase rate
Before 1951	127	133	6
1951-1970	110	100	-11
1971-1980	121	136	14
1981-1990	137	139	2
1991-2000	184※	154	182
2001-2010		211	
2011-2013	0	97	97
Not known	1	10	9
Total number	681	981	300

Source: *Basic Survey on Land*, MLIT
Note 1: *Time of land acquisition is from 1991 to 2003
Note 2: "Vacant lot" in this survey includes waste land, wilderness and ponds and swamps.

While the percentage of owners who actively acquired land for specific land use but are not yet using the land remains 15.2%, 54.0% answered that they had inherited the vacant lots and left them as they were. In the future it will become important to use vacant lots, etc. acquired by inheritance without intention for any specific land use.

Chart: Why does the lot you own remain vacant?



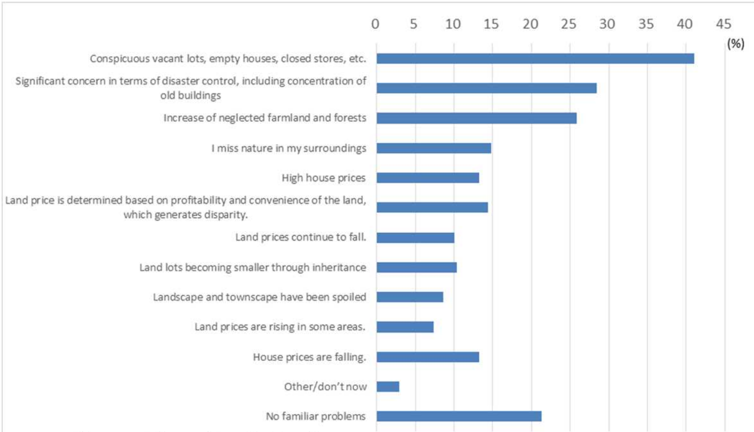
Source: *Questionnaire survey of owners regarding vacant lots, etc.* MLIT

(Public awareness of the issue of vacant lots, etc.)

Asked about "familiar land problems," 41.0% of the respondents answered "Conspicuous vacant lots, empty houses, closed stores, etc."

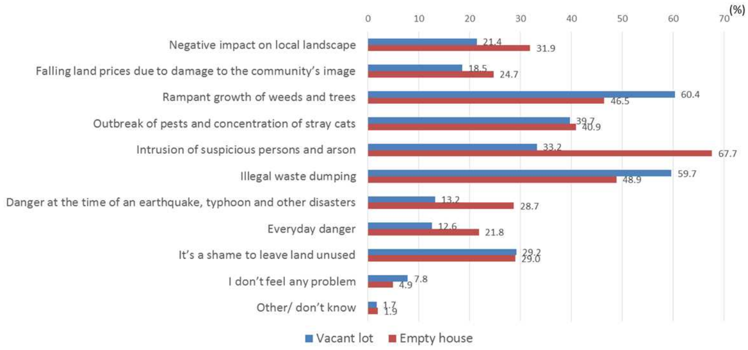
Further asked "what do you feel are problems caused by increased empty houses?" many respondents answered "Intrusion of suspicious persons and arson" and "Illegal waste dumping" as problems caused by empty houses, and "Rampant growth of weeds and trees" and "Illegal waste dumping" as problems caused by vacant lots. As the percentage of the respondents answering "I don't feel any problem concerning empty house" and "I don't feel any problem concerning vacant lot" is 4.9% and 7.8% respectively, most people are aware of some problem concerning increasing vacant lots.

Chart: Public awareness of “familiar land problems”



Source: MLIT’s “Survey on Public Attitude Toward Land Issues”

Chart: What do you feel are problems caused by increased empty houses?



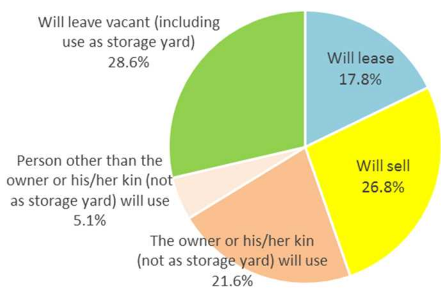
Source: MLIT’s “*Survey on Public Attitude Toward Land Issues*”

(Intention to sell, lease or use vacant lots, etc.)

While many owners of vacant lots, etc. are feeling obstacles and challenges for their management, some owners show their intention to sell, lease or use their lots.

Asked about the intention to use their vacant lots, etc. in about five years, about 70% of the respondents answered they have intention to dispose of or use the lots, while about 30% answered they will leave the lots vacant.

Chart: Intention to sell, lease or use vacant lots, etc. in about 5 years ahead

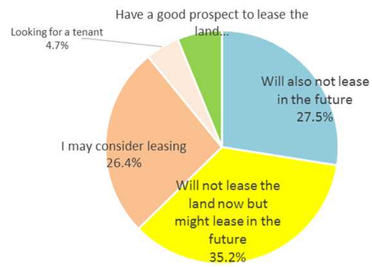


Source: *Questionnaire survey of owners of vacant lots, etc.* MLIT

Asked about their intentions including future potential to lease or sell their vacant lots, about 30% of the respondents answered they would not lease or sell their land, while about 60% answered they might sell or lease the land, but only 4.4% answered they Have a good prospect to sell the land.

Chart: Intention to sell, lease or use vacant lots, etc.

