

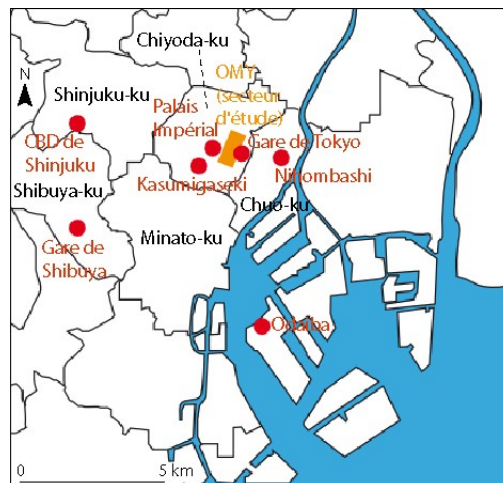
## The burst bubble and the privatisation of planning in Tokyo

Raphaël Languillon-Aussel

*Since the early 1990s and the collapse of Japan's asset price bubble, developments in Marunouchi – Tokyo's main business district – have revealed a turning point in planning policy with regard to commercial real estate. Instead of letting laissez-faire prevail, the public authorities have actively involved private developers such as Mitsubishi Jisho in order to increase functional diversity and redefine public spaces.*

Marunouchi is the most central business district in the Tokyo urban area, located in the special ward of Chiyoda (also known as Chiyoda-ku<sup>1</sup>), between Tokyo Station and the Imperial Palace. Covering a total area of 120 hectares (300 acres), it is home to some 4,000 businesses with a combined worth of around €1 trillion,<sup>2</sup> or over 20% of Japan's gross domestic product (GDP) (Mitsubishi Real Estate 2012). As Tokyo's and Japan's main business centre, the area accommodates almost 230,000 workers in high-rise office blocks built over the last 30 years. Most of these towers and almost 40% of the land in the area belong to Mitsubishi Jisho,<sup>3</sup> one of Japan's biggest real-estate firms, which considers Marunouchi as its historic "fiefdom" since it completed its first developments there in the 1980s.

Map showing the locations of areas cited



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**Legend:** OMY (secteur d'étude) = OMY (case-study area); Palais Impérial = Imperial Palace; Gare de Tokyo = Tokyo Station; CBD de Shinjuku = Shinjuku CBD; Gare de Shibuya = Shibuya Station.

<sup>1</sup> The suffix “-ku” means “special ward”. The 23 special wards (total population: 9 million) of Tokyo are each administered as a separate municipality and together cover the heart of the Greater Tokyo area (total population : 35–45 million).

<sup>2</sup> ¥120 trillion according to June 2013 exchange rates.

<sup>3</sup> Mitsubishi Jisho (Mitsubishi Real Estate) is one of Japan's major property developers, and one of the main landowners in Tokyo. The firm plays a key role in the planning and development of the Yamanote (“high city”) area of Tokyo since the government sold off military land in 1890, in the vicinity of the Imperial Palace.

Despite its centrality, the Otemachi–Marunouchi–Yurakucho (OMY) area experienced a major crisis following the bursting of the asset price bubble (1985–1991), which resulted in the area losing its competitive edge, with a slowdown in the expansion of office space and in Mitsubishi’s business activity overall. To respond to this unfavourable context at the turn of the 2000s, national and local urban renewal policies involving public and private players, orchestrated by developers such as Mitsubishi Jisho, were put into place. The various parties agreed upon a development scheme and renewal operations for public spaces in the area, with the aim of improving the competitiveness of this business district, in the face of increasing competition from elsewhere (Okada 2006). These renewal operations concern the office real-estate market, the diversification of economic functions and the redevelopment of public spaces for the benefit of their principal users: white-collar workers.

OMY is emblematic of a dual demotion typical of all central spaces in Japanese cities since the 1990s: a local demotion due to increased intra-urban competition with the emergence of other, more recent centralities, such as Shinjuku in Tokyo, or following the redevelopment of other “fiefdoms” belonging to Mitsubishi’s rivals, such as Nihombashi, the historic “fiefdom” of Mitsui Fudôsan; and an international demotion in the face of booming Asian global cities – particularly in China – such as Hong Kong, Singapore and more recently Shanghai and Beijing, which in the 1990s became home to regional branches of foreign companies that were, until then, based in Tokyo. This dual demotion of the OMY district explains the somewhat exceptional nature of the “urban renewal” policies that have been implemented in the area. OMY’s urban renewal is highly specific owing to its economic importance, the challenges in terms of international competitiveness to which it must rise, and the behaviour of Mitsubishi, which considers OMY to be its territory. These policies are nonetheless representative, at a more local level, of the policies implemented in Japanese downtown areas, where reinvigorating the urban fabric is one of the challenges of the overall revitalisation of the real-estate sector: such processes involve a restructuring of the supply of office space, an improvement in the quality of public spaces and a diversification of the business activities represented. To this end, the highly specific nature of OMY’s renaissance operation is complemented by more generic elements that are found in all Japanese urban centres experiencing similar problems.

### **The 2000s: making up for the *lost decade***

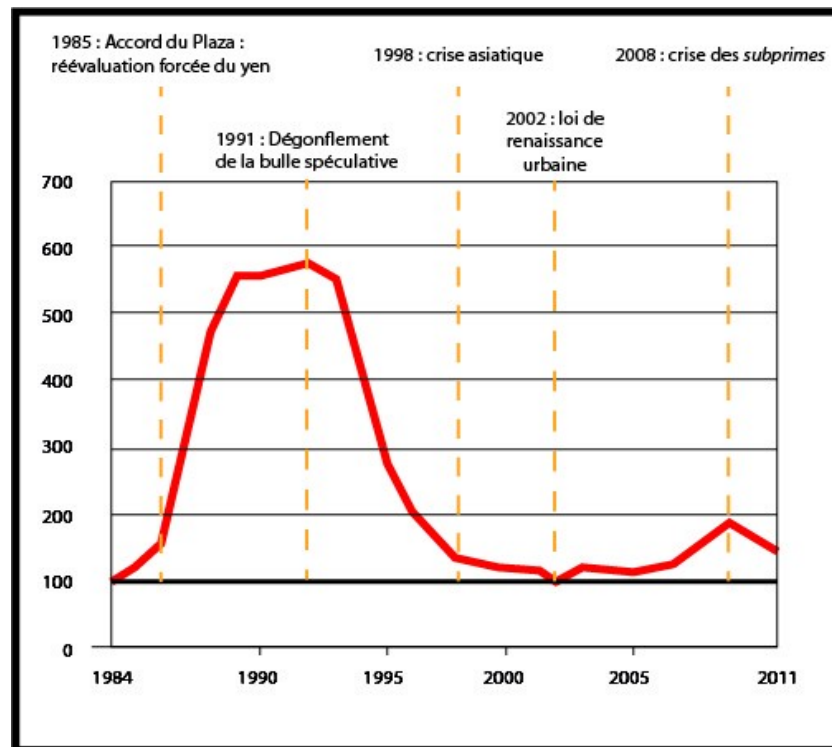
Tokyo’s office space was developed during two distinct periods: first, the 1970s and 1980s, which represent the start of the financialisation of the economy of Tokyo, which established itself during this period as a major global city (Sassen 1991; Machimura 1992) and as the control centre of Japan’s national economy; and second, the 2000s and 2010s – the recovery years – which saw notable growth in the amount of office space available at a time when Japan was still experiencing a structural crisis and continued deflation. These two periods are separated by a decade of slowdown in terms of real-estate production – the 1990s, dubbed the “lost decade” by the Japanese media, during which prices fell by almost 70% in central areas. The urban renaissance policy in Marunouchi implemented in the 2000s is the result of cooperation among a group of private players, in partnership with the public authorities (central government, Tokyo metropolitan government, Chiyoda ward council) within the context of the 2002 *Urban Renaissance Special Measure Law*.<sup>4</sup> In Marunouchi, this policy, which aims to restructure the range of office space on offer and revitalise OMY, and Marunouchi in particular, is implemented for the most part by Mitsubishi Jisho, which

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<sup>4</sup> The *Urban Renaissance Special Measure Law* was passed in 2002. It enables private companies to propose urban development plans to the local authorities, within the perimeter of a special zone defined by central government. Once the plan is accepted by the local authority, it is then examined by the central government (Ministry of Land, Infrastructure, Transportation and Tourism), which approves it (or not) and provides a certain number of guarantees (financial, in particular). Plans resulting from this law 2002 can therefore be considered an innovative form of public–private partnership.

owns a third of the land in the area and 28 high-rise buildings; the future of the OMY area will therefore depend to a significant extent on Mitsubishi's investment strategy.

### Variation in land prices in the 23 special wards of central Tokyo and macroeconomic context



Source: Mitsui Fudôsan, 2011.

**Legend:** 1985: Plaza Accord: forced appreciation of the yen; 1991: Gradual collapse of Japan's asset price bubble; 1998: Asian financial crisis; 2002: *Urban Renaissance Law*; 2008: Subprime crisis.

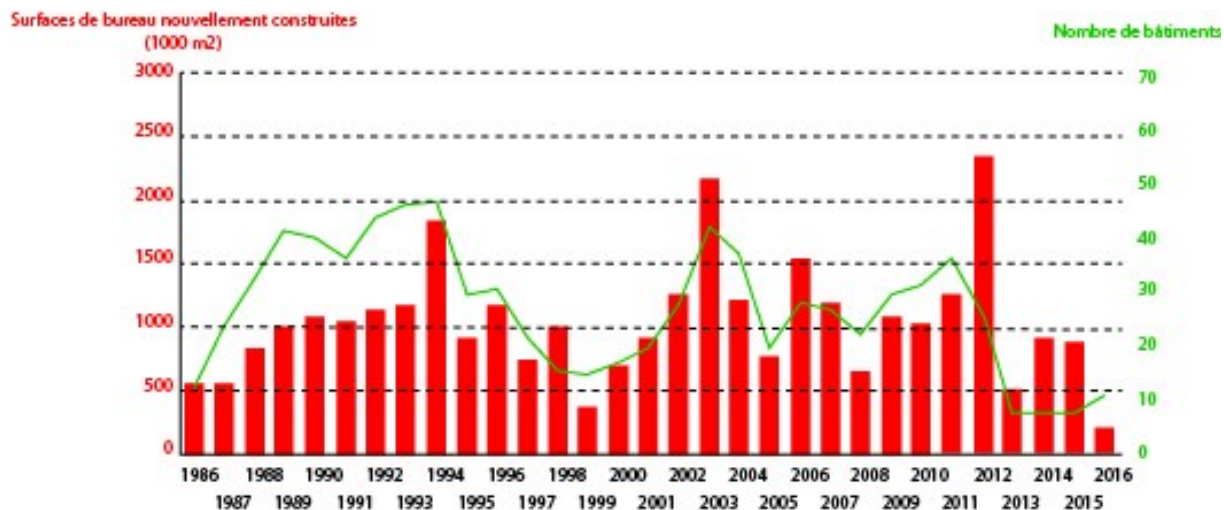
### From “Manhattan Project” to “ABLE City”: the transformation of Marunouchi

The renovation of the OMY area is far from simple with regard to the various plans that have been proposed since the 1980s. On the contrary, it has been a long process, with major transformations imposing changes to renovation plans between the 1980s and the latest projects in the 2000s – despite the relative stability of the central government's urban policies (although it is true that the role played by the private sector increased between the two periods). In 1986, the Nakasone government enacted the *Urban Renaissance Policy*, in order to bring Japan out of a decade of oil crises. The aim was to involve the private sector in the planning and development of central districts of Japanese cities, so as to revitalise the economy and improve public facilities and services. To achieve this, the law allowed for a special kind of zoning with more relaxed regulations (Shima *et al.* 2007).

