

Metropolitan New Town Developments Undergo Transition

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Introduction

Since the mid 1960s, New Town developments have absorbed the concentration of population in metropolitan areas. Now some three decades later, large-scale residential development projects built by the Housing and Urban Development Corporation (HUD) local Housing Supply Corporations, and private developers must contend with a changing situation: (1) changes in the population structure due to aging and the declining birthrate, (2) changes in the economic environment such as the post-bubble decline in land prices and prolonged economic recession, and (3) changes in people's lifestyles as the economy matures. This paper examines the issues raised by these changes for new town developments in metropolitan areas, and suggests ways to overcome them.

1. Economic and Social Change and New Town Development

(1) Change in Population Structure

As the next century opens, Japan's total population and number of households will start to decline, while the industrial structure continues to readjust, and the national land policy pursue decentralization. All of these factors will tend to alleviate the population concentration in major metropolitan areas. As a result, the demand for residential land in nearby areas will drop, drawing the era of mass residential supply to a close.

However, as the society ages and produces fewer children, demand for housing and residential sites will come from smaller households consisting of single elderly persons, elderly couples, and people who marry late in life or not at all. In addition, as society matures, more people will move or rebuild in search of better living environments or dwellings suited to their household composition.

(2) Change in Economic Environment

In past New Town developments, the costly urban infrastructure was built on the assumption that continually rising land prices would assure recovery of investment. The myth of ever-rising prices shattered, developers of large-scale residential developments now shun projects that impose heavy infrastructure burdens. As a result, they have recently opted for smaller projects consisting of urban-type freestanding houses and apartments that can return the investment in a short time.

Meanwhile, municipalities that lie adjacent to large cities often do not have the budget to meet the demand for public services when the population grows rapidly, while the aging of society is expected to worsen their financial condition.

Thus neither developers nor municipalities can shoulder the burden of infrastructure construction accompanying large-scale residential development projects. In the future, the focus of residential development in metropolitan areas is thus expected to shift to areas that already have an urban infrastructure installed, such as idle land within city limits and agricultural land designated for conversion.

Recently in the housing and housing site markets, the key segment of salarymen homebuyers have lost their sense of job security as the prolonged recession takes its toll in major bankruptcies and threatens the traditional practices of lifetime employment and seniority-based pay. In addition, falling land prices have deflated the asset value of existing homes, thereby depressing the demand for repurchases even as the backlog of unsold New Town properties grows.

(3) Change in Lifestyles

As society matures, people seeking more freedom from time and space restrictions are choosing to live near their workplace, causing the demand for housing in or near the city center to grow. Even at suburban residences, people are seeking multifaceted communities where they can not only live but work, rest, learn, and enjoy life. Residential developments, which have focused on only residential factors, will need to shift their perspective radically.

In addition, since a certain amount of demand will persist for suburban residences, it will be important to build communities that adequately capture the qualities of suburban life.

2. Status and Issues of New Town Development

(1) The Perspective of New Town Residents

One characteristic of New Town residents is a highly concentrated age distribution. The predictable acceleration of aging thus adds to the urgency of addressing aging issues.

In addition, in New Towns consisting predominantly of freestanding houses, aging is being accompanied by a deterioration in community. Since local communities are expected to act as an important social safety net for the very elderly population of the future, community building hardware and software measures must be readied.

On the other hand, the proportion of parents who live with children has declined in metropolitan areas, and the tendency for parents to live nearby their children is expected to grow as life expectancy increases. However, after leaving home, children will be discouraged from living nearby by high land prices, limited choice of residence types, and other aspects of the belabored housing situation.

Turning next to lifestyle trends as they affect New Towns, suburban freestanding houses are no longer the overwhelming choice of people looking to buy their last home. In the past, rising land prices pushed affordable housing further away from the city. Recently, however, as affordable properties emerge closer to the city, and as people seek to spend more time at home, there has been a growing demand for urban residences and shorter commuting times. Even suburban residences must increasingly satisfy not one but both demands for natural environment and convenience.

Moreover, as a result of land price trends and economic changes, people who used to regard home purchases as an investment are increasingly looking at the use value of properties rather than ownership value, thereby creating more diversity in the demand for housing and residential land.

(2) The Perspective of Local Government

Local governments formulate urban development plans based on comprehensive long range plans and demographic predictions. However, they will have difficulty securing the planned residential population due to future population trends and economic changes. Furthermore, the skewed age composition of New Town residents, by accelerating aging, is expected to increase demand for public services while decreasing tax revenue, thereby straining public finances.

Another consideration is the importance of establishing a community's identity so as to discourage undisciplined development and build a thriving community. As recently seen from the dioxin problem of incineration plants, the success of New Town development in suburban areas may rest on how well they handle environmental issues.

(3) The Perspective of Developers

Housing sales, which had remained low following the consumption tax hike in April 1997, dropped further after the failure of large financial institutions last year.

Underlying this decline has been the decline in job security among the main segment of New Town home buyers, salarymen in their 40s and 50s, making them less enthusiastic about taking out long-term housing loans. As a result, persons with relatively more stable jobs – such as public employees, school teachers and electric company workers – have become more conspicuous buyers.

Moreover, in the Kinki region, the massive housing supply built in the earthquake reconstruction has disrupted the market balance. Meanwhile, lower interest rates from the Housing Loan Corporation and falling condominium prices have brought more young people into the condominium market, thereby diminishing potential demand in the future.

To spur housing site sales, private developers are collaborating with home builders to sell residential lots with conditions attached. Some developers are selling almost half of their units jointly with home builders.

Local governments are also taking new initiatives to deal with the slump in New Town development. The Tokyo Metropolitan Government announced a sales promotion project for a publicly owned 95.3-hectare site in Hachioji City on the western side of Tama New Town (Nikkei Shimbun, January 12, 1999) Under this scheme, private companies would build housing on public land, and sell the housing and land jointly with the TMG. This business model is viewed as a promising new form of government/business collaboration – the city has a strong say in the development because it owns the land, while private companies have greater flexibility to meet market needs in their product planning because they are freed from the risk of owning land.

Meanwhile, the basic concepts underlying New Town developments must be modified to reflect the needs of an aging and car-oriented society. The dependence on cars in the suburbs is altering housing needs and locations. Aging is redefining needs with respect to new convenience facilities, commercial facilities, and community. While dwellings are becoming more

barrier-free on the inside, the larger task of making New Towns barrier free, especially in hilly areas, