

Transformation of Tokyo Bay

By Hidemasa Saito

A program to construct the world's biggest super-megalopolis on the waterfront of Tokyo Bay at a cost of more than \$100 billion is now under way. Nearly 50 urban redevelopment plans, including a number of projects each requiring an investment of \$10 billion, are now waiting for implementation on the Tokyo Bay shore covering Yokohama, Kawasaki, Tokyo and Chiba. When these projects are completed, the appearance of Tokyo Bay will change dramatically. "A dozen mini-Manhattans will crop up on the shores of Tokyo Bay within a stretch of about 30 kilometers," says the Research Division general manager of a leading construction company.

Tokyo Bay has become the center of a whirlpool of real estate speculation and expectations. The Nakasone government is placing priority on this super-megalopolis development program as a lever to boost domestic demand. Construction and real estate development companies have drawn up their own blueprints and are now aggressively sounding out big companies located in the waterfront area earmarked for redevelopment. In Kabuto-cho (the Wall Street of Japan) stocks related to the "Tokyo Manhattan Construction Program" are flying high. Some recession-hit companies with extensive factory land or warehouses in the waterfront area of Tokyo Bay are moving to take this opportunity to evolve into real estate development firms.

Almost all the land on the rim of Tokyo Bay today has been reclaimed, and only a little of the natural shoreline remains in its original form. During the high economic growth era more than 15 years ago and the postwar reconstruction period

that preceded it, steel, shipbuilding, heavy machinery, automobile and electric power industries, all Japan's star industries in those days, built plants on the shore of Tokyo Bay to form the country's biggest industrial zone. Most of these plants will become outdated in the next 10 to 15 years, and will gradually give way to high-rise buildings, new housing complexes, parks and mammoth leisure facilities.

One of the features of the Tokyo Bay waterfront redevelopment program is that several projects are designed as community complexes and will have business centers along with condominiums and sports arenas. Also planned are a Tokyo Bay shore highway and a trans-Tokyo Bay highway.

Over 50 big projects

The most remarkable feature of this waterfront redevelopment program is that most of the 50 or so big projects will be undertaken on private-sector initiative. One reason for this is that central and local governments are experiencing fiscal difficulties and have no funds to finance such projects. In sharp contrast, big corporations and financial institutions have built up their financial strength and have become holders of the world's largest overseas financial assets. In the past few years, calls have been mounting, not only in the Diet but also in the business community, for Japanese companies to use their surplus money not just to buy U.S. Treasury bills but also to invest to stimulate domestic demand, especially through urban redevelopment.

In actuality, however, the situation in Japan has been such that private compa-

nies were unable to use their vitality within the country, even if they had wanted to. For a long time, urban redevelopment and building construction were restricted by various regulations and controls. The private sector, under the leadership of JAPIC (Japan Project-Industry Council), worked hard on the government to ease or remove the regulations. At long last, the Construction Ministry started to revise relevant laws and regulations, and to ease its strict administrative guidance. As a result, it was decided that not only the central and local governments but also the private sector would take part in the construction and management of the trans-Tokyo Bay highway, which is expected to require ¥1.5 trillion (about \$9 billion at the rate of ¥165/\$) to build.

The Tokyo metropolitan government plans to build the basic infrastructure on a mammoth man-made island off the coast in Tokyo Bay. This new subcenter will be called "Tokyo Teleport" and will be equipped to handle the most advanced telecommunications functions. The cost of construction is estimated at a whopping ¥2 trillion (\$12 billion). Naturally, private corporation participation is necessary. Forming the core of Tokyo Teleport will be a satellite communications base, a telecom center and intelligent buildings surrounded by international conference halls and hotels. The total floor space is estimated at 340 hectares.

The surging tide of redevelopment is also engulfing Harumi Pier and the reclaimed land of Toyosu neighboring on Tokyo Teleport. Harumi Pier, which covers 107 hectares of land, is a vital part of

Hidemasa Saito is a science reporter with the *Diamond Weekly*.

Shiodome redevelopment project A plan to utilize the vast area vacated by the Japanese National Railways (JNR)'s freight depot as a traffic base connecting Tokyo proper with the projected Tokyo Teleport.

Tennozu Bay City Towers A mammoth business center with intelligent buildings, hotels, high-rise condominiums and shopping centers. Already started. Construction cost: ¥50 billion.

Tokyo Teleport A symbolic project of Tokyo Bay redevelopment. Construction cost: ¥2 trillion.

Major Tokyo Bay Shore Urban

Tokyo Harbor, and it contains the world-famous Harumi International Fairgrounds. Because the fairgrounds have become too small, it was decided to relocate it to a new site. How to utilize the land to be vacated by the fairgrounds has not been decided yet, but there is no doubt that it will become one of the most promising sites for redevelopment.

On the 88 hectares of the Toyosu reclaimed land stand the main plants of Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI), Tokyo Gas Co., Ltd., Tokyo Electric Power Co., Inc. and other major corporations. There is a possibility that the whole of Toyosu will be rebuilt into a futuristic city, because most of the plants there are relatively old. In addition, the distance from Toyosu to Ginza, Tokyo's Fifth Avenue, will be shortened to about 10 minutes when the Yurakucho subway line is extended. The Ministry of International Trade and Industry has embarked on the development of the infrastructure there. These factors all point toward Toyosu changing into a highly advanced ultramodern city. The attendant speculation has caused the stock prices of Tokyo Gas and Tokyo Electric Power to soar. Even the stock price of deficit-burdened IHI has rocketed sky-high.

Business office space needed

When a place is earmarked for redevelopment, land speculation starts spreading out from there to adjacent areas. The current Tokyo Bay shore land boom was triggered by the project to redevelop the section called Nakasu at the mouth of the Sumida River. Nakasu is located at the innermost northern part of Tokyo Bay. On 16 hectares of land vacated by another IHI factory at Nakasu, the Tokyo metropolitan government and Mitsui Real Estate Development Co., Ltd. are playing the central role in a mammoth redevelopment project to construct a new city called "River City 21." This will be a resi-

dential area with high-rise condominiums, theaters, sports arenas, hotels and shopping centers. When it is completed five years from now, 7,500 people are expected to move into this new city.

In the present heart of Tokyo, both housing space and business office space are in short supply, a situation that will continue even if current building and zoning regulations are drastically eased. New buildings in the heart of Tokyo are booked to full capacity even before completion. The demand for office space has increased steeply in the past few years, particularly because European and American banks and securities companies have established branch offices in Tokyo in great numbers following financial deregulation, and those already here have greatly expanded their staffs. Foreign companies have leased about 25% of the office space in buildings constructed in the past five years.

In such a situation, construction companies turned their eyes on the waterfront area of Tokyo where there are acres of unoccupied reclaimed land and large numbers of unused warehouses, old factories and storage yards. It would also be possible to landfill the space between small reclaimed islands to form bigger islands. A survey by the Research Institute of Construction and Economy showed that the waterfront section of Tokyo alone could provide 1,300 hectares of office space—more than enough to make up for the shortage in the center of Tokyo.

Raging land speculation

The price of land in some parts of the metropolitan Tokyo area has as much as doubled during the past year. Even if land is available, the high cost of construction has made it difficult for office building construction to turn a profit. The cost of constructing roads has gone up, too. Tokyo Governor Shunichi Suzuki laments, "It used to be that the cost of a road was 30% for land purchase and 70% for construction. Today, it is 90% for land

and 10% for construction, or even worse."

It is much cheaper to create land by reclaiming it from the sea along the shore of Tokyo Bay. The cost of reclamation is only about ¥30,000-¥100,000 (about \$180-610) per square meter. In contrast, in the heart of Tokyo where land speculation is rampant, one lot actually changed hands recently at ¥21.68 million (\$130,000) per square meter. Land costing in the area of \$50,000 per square meter is quite common in Tokyo today.

To make the situation worse, real estate brokers are engaging in so-called "land rolling," meaning that a broker purchases land not as a future construction site but for realizing capital gain after selling it to another broker at a profit. The second broker then sells to a third at a higher price, and so on. This land rolling is the root cause of recent skyrocketing land prices in Tokyo. The Tokyo metropolitan government is now drafting an ordinance to curb land price rises, including a 94% tax on land transferred within two years of acquisition.

What is the most valuable asset in Japan? The answer is land. In general, the rate of increase in land prices had been falling against the background of deflation. However, the government's package of economic measures to stimulate domestic demand once again triggered overheated speculation in land.

Shunsuke Sasaki, an economist at the Mitsubishi Research Institute Inc., says, "Tokyo's rising potential and sophistication of its functions have brought on signs that the structure of Tokyo will change at long last. In order to make Tokyo into a desirable city in the 21st century, it is necessary to reexamine development plans now and to implement the right measures at an early date."

If mistakes are made in forecasting long-term supply and demand, an oversupply of office space might be available suddenly, bringing on a massive real estate slump. Some experts worry that in such an event "Tokyo might become more of a mess than a Manhattan." ●

Redevelopment Projects



River City 21 High-rise residential quarters with hotels, commercial and cultural facilities; under construction. Scheduled for completion in 1991.

Information-oriented futuristic city concept An ultramodern city planned for Toyosu, a reclaimed site, on an extensive area vacated by the giant plants of Tokyo Electric Power, Tokyo Gas and IHI.

Wakasu seaside park An entire reclaimed island to be converted into a seaside recreation zone.

Ariake sports-recreation zone A vast sports and recreation complex where international competitions can be held.