In the 1980s, in response to the Nakasone law, Mitsubishi Jisho and its partners in Marunouchi had drawn up a redevelopment plan for the area, then called the “Manhattan Project”. This plan had the same aims as the 1986 law, but it also corresponded to a specific local context: for Mitsubishi, it was a case of reacting to the Tokyo metropolitan government's 1987 plan, which sought to encourage polycentrism through the creation of secondary centres (*fukutoshin* in Japanese, literally “vice-centres”) such as Shinjuku, Shibuya, Ueno and Odaiba, which would rapidly rival and weaken OMY's domination of the real-estate market for high-end office space. The “Manhattan” plan was therefore a kind of tacit alliance between Mitsubishi, the Chiyoda ward council and the central government against the Tokyo metropolitan government's political agenda. This plan

included the construction of 60 towers, each 200 m high with a floor-area ratio (FAR)<sup>5</sup> of 2,000 (Shima *et al.* 2007). This plan had two aims: to compete with the office space on offer in other central areas emerging as a result of burgeoning polycentrism; and to remedy a lack of new products in the OMY area, owing to a lack of land following the development of all available plots during the modernisation phase of the 1960s and 1970s.

**Total office space and number of office blocks over 60 m high built per year  
in the 23 special wards of central Tokyo**



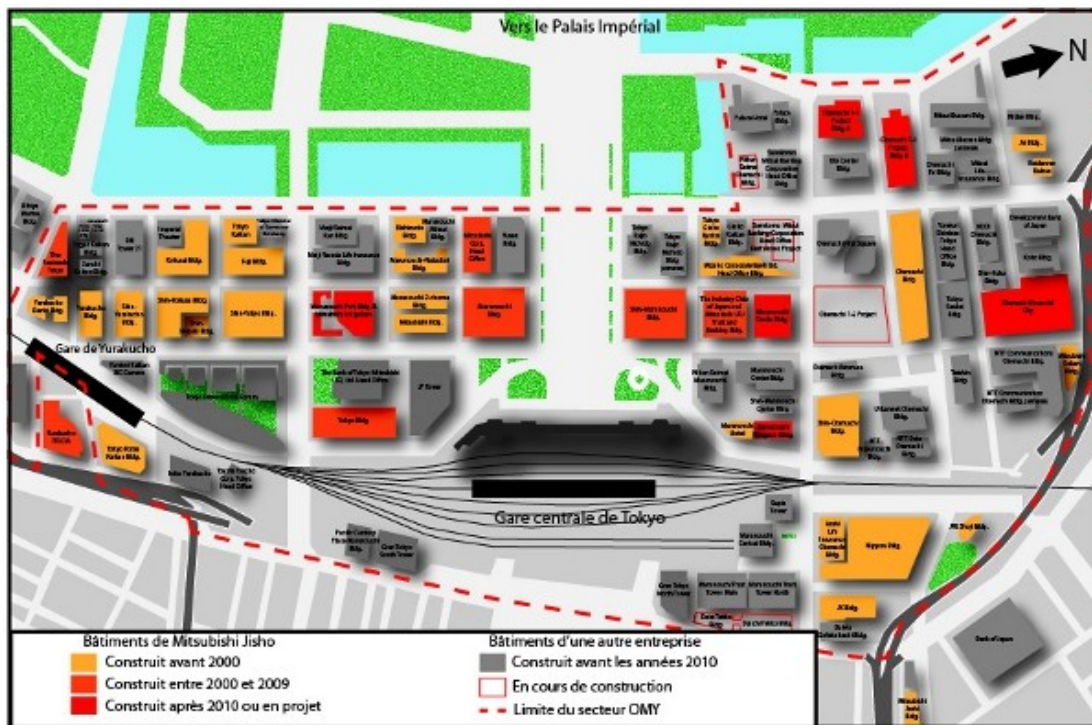
Source: Nomura Research Institute, 2011. Graph: © Raphaël Languillon-Aussel.