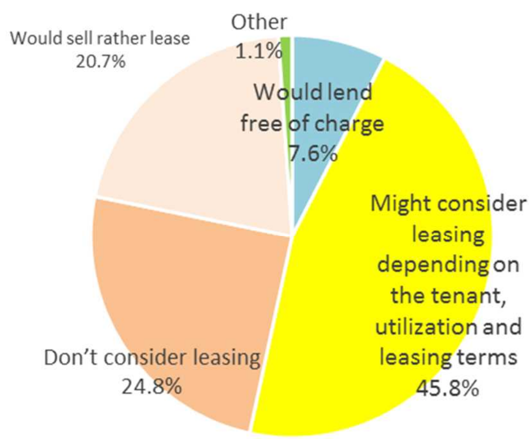
Source: *Questionnaire survey of owners of vacant lots, etc* .MLIT



Source: *Questionnaire survey of owners of vacant lots, etc* .MLIT

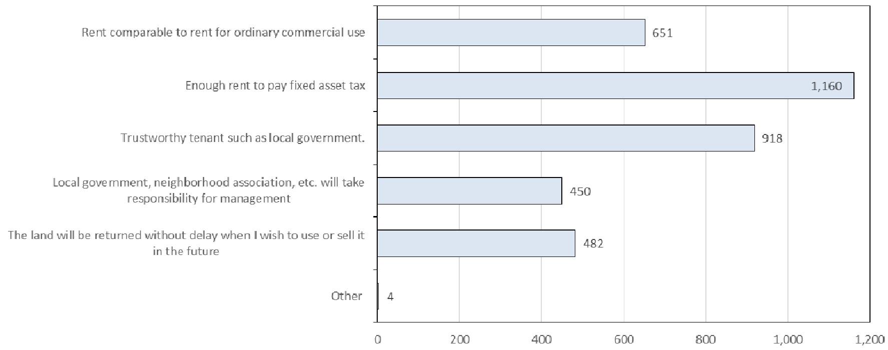
Regarding the question about the intention to use their vacant lots, etc. as a gathering place or park for town development, two out of 10 owners answered they would rather sell than lease. More than half of the owners answered that they might lease the land but almost all of them answered that it depends on the terms. As “the terms” many answered “Enough rent to pay fixed asset tax” or/and “Trustworthy tenant such as local government.”

Chart: Intention to lease your vacant lots, etc. for use for town development



Source: *Questionnaire survey of owners of vacant lots, etc* .MLIT

Chart Intention to lease owned vacant lots, etc. for town development



Source: *Questionnaire survey of owners of vacant lots, etc.* MLIT

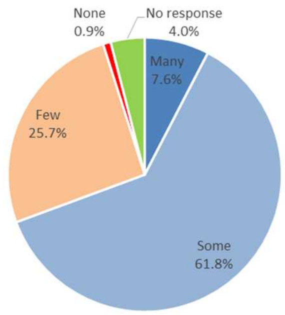
(Changes in vacant lots, etc. in municipalities and future prospects)

A survey of local governments was conducted on the current state and awareness of vacant lots, etc.

Asked "Are there vacant lots, etc. in the municipality?" 69.4% of the local governments answered there are "many" or "some."

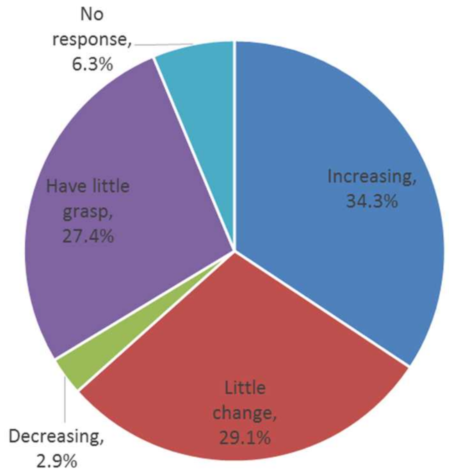
To the questions on the number of vacant lots with deteriorated management in the recent 10 years and the coming 10 years, 34.3% of the local governments answered the number increased in the recent 10 years and 62.7% answered they think the number will increase in the coming 10 years.

Chart Vacant lots, etc. in municipalities

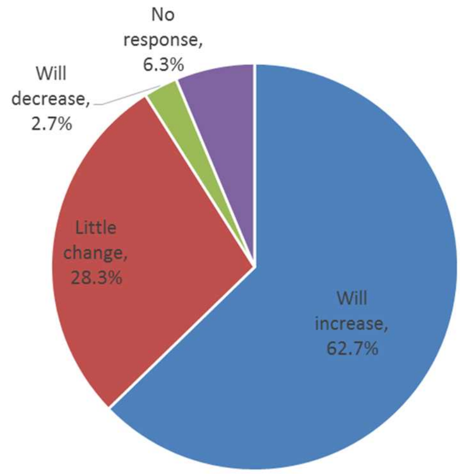


Source: *Questionnaire survey of local governments on vacant lots, etc.* MLIT

Chart: number of vacant lots with deteriorated management (recent 10 years)



Predicted number of vacant lots with deteriorated management (coming 10 years)



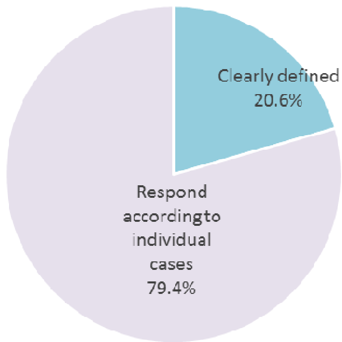
Source: *Questionnaire survey of local governments on vacant lots, etc.* MLIT

(Contact for vacant lot measures in local governments)

As described above, vacant lots, etc. are increasing but local governments' systems to handle the issue are generally not sufficient. Asked about the department that handles vacant lots, etc., only 20.6% of the local governments answered it is "clearly defined." Initiatives to promote management /utilization of vacant lots, etc. are absent in most municipalities.

Chart: Department to handle vacant lots, etc.

