

## Executive Summary

Between 1983 and 1990, the Tokyo Metropolitan area faced a rapid increase in land prices. In turn, these increases in land prices quickly raised housing prices. In addition to high housing costs, other social problems such as long-commuting and high inheritance taxes plagued people's life in Tokyo.

In the past, there have been two major land price booms in Japan. It is realistic to expect another land price boom in the future as long as political and economic activities are concentrated in Tokyo. Thus, understanding how land prices changed and which factors affect price level is an important task in order to provide implications for future planning.

The goals of this study were: (1) to analyze intertemporal changes and inter-district variation in residential land prices in Tokyo during the period 1983 to 1993; and (2) to examine the factors contributing to price differences among districts. In this study, only changes of residential land prices within Tokyo were examined. Following are the findings of this paper.

### Findings:

(a) The land price boom of the 1980s began in the centre of Tokyo, followed by price increases in other metropolitan regions. However, the price boom was not seen in non-metropolitan areas, and the national average rate of increase in land prices remained steady.

(b) The boom in residential land prices was led by the rise in commercial land prices. Price trends of commercial and residential land were closely linked with each other because of the Japanese non-exclusive zoning system which lacks the power to prevent the expansion of business land use from replacing residential land.

(c) Increased demands for commercial land which caused the beginning of the land price boom were deeply related to the changing nature of the Japanese economy. The government initiated policies aimed to enhance Tokyo's role as an information-oriented hub in international economy, and such policies resulted in the expansion of business activities into the surrounding area.

(d) The National and Tokyo Metropolitan government took several measures to curb the excessive land price boom: the Land Transaction Monitoring System, the reform of land taxation system, the establishment of the Land Basic Act and financial regulations. Land Transaction Monitoring System and financial regulation may have worked to decrease speculative land transactions.

(e) A series of land price maps reveal that the land price boom began in the central ward area and spread towards the south-west, leaving the average land price low in the north-west. The price wave spread across the city and quickly washed beach like a flood weeping the area.

(f) High land price areas are the central ward area (CBD) and the South-West ward area. The price boom originated in the central area where financial and commercial activities are highly concentrated. From the centre, the price wave spread into the South-West area where urban life and a better residential environment exist together.

(g) Multiple regression analysis indicates that income and distance are the most influential factors determining land price levels for residential land in Tokyo in 1988. Income variables turned out to be more influential than distance.

(h) Other factors examined in the regression are the ratio of wooden dwellings to the total number of dwellings and the rate of increases in built-up areas. These variables had a negative correlation with residential land prices; however, step-wise analysis suggested that they were less influential than income and distance factors.

(i) The Land Transaction Monitoring System and financial regulation may work as a short-term measure to curb speculation; however, these measures do not change the basic mechanism in which land speculation easily occurs. It is necessary to reform the current mechanism in the land market in which land speculation easily occurs.

(j) Some changes are to be made on the framework of land use control which currently is not working as intended. The recommendations are: (1) the land use control system has to be changed so that changes in land use can be checked; (2) zoning categories should be reconsidered and municipalities should be able to arrange zonings as needed; and (3) use of municipal guidelines as a planning tool should be encouraged in order to make up for the lack of legal framework.