**Legend:** Surfaces de bureau nouvellement construites (1 000 m<sup>2</sup>) = Brand-new office space (× 1 000 m<sup>2</sup>);  
Nombre de bâtiments = Number of buildings.

In order to make the “Manhattan” project a reality, a body had been created in 1988 (the year in which the project was launched), namely the Otemachi–Marunouchi–Yurakucho District Redevelopment Project Council. This body still exists, and in 2012 its members comprised some 70 landowners in OMY (including Mitsubishi Real Estate), 17 observers and 9 special members. It is a private-sector grouping whose aim is to draft redevelopment plans for OMY (with a vision, directives and master plan). This council works in conjunction with an consultative body, created in 1996, called the Advisory Committee on Otemachi–Marunouchi–Yurakucho Area Development, which includes the OMY District Redevelopment Project Council, the Chiyoda ward council, the Tokyo metropolitan government and the East Japan Railway Company, which owns Tokyo Station (the city’s central railway station, located in Marunouchi). Despite the many different parties and structures involved, it is Mitsubishi Jisho that is in control of the redevelopment of Marunouchi and whose sheer economic weight means that public and private players follow in its wake.

<sup>5</sup> The floor-area ratio (FAR) is a system introduced in Japan in 1963 with the revision of the national *Building Standard Law*, which governs construction in Japan. Although the height of buildings was limited to 31 m prior to 1963, this height limitation was replaced thereafter by the FAR, a ratio of the total area of the building’s plot to the gross floor area (all floors combined) for all buildings on said plot.

## The Otemachi–Marunouchi–Yurakucho (OMY) district and the redevelopment project coordinated by Mitsubishi Real Estate



Source: Mitsubishi Real Estate, *Annual Report*, 2012. Map: © Raphaël Languillon-Aussel.

**Legend: Bâtiments de Mitsubishi Jisho = Mitsubishi Jisho's buildings;**

Construit avant 2000 = Built before 2000; Construit entre 2000 et 2009 = Built between 2000 and 2009;

Construit après 2010 ou en projet = Built after 2010 or planned;

**Bâtiments d'une autre entreprise = Other companies' buildings;**

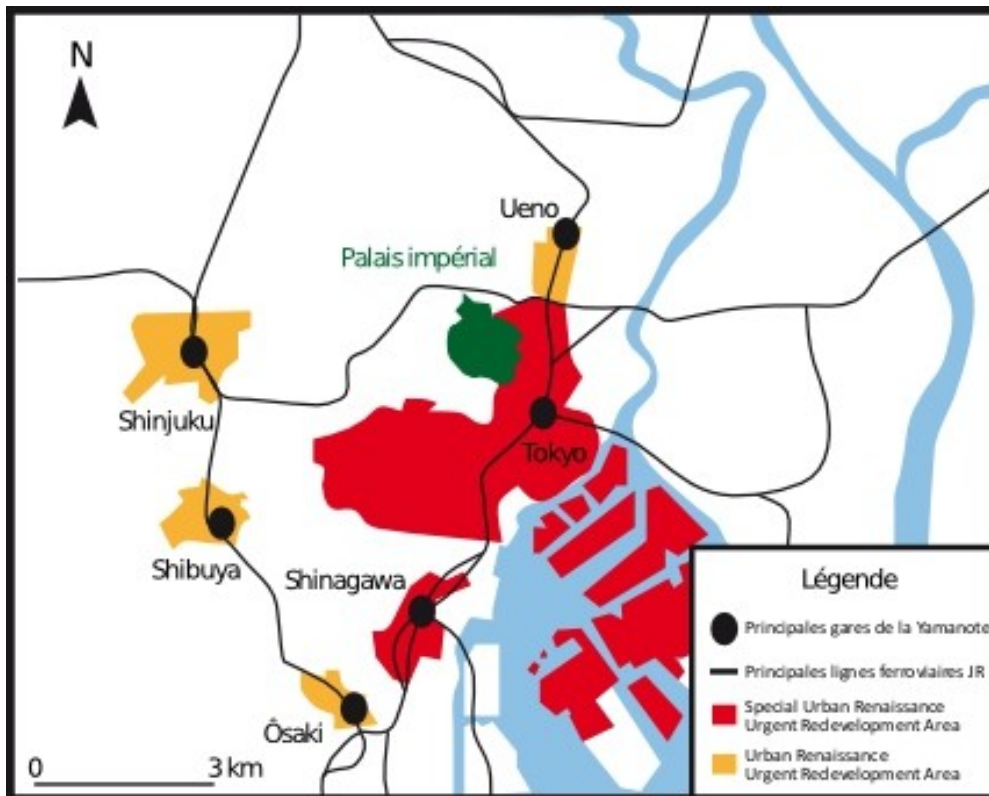
Construit avant les années 2000 = Built before the 2000s; En cours de construction = Under construction;