*About 80% of the clearly defined departments are departments in charge of environmental policy

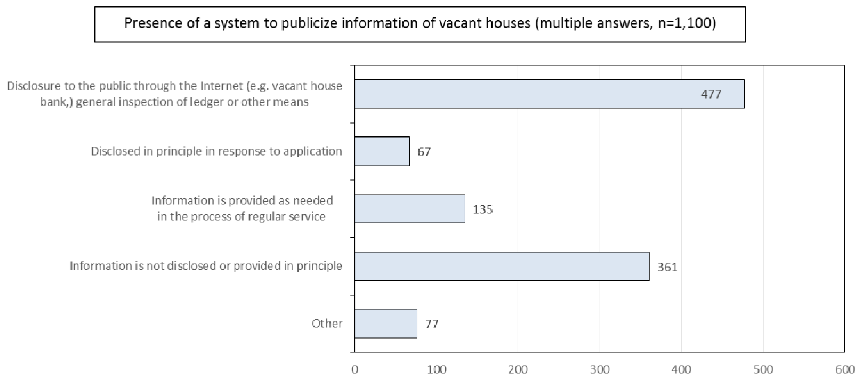


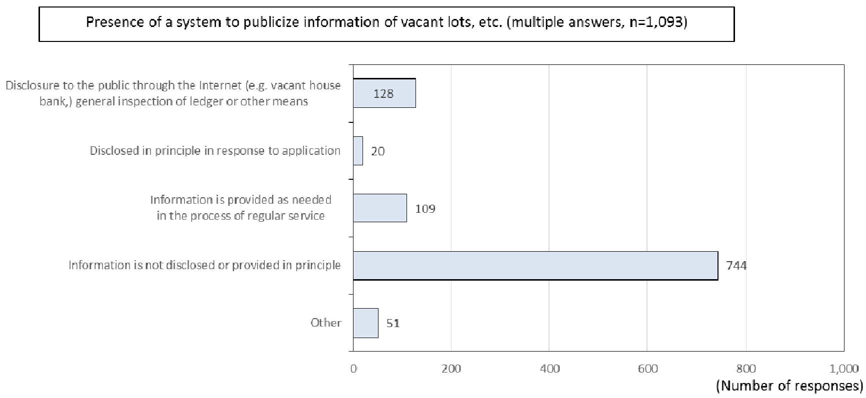
Source: *Questionnaire survey of local governments on vacant lots, etc.* MLIT

(Current state of vacant house and land bank)

In order to promote utilization of vacant houses and lots, many municipalities have a vacant house and land bank program for matching of land owners and prospective users. Now, through vacant house and land banks or other initiatives, 477 municipalities are publicizing information of vacant houses, etc. while 128 municipalities are publicizing information of vacant lots, etc. Publication and provision of information of vacant lots lag behind compared with that for vacant houses.

Chart: Presence of a system to publicize information on vacant house and lots, etc. (multiple answers)





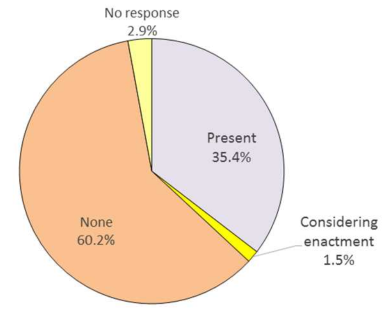
Source: Questionnaire survey of municipalities on vacant lots, etc. MLIT

(Enactment of an ordinance by municipalities)

Since the latter half of the 1950s some municipalities have enacted an ordinance for measures concerning vacant lots, etc. As the increase of poorly managed vacant lots is presenting a problem, the number of ordinances is increasing. As of February 2017, 432 municipalities have ordinances, etc. for promotion of management and utilization of vacant lots, etc. 410 of them cover vacant lots while 169 covers empty houses.

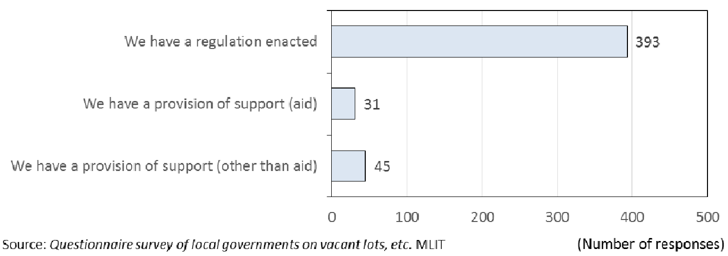
393 ordinances have provisions on regulations and most of them stipulate “guidance and advice,” “recommendation” and “administrative order.” 67.6% of the municipalities with provision of “guidance and advice” have applied the provisions while there have been only a few applications of other provisions.

Chart Presence of an ordinance, etc. for promotion of management/utilization of vacant lots, etc.



Source: *Questionnaire survey of local governments on vacant lots, etc.* MLIT

Chart: Content of the ordinance and provisions for punishment (multiple answers)



Source: *Questionnaire survey of local governments on vacant lots, etc.* MLIT

Content of the provision of punishment, etc. if there is a regulation on this issue (multiple answers)

	Number of responses	
	We have a provision	We have a provision and have applied it
1 Guidance and advice	355	240
2 Recommendation	349	91
3 Administrative order	312	29
4 Publication (of persons who failed to comply with the order	128	3
5 Penalty (fine, non-penal fine, etc.)	79	0
6 Execution by proxy	167	7
7 Other	22	2

4. Problem of lands of unknown ownership

Land whose owner is not immediately determined based on the real property registry or other owner ledger or whose owner is determined but cannot be contacted (“lands of unknown ownership”) are expected to continue to increase especially in rural areas due to the increase of inheritance cases and people moving to urban area.

If vacant lots, etc. continue to be left vacant and land of unknown ownership increase as a result, they will became an obstacle to smooth use of land not only for public projects but also in various projects including private projects. The burden of searching for owners and acquiring ownership will also increase. If the registration titleholder is dead and has a large number of heirs, there will be various obstacles to utilization of the land even if the owner(s) is determined.

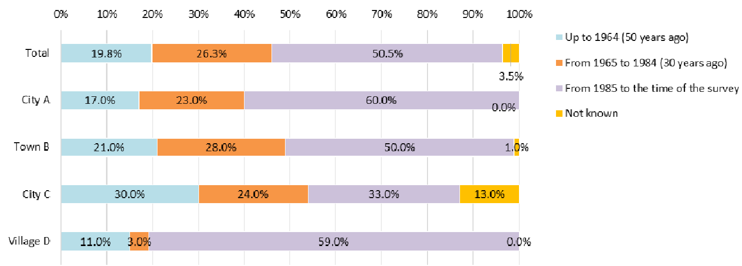
(Actual state of land of unknown ownership)

Problem of land of unknown ownership comes to surface mostly when there is a specific need to use the land and therefore it is difficult to correctly capture the entire picture. Here we will introduce figures contributing to understanding of the actual state of land of unknown ownership.

(1) Percentage composition of registries by the year of the last registration concerning ownership

In a sample survey of registries of 400 parcels of four municipalities, the parcels whose registry has not been updated over 50 years reached 19.8%.

Chart: Ratio of registries without updating for a long period of time



Source: modified *the 2014 Report of the basic survey concerning the difficulty to use land due to unknown ownership* (National and Regional Policy Bureau, MLIT, March 2015)

Note: under specific conditions including exclusion of land in the name of the state, a prefecture or a municipality and limitation to the number of parcels belonging to an owner, 100 sample registries were obtained and analyzed for each of four communities (paddy and field: 50 to 60%; mountains, forests, wasteland and miscellaneous land: 30 to 40%; housing site: 10%)

(2) Survey of land owners, etc. in cadastral survey

In a cadastral survey of about 630,000 parcels across the country, owners could be determined on the registry only for 84.6% of the parcels. Follow-up surveys could determine the landowner for 15.1 percentage points of the remaining 15.4 percentage points, but not the landowner of the remaining 0.3 percentage points.

Chart: Percentage of the owners determined on registry

	Overall	Urban area	Housing site	Farm land	Forest land
Location was determined on the registry	84.6	93.1	86.9	84.2	80.3
Location was not determined on the registry (the sum of a and b)	15.4	6.9	13.0	15.8	19.6
(a Location was determined in a follow-up survey)	15.1	6.7	13.0	15.6	19.0
(b Location was not determined in a follow-up survey either)	0.3	0.1	0.0	0.1	0.6

Source: Created based on *the 2014 Report of the basic survey concerning the difficulty to use land due to unknown ownership*, MLIT
Note: under specific conditions including exclusion of land in the name of the state, a prefecture or a municipality and limitation to the number of parcels belonging to an owner, 100 sample registries were obtained and analyzed for each of four communities (paddy and field: 50 to 60%; mountains, forests, wasteland and miscellaneous land: 30 to 40%; housing site: 10%)

(3) Actual condition survey of farm land, etc. the inheritance of which is not yet registered

We conducted an exhaustive survey of farm land all over Japan through Agricultural Affairs Committees and confirmed the death of the registered holder for farm land of about 477,000 ha across the country. The area of farm land the inheritance of which might not be registered (the registered holder might have moved out and died, for example) is about 458,000 ha. They add up to about 20% of the area of all farm land in Japan. This includes about 54,000 ha of unused agricultural land.

Chart: percentage of farm land for which the inheritance is not yet registered

Farm land for which the inheritance is not yet registered (Note 1)	476,529ha (including 26,787ha of unused agricultural land)
Farm land for which the inheritance might not be registered (Note 2)	457,819ha (including 26,896ha of unused agricultural land)
Total	934,348ha (Including 53,683ha of unused agricultural land (Note 3))

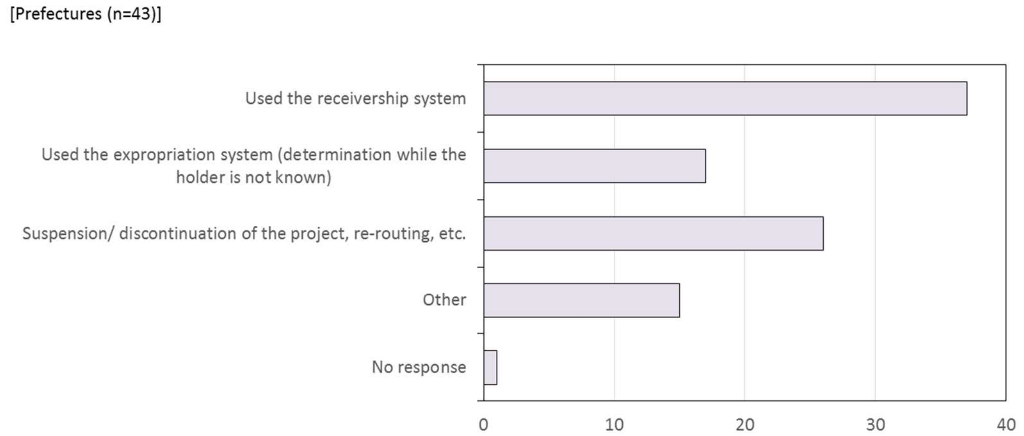
Source: Ministry of Agriculture, Forestry and Fisheries
Note 1: "Farm land for which the inheritance is not yet registered": death of the registered holder was confirmed
Note 2: "Farm land for which the inheritance might not be registered": it is not confirmed whether the registered holder is alive or dead due to his/her move out to outside the municipality, absence of resident card / abdicated resident card or other reason and its inheritance might not be registered.
Note 3: Area of unused agricultural land in "farm land for which the inheritance is not yet registered" was not included in the result because it could not be tallied for 48 municipalities.

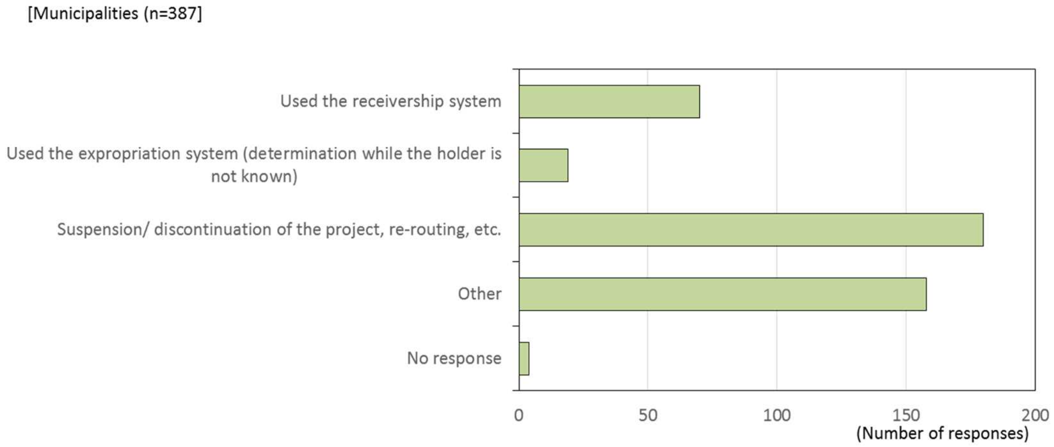
(Problems caused by land of unknown ownership)

When we asked departments involved in social infrastructure development across the country "what response did you make when you tried to determine owners in order to secure the land necessary for public works (social infrastructure development) or disaster recovery projects but failed” many prefectures and municipalities answered “suspension/ discontinuation of the project, re-routing, etc.” As a result, appropriate utilization of land was not achieved in many cases. Response on the ground is a pressing issue.

Chart: Response to land of unknown ownership (multiple answers)

What response did you make when you tried to determine owners in order to secure the land necessary for public works (social infrastructure development) or disaster recovery projects but failed [multiple answers]





Source: *2017 Investigation and surveys concerning utilization of land of unknown ownership contributing to local revitalization*, MLIT

(Measures for land of unknown ownership)

In light of the situation, the government has revised the Agricultural Land Act and the Forest Act, created guidelines for personnel of municipalities, etc., and is promoting registration of inheritance. In the areas damaged by the Great East Japan Earthquake, it ensured prompt land acquisition for reconstruction projects through special measures.

Section 3 Advanced Cases Regarding Appropriate Management of Vacant Lots, etc.

As described above, willingness to own and use land is declining or lost due to population decline, decrease in the asset value and other social factors. As a result, poorly managed vacant lots, etc. are increasing.

In this context, there are some advanced cases pertaining to appropriate management of vacant lots, etc. This section introduces characteristic management cases.

1. Management of vacant lots, etc. based on an ordinance

・Nabari city: “Nabari Ordinance for Removal of Weeds, etc. from Vacant Lots”

Chart: administrative subrogation based on the ordinance

Source: Nabari city

(Background to the initiative)

Increase in poorly managed vacant lots became a problem in Nabari city, Mie prefecture. In 2007, the city revised the “Nabari Ordinance for Removal of Weeds, etc. from Vacant Lots” (the Ordinance) to enable removal of weeds, etc. from poorly managed vacant lots by subrogation

The ordinance provides that if the owner did not remove weeds, etc. from his/her poorly managed vacant lot after guidance, recommendation or administrative order issued by the mayor, the city may remove weeds, etc. from the lot by subrogation. Since 2007 when the revision enabled subrogation for weed removal, the city has implemented administrative subrogation for 16 cases.

The subrogation is applied to vacant lots meeting requirements including: weeds, etc. have not been removed for a long period of time in spite of guidance, recommendation or other means based on the ordinance given for over one year; weeds, etc. are taller than one meter and; a certain standard is met in terms of the danger of fire, complaints from local residents, etc.

Section 4 New Utilization Method of Vacant Lots, etc.

・Creating a lively space using container houses (Fukaya city, Saitama prefecture)

Fukaya city is implementing a land readjustment project in the area ranging from in front of a station to a national route. However, the city land that had been acquired for the project was left unused without any utilization plan until replotting. In order to temporarily use the land for creation of a center of lively activities in the community, the city decided to install containers owned by the city and lease them by the hour at a low rent to residents in and outside the city.

In 2013 the place was opened as Fukaya Base and has been used for events, cooking classes and other purposes. About 7,800 people used Fukaya Base, making the place a center of lively activities in the community. Paying attention to land use around Fukaya Base, you can see activities created in the entire area including opening of a movie theater, renovating a sake storehouse, café and restaurants. Furthermore, because the containers can be moved together with their foundation, they can be used flexibly in different replotting sites according to the progress of the land readjustment project.

Chart: Appearance of Fukaya Base

Source: Fukaya city

・Small-scale linked block reorganization led by NPO

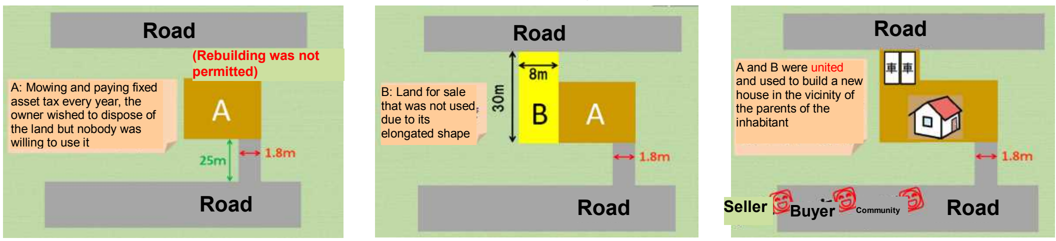
The central part of Tsuruoka city, Yamagata, is a castle town developed around Tsurugaoka Castle built in the Edo period. The densely built-up area with small and deformed sites, and narrow and winding streets faced aging of residents, increase in vacant houses/lots and other issues due to outflow of younger households.

In this context, local housing agents, the youth group of the building contractors' society and an NPO took initiative to start a workshop in fiscal 2011. Their efforts include demolition of decrepit and dangerous empty houses in a densely-built area, widening of municipal roads and intermediation of decrepit empty houses. Later, the workshop was incorporated as Incorporated Nonprofit Organization Tsuruoka Land Bank and has been implementing activities including a land bank project (Small-scale linked block reorganization project.)

(Case of reorganization of a lot surrounded by other lots and without connecting road)

Because the lot was connected by an entryway narrower than 2m to a road, rebuilding was not permitted based on the Article 43 of the Building Standards Act. The owner who had been paying fixed asset tax and exercising control including mowing was considering its disposal but could not find a buyer because rebuilding was not permitted. Adjacent to the lot there was a lot for sale (vacant) but it was difficult to use due to narrow frontage (8m wide facing the road behind the lot in question) with long depth. To solve the problem, the lot in question and the adjacent lot were used as one lot to meet the standard for bordering road width of the Building Standard Act, and a new house could be built on the united lot.

Chart Outline of Tsuruoka Land Bank Project



Source: Incorporated Nonprofit Organization Tsuruoka Land Bank

・Removing empty houses and using the lot with support by the local government (Echizencho, Fukui)

Echizecho is a town with a population of 22,000 (as of March 2017.) In the Echizen district that is designated as a depopulated area in the town, scattered decrepit empty houses were threatening the safe living environment of the community. The town decided to take measures for empty houses and use the lots after their removal by implementing a “project to develop safe and charming town in Echizen.”

The town removes a decrepit and dangerous empty house if it is donated by the owner. After the removal, a pocket park is created to use the site based on a memorandum on maintenance exchanged between the town and the community association to ask the association for the site's utilization and maintenance. 24 projects have been implemented since 2007 (as of March 2017.) As a result, the living environment has been improved in terms of disaster prevention and sanitation while at the same time playgrounds for children of the community, places for relaxation of the elderly and vacant lots for disaster prevention have been provided.

Chart: Empty house before its removal and the pocket park developed on the site

Source: Echizen-cho

・Park development using a private park system (Higashimurayama city, Tokyo)

Higashimurayama, Tokyo, is a city with population of 150,000 (as of February 2017) located in the suburb of Tokyo. Though its population is on the increase, it was difficult to raise funds to secure green spaces due to its development history as a residential town and increase in its welfare expenditure as a result of rapid decline of the birthrate and aging of the population.

To address this situation, the city decided to use the private park system enforced by the Tokyo Metropolitan Government in 2006 in order to secure green spaces simultaneously with construction of a high-rise condominium by a private business.

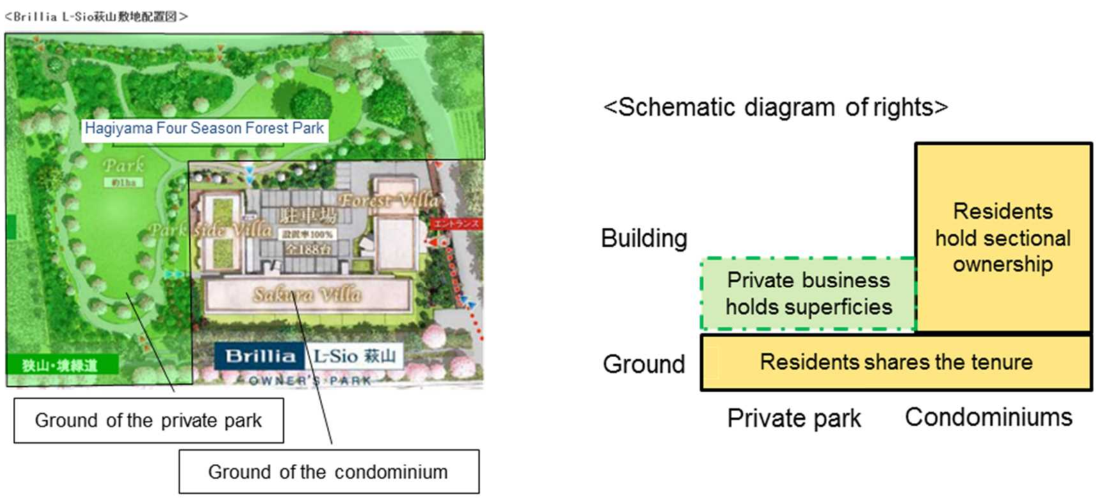
(1) Private park system

When a private sector player develops a park in a city planning park area and takes responsibility of its maintenance, the incentives for the player under the system include; (1) permit of construction of condominiums on the site by partially relaxing the city planning restriction；(2) inclusion of the site of the private park in the site area for calculation of floor area ratio, and; (3) reduction/exemption of the fixed asset tax and city planning tax on the area of the park. This way, the city can develop and manage green spaces without incurring financial burden, while the business can carry out development in a new city planning park. If continuation of the building becomes difficult 35 years after opening of the private park, acquisition of the building by the local government may be requested by consent of four fifths of the owners. In this case, the building site will also be developed as a city park.

(2) About the initiative

Originally the area was designated as a city planning park area where large-scale development was restricted. For the development using the system, Higashimurayama city changed the zoning of the site for the condominium from Category 1 low-rise exclusive residential district to Category 1 medium-to-high-rise exclusive residential district. At the same time the city decided on a district plan with greatly relaxed height limit, which enabled the large-scale development of an 11-story condominium with 184 units. For permission of the condominium development, the maintenance cost of the private park is to be paid by the business operator. As a result, a good urban green space was provided without fiscal spending by the city.

Chart: Outline of the development in the private park



Source: created by MLIT based on material of Tokyo Tatemono Co., Ltd.

Part 2 Basic Measures in Relation to Land in FY2016 (Omitted)

Part 3 Basic Measures in Relation to Land in FY2017 (excerpt)

Chapter 1 Dissemination of Basic Philosophy on Land

During the “Land Month” of October (October 1 is “Land Day”), the government will work to disseminate the basic philosophies on land and introduce various measures and systems concerning land in collaboration with relevant organizations.

Chapter 2 Enhancement of Information on Land

<u>Section 1 Systematic Maintenance of Land Information</u>

In order to systematically maintain information on land ownership, utilization, transactions, prices and so forth, the government will conduct publication of the value of standard sites and cadastral surveys, as well as grasp transaction information. It will also create and improve statistical data in order to clarify the actual state of land transaction.

<u>Section 2 Promotion of National Land Survey</u>

The government promotes cadastral surveys, land classification surveys (including a land-use history survey), and water surveys.

<u>Section 3 Promotion of Enhancement of National Land Information</u>

As for digital national land information, the government will revise publication of values of standard sites and publication of values of standard sites by prefectural government. Concerning geospatial information, the government will prepare and update map information and geospatial information (i.e., social foundation) based on the basic plan for advancing the use of geospatial information that was decided by the Cabinet in March 2017.

<u>Section 4 Enrichment of the Land Registration System</u>

The government will focus on the intensive mapping of urban areas for which the lot numbers are not adequately registered and other areas requiring urgent mapping across the nation in order to provide them at registries.

Chapter 3 Accurate Understanding of Land Prices Trends

<u>Section 1 Promotion of the Publication of Values of Standard Sites</u>

The government will publish the results of analyses of trends in land prices based on the results of the standard sites expanded to 26,000 in 2018 Publication. It will also publish the results of analyses of the trends in land prices based on the 2017 investigation of prefectural land prices carried out by prefectural governors.

Section 2 Provision of Real Estate Transaction Prices

The government will conduct surveys on real estate transaction prices nationwide and publish the information on transaction prices obtained in the surveys on the Internet on a quarterly basis.

Section 3 Development of Property Price Index

The government will ensure stable operation of residential property price Index while improving commercial property price Index toward full-scale operation and analyzing utilization methods of the Index.

Section 4 Enhancement of Real Property Appraisal

The government will extensively discuss future challenges of the real estate appraisal system at an informal conference on the real estate appraisal system and advance efforts based on the summary compiled by the conference. It will continue appraisal monitoring, including on-site inspection concerning real property appraisal firms and investigation of operations concerning real estate appraisal, etc. for securitization.

Section 5 Balanced and Proper Land Appraisal by the Public Sector

In order to promote proper land-price formation and taxation, the government will strive for balance and reasonableness in public land appraisals relative to the prices that are used in assessing fixed property tax and inheritance tax, while making efforts to properly reflect land price trends, etc. on appraisals.

Chapter 4 Improvement of Real Estate Market

Section 1 Improvement of Real Estate Transaction Market

In order to promote renovation of vacant houses, stores, etc. using cloud funding, etc., the bill to partially amend the Real Estate Specified Joint Enterprise Act was approved by the Cabinet in March 2017 and sent to the Diet. After its enactment, the government will take measures necessary for its smooth enforcement. The government will ensure development and revitalization of real estate markets including proper application of the Real Estate Brokerage Act, smooth enforcement of the revised Real Estate Brokerage Act, and establishment of a nationwide vacant house and land bank. It will also ensure proper application of the land transaction control systems, spread of green buildings and provision of contaminated-land information related to land transactions, for example

Section 2 Improvement of Real Estate Investment Market

In order to revitalize the real estate investment market, the government will implement seminars on healthcare REIT for businesses related to healthcare, disseminate manuals for local governments on utilization of public real estate securitization methods and implement related projects.

Section 3 Land Tax Measures

In view of the energization of land transactions and the promotion of land use, the government will continue to implement tax measures for the acquisition, possession and transfer of land at each step.

Section 4 Support for Global Business Development in Real Estate Markets

The government will support the development and spread of systems contributing to improvement of the business environment in ASEAN countries and other target countries of our real estate companies, while working on enhancement of Japan's presence through international dissemination of information and active participation in international conferences.

Chapter 5 Improvement and Enhancement of the Land Use Plan

Section 1 Promotion of the Land Use Plan

In order to ensure smooth change and promotion of prefectural/municipal plans based on the National Land Use Plan (National Plan), the government will take necessary measures including surveys and information provision, while promoting proper and reasonable land use by properly implementing the general plan of land use.

Section 2 Promoting Proper Use of Land in City Planning

The government will promote the appropriate implementation of the "Policy for Improvement, Development and Preservation of City Planning Areas" (master plan), which is laid out in each city planning area, and formulation of the "Basic Policy Concerning Municipal City Planning" (municipal master plan). The government will also promote appropriate utilization of land use systems and support municipalities in developing location optimization plans based on the Act on Special Measures Concerning Urban Renaissance to promote formation of compact cities.

Section 3 Coordination with National Land Policy

The government will continue studies toward development of "National Land Promoting Interaction-Led Regional Revitalization," which is the basic concept of the National Spatial Strategies (National Plan). In addition it will steadily promote regional projects taking advantage of the characteristics and resources of each block specified in the Regional Plans and using the Regional Plan Councils and other means. The government made a cabinet decision on the bill to partially amend the Act on Formation and Development of Regional Industrial Clusters through Promotion of Establishment of New Business Facilities, etc. in February 2017 and sent the bill to the Diet. After its enactment, it will intensively support projects that will lead the regional economy.

Chapter 6 Promotion of Housing Measures

Section 1 Promotion of Housing Measures

The government strives to promote basic plans for housing and the supply of public rental housing, implement a new housing safety net system using privately rented housing and vacant houses, actively promote the housing supply in urban areas centered on big cities, and form good living spaces through redevelopment of existing urban areas. While continuing support for utilization and removal of empty houses, the government will support comprehensive measures for empty houses in partnership with private companies based on a plan for empty houses and pioneering model projects in partnership with experts. Furthermore, the government will work on enhancement of measures for housing acquisition through various tax measures, etc.

Section 2 Creation of Favorable Living Environment by Promoting the Provision and Management of Good Residential Land

The government will promote the supply of good residential land, while trying to renew aged housing and public facilities and enhance functions to support living in new towns facing a decrease in various activities in the community and other challenges due to the progress of rapid population aging and decline.

Chapter 7 Promotion of Effective Land Use

Section 1 Promotion of Regional Revitalization and Urban Renewal

The government will further promote the policy packages and individual measures incorporated in the Comprehensive Strategy for Vitalization of Towns, People, and Jobs revised in 2016. The entire government will work for further evolution of regional revitalization, while continuing support in terms of information, human resources and finance for local governments working on full-scale business development.

It will also promote city regeneration in areas designated for Emergency City Regeneration as well as city regeneration nationwide, while at the same time promoting integral use of lots and reorganization of public facilities.

Section 2 Promotion of Urban Infrastructural Development and the Building of Disaster-resistance

In order to promote urban infrastructure development, the government will promote utilization of the knowhow of private companies as well as the space above and below the ground level. In order to enhance and strengthen the warning and evacuation systems based on the Sediment Disasters Prevention Act, the government will advance development of disaster-resistant towns by promoting creation and publication of sediment disaster hazard maps by municipalities, grasping their progress, promoting evacuation drills, raising residents' awareness of disaster prevention and enhancing disaster preparedness in cooperation with relevant local governments.

Section 3 Promotion, etc. of Use of Underutilized/unused Land

The government will promote redevelopment, etc. of underutilized/unused land, such as former factory sites and filled land, and use of underutilized/unused land in cities by using the agreement to promote use of underutilized/unused land, and the system to authorize private green spaces. It will also promote enhancement of city functions and economic vitality in a comprehensive and integrated manner

Section 4 Development of Comfortable Residential Environment by Utilizing Farmland

In respect to farmland in urbanization promotion areas in regions with significant housing demand, the government will continue to promote provision of residential land with a good living environment by utilizing farmland through the farming and residence association system. Meanwhile, it will promote use of productive green areas as places for exchange by urban residents through development of allotment gardens, for example.

Section 5 Promotion of Town Development for Coexistence of City, Greening and Agriculture

In order to create charming and rich urban environments, the government made the cabinet decision on the bill to partially amend the Urban Green Space Conservation Act and other acts which include establishment of the system to authorize private green spaces in February 2017 and sent the bill to the Diet. After its enactment, the government will strive to ensure its smooth enforcement, while conducting research and examination on challenges for utilization and response policy.

Section 6 Utilization of Land Owned by the Public Sector

The government will make adjustments for optimal use of national and public properties in cooperation with local governments by sharing information on national and public properties in certain areas and making coordination for optimal use of such properties while respecting opinions of relevant local governments, etc.

Section 7 Facilitation of Public Land Acquisition

In order to generate the effects of public work projects at an early stage, the government will continue to promote land acquisition in line with "Land Acquisition Management," under which bottlenecks in land acquisition are examined and analyzed with careful preparations being made regarding all stages from the planning of projects to their future use, along with ensured schedule control.

Section 8 Promotion of Measures for Land the Owners of Which are Difficult to Locate

The government will continue studies on the promotion of measures to support municipalities' approach to land for which the owners are difficult to locate. It will also disseminate and raise public awareness of "the guideline for search and utilization of such land" revised in March 2017.

Chapter 8 Promotion of Environmental Conservation

Section 1 Promotion of Measures Concerning Environment Conservation

The government will promote land-related measures for environmental conservation and give consideration to environmental conservation in various land-related policies and when selecting and implementing projects, based on the "fourth Basic Environment Plan."

Section 2 Appropriate Conservation of Farmland

The government will promote improvement of land conditions through infrastructure-development projects for enhancing agricultural competitiveness, etc. and subsidies for development of rural areas.

Section 3 Ensuring Appropriate Conservation and Utilization of Forests

In order to maximize the multi-functionality of forests, the government will smoothly utilize reports on the status of reforestation after trimming based on the revised Forest Act enforced in April 2017, and provide guidance and advice to local governments and forest owners on the systematic development of forests based on the forest planning system provided by the Forest Act

Section 4 Proper Conservation of River Basins

In special river basins for comprehensive flood control measures, the government will establish river basin conferences consisting of the river divisions of the national, prefectural and municipal governments, and other divisions related to city, housing and land, as well as create river basin improvement plans to encourage proper land use in river basins and the control of rainwater runoff.

Section 5 Promotion of Proper Protection of Cultural Property and Creation of Favorable Landscapes Taking Advantage of Local History, Culture, etc.

As for historic villages and streetscapes, the government will provide guidance and advice to municipalities regarding the preservation and utilization of conservation zones for clusters of traditional structures. For landscapes created through interaction between people and nature, the government will advance the selection of important cultural landscapes while working to preserve and use them.

Chapter 9 Measures for Recovery/Reconstruction from the Great East Japan Earthquake

Section 1 Measure in Relation to Land Use

As measures concerning residential land, the government will promote measures against tsunami disasters, such as projects for promoting mass relocation for disaster prevention, projects to develop post-tsunami restoration centers and projects to enhance disaster prevention functions in fishery settlements and also sediment disaster countermeasures and liquefaction.

The government will also implement projects to recover farmland and agricultural facilities from the disaster, remove salt elements, and rearrange land in conjunction with the recovery and the removal, while supporting affected farmers who resume farming activities using devastated farmland in the place of their evacuation or other areas that escaped disaster.

Moreover, for land use reconstructing, the government will promote utilizing various special provisions of land use based on land plan system prescribed by the law for special zones for reconstruction and support the smooth and prompt implementation of projects to develop urban areas and agricultural production bases.

Section 2 Measures in Relation to Housing

The government will support the provision of public housing for disaster victims. It will also support disaster victims in rebuilding their residences by providing housing loans for disaster reconstruction and application of a special provision for disaster victims taking loans from the Japan Housing Finance Agency, as well as preferential measures on loaning for promotion of workers' property accumulation.

Section 3 Efforts for acceleration of residence rebuilding and urban renovation

In order to ensure that the construction of disaster public housing, development of land for private housing and other projects will advance according to the plan, the government will steadily implement the successive acceleration measures that have been taken by the "task force for acceleration of house reconstruction and post-earthquake town reconstruction," while at the same time providing municipalities with finely-tuned practical support through the "land acquisition acceleration task force" and the "construction acceleration task force."

Section 4 Measures in Relation to Land Information

The government will promote clarification of land boundaries through support for affected local governments in accordance with the implementation status of cadastral surveys and development of maps for registries. The government will also provide the land measures departments of Iwate, Miyagi and Fukushima prefectures and Sendai City with information on registration of land transactions and real estate transaction prices in the respective prefecture or city.

Section 5 Tax Measures

The government will continue the tax measures at each stage of land acquisition, holding and transfer, as they are necessary to promote the reduction of burdens on victims of the Great East Japan Earthquake as well as efforts toward recovery and reconstruction. In light of the frequent disasters in recent years, it will change the tax provisions in response to disasters to permanent provisions in order to ensure tax response to disasters without lagging behind the activity toward recovery and reconstruction.