

Construction, Real Estate And Housing

While many of Japan's export-oriented and smokestack industries agonize over layoffs, plant shutdowns and foreign competition, housing, construction, real estate and other related industries are enjoying good business. Aggressive economic stimulation measures, from lowered interest rates to expanded frameworks for government loan and investment programs, have produced significant results, and these industries have been the prime beneficiaries.

The number of housing starts, a key barometer for the health of the housing industry, leaped 24.7% in May over the same month a year before to reach 130,493 units. In addition to the rapid growth in rental housing, even home ownership recorded double-digit growth at 13.8%, clear testimony to the full-scale swell in housing construction.

The Japanese government bolstered housing construction investment with its fiscal 1987 (April 1987 to March 1988) supplementary budget, which includes an additional ¥700 billion public housing loan fund to cover 25,000 new housing starts. As a result of the latest business stimulation package, the housing loans extended by private financial institutions are expected to increase by ¥350 billion this year. Combined with the public housing loans, total housing financing is expected to increase by ¥1.05 trillion.

Stimulated by these policy measures, housing starts in fiscal 1987 are expected to reach the 1.5 million level for an increase of slightly more than 7% over the preceding year. It will be the first time since the 1.53 million starts in 1977 that annual housing starts will top the 1.5 million mark. The housing construction industry has so much work that there is a critical shortage of roofers, painters, plumbers and other skilled construction workers.

Competition to purchase condominiums is intense; most are bought up the instant they go on sale, even when construction is still in progress. In some cases, as many as 100 people may apply for a single unit.

The most serious problem is the skyrocketing price of land. According to a survey conducted by the National Land

Agency, the price of land for housing in the Tokyo metropolitan area rose 15.6% during the six months from October 1986 to March 1987. This abnormal land price spiral led Prime Minister Yasuhiro Nakasone to ask the Provisional Council for the Promotion of Administrative Reform to study measures for curbing the increase. The council will submit its recommendations this autumn.

Undeterred, housing development companies are aggressively selling their properties. Daikyo Kanko Co., Japan's top condominium developer, expects to conclude sales contracts for 15,000 units during the business year ending September 1987. The company has expanded from Tokyo and Osaka to smaller regional cities in a bid to sharply increase its turnover.

Borne up by an increase in public works projects and a rush of office construction, the construction industry is also flying high. Construction orders received in April by the nation's top 44 construction companies jumped a substantial 21% from a year before, according to the Japan Federation of Construction Contractors, Inc. Even factoring in the low level of contracts received in April last year due to delays in the placement of orders for public works projects, the orders placed in April this year showed double-digit growth.

What is brightening up the construction industry's life are the governmental emergency economic packages and general public works undertaken at the cost of the central and local governments. In all, these promise ¥2 trillion in revenues for the industry. In addition, construction companies can expect another ¥2 trillion in government outlays for disaster repairs, independent local government programs, government loans and investments, and the public housing loan fund.

The target for front-loading public works projects has been set at an all-time high of 80.1%, compared to 77.5% in 1986. Placement of orders after July are expected to increase even more sharply as the first half of fiscal 1987 draws to a close.

Construction companies have begun strengthening their corporate structures to keep abreast of expanding demand. Shimizu Construction Co., for instance, is



Major public works projects are part of government efforts to boost domestic demand.

reexamining its long-term management vision, the so-called Spring Plan drafted in 1984. The Spring Plan was drawn up on the premise of a "winter" for the construction business resulting from government cutbacks in public works spending. Now, however, Shimizu Construction has shifted its sights to aggressive business expansion. The company intends to beef up both its main construction business and its peripheral businesses in order to benefit from the ripple effects of the coming construction boom.

A shortage of skilled workers poses a serious problem for the construction industry. In order to improve labor and working conditions, Fujita Corp. has devised a new system for fabricating framework and steel skeletons at factories and assembling them at construction sites. It plans to hire skilled workers away from such structurally distressed industries as shipbuilding and steel.

To get around the shortage of framework workers, Kajima Corp. has brought in technology from West Germany for manufacturing standardized panels that can be assembled at the construction site by relatively unskilled labor. Like the housing and real estate industries, the construction industry is enthusiastic about profiting from the government's domestic demand stimulus package. ●

(By Kohei Osada, business news correspondent, the *Nihon Keizai Shimbun*)