Limite du secteur OMY = OMY district boundary;

Vers le Palais Impérial = Towards the Imperial Palace; Gare centrale de Tokyo = Tokyo Station.

The context in the 2000s was quite different. In response to a context of economic crisis and deflation promised for decades to come, a new law was passed in 2002 with the aim of boosting the renewal of business districts – the *Urban Renaissance Special Measure Law*. This law was based on the idea of special zoning, resulting in Urban Renaissance Urgent Development Areas (URUDAs, of which there are 63 in Japan, representing a total of 7,783 hectares/19,121 acres) and zones that were even more attractive to the private sector known as Special Urban Renaissance Urgent Development Areas (SURUDAs, of which there 11 in all, covering 3,396 hectares/8,392 acres), including Marunouchi. This zoning aims to facilitate urban renaissance operations promoted by private companies, as is the case in OMY with Mitsubishi Jisho's plan. As in 1986, the law enables companies to propose urban redevelopment plans, normally the exclusive prerogative of local authorities elsewhere. The relevant local authorities have six months to approve or refuse the plans and, in the case of a refusal, must provide a detailed justification for their decision. In the case of an approval, the plans are then submitted to the Ministry of Land, Infrastructure, Transport and Tourism. Approval opens up a number of advantages: tax credits, preferential interest rates and a relaxation of planning constraints. The key criterion for approval is whether the plans submitted will contribute to the revitalisation of Japanese cities and offer users and visitors a certain number of benefits and services deemed to be in the public interest.

## Urban renaissance areas in Tokyo



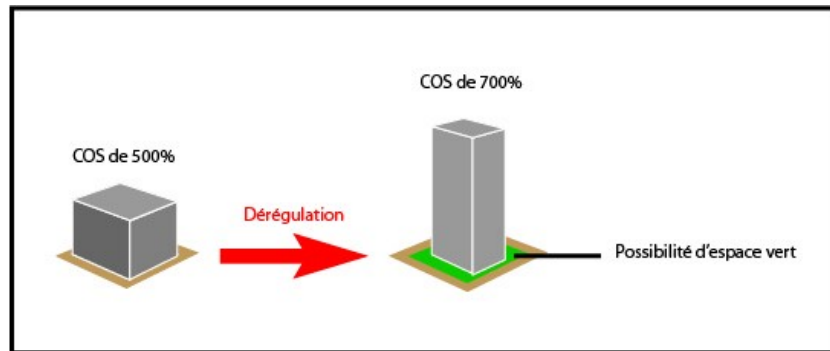
Source: Ministry of Land, Infrastructures, Transportation and Tourism, 2012.

Map: © Raphaël Languillon-Aussel.

**Legend:** Principales gares de la Yamanote = Main stations on the Yamanote line; Principales lignes ferroviaires JR = Main JR railway lines; Palais impérial = Imperial Palace.

In 2005, in the “post-bubble” context of the 2002 urban renaissance law, the OMY District Redevelopment Project Council headed by Mitsubishi proposed a new project, named “ABLE City” (“ABLE” standing for “Amenity Business Life Environment”). This project differs from the “Manhattan Project”, which never came to fruition, and echoes the metropolitan government’s desire to convert the CBD (central business district) into an “ABC” (“amenity business core”), expressed in its 1997 *Grand Design for Central Tokyo*. The “ABLE City” plan shares certain aspects of the metropolitan government’s vision for Tokyo, and also highlights four elements that contrast with the “Manhattan” plan: urban amenities, functional diversity, the district’s historical heritage, and the environmental quality and earthquake resistance of buildings (Mitsubishi Real Estate 2012). The post-bubble, and subsequently post-crisis, context that gave rise to the 2002 law thus explains the shift from the “Manhattan” plan to the “ABLE City” project.

## Floor-area ratios (FARs) and revegetation in Marunouchi



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**Legend:** COS de 500 % = FAR of 500%; Dérégulation = Deregulation; COS de 700 % = FAR of 700%; Possibilité d'espace vert = Opportunity for green space.

In the “ABLE City” project, major efforts have been made with regard to pedestrianisation and revegetation, in particular at the base of buildings whose FARs have been increased in order to free up space on the ground in which to create gardens, public spaces and small-scale facilities (see diagram above). In addition, there is now a wider range of shops and restaurants on offer, with the dual aim of ensuring the area remains lively outside office hours and increasing its retail potential to extend beyond white-collar workers alone. Mitsubishi has also reconstituted previously lost heritage from scratch, as in the case of the Mitsubishi Ichigokan Building, whose original architecture, dating from 1894, was destroyed in 1968 to make way for a more functional building in 1971, which was in turn demolished in 2009 to make way for a complex combining the reconstituted Ichigokan building and the Marunouchi Park Building (see photo below).

### Reconstituting historical heritage



In the foreground, the Ichigokan building, reconstituted on the basis of the 1894 model. Behind it, the new high-rise Marunouchi Park Building (2009; for more information, see here: [http://www.isover.com/exportPdf/export/node\\_id/970/language/eng-GB](http://www.isover.com/exportPdf/export/node_id/970/language/eng-GB)).

## How successful has Marunouchi's urban renaissance been?

As a result of this urban renaissance project, bringing together private companies and public bodies, Marunouchi and the rest of the OMY area have experienced a profound transformation of their urban fabric and become more attractive. Nevertheless, the renaissance of Marunouchi also presents a certain number of limiting factors, not least of which has been the emergence of an oversupply of office space, leading to a recent rise vacancy rates, although vacancy rates in OMY remain lower than in Tokyo's other vice-centres (Nomura Research Institute 2011).

And herein lies the key defect of the urban renaissance law, which resulted in all the major real-estate development firms renovating their respective "fiefdoms" (Mitsubishi in OMY, Mitsui in Nihonbashi, Tokyû in Shibuya), leading to competition between the various renovated centres. This competition has generated an oversupply of office space that the market cannot absorb. Consequently, whereas the urban renaissance law sought to boost business districts by increasing land prices, it has had the perverse effect of increasing the volatility of prices from one year to the next, depending on the delivery of competing major private projects. Furthermore, one category in particular has been completely left out of the project: residents, for whom no new housing has been built. We see here the limitations of a renaissance process driven by a real-estate firm – Mitsubishi Jisho in this case – that is concerned only with office and retail space. At a time when Tokyo is seeing significant numbers of people move back into the city centre, this movement has benefited not OMY, or indeed other parts of Chiyoda ward, but rather the neighbouring wards of Minato and Chuo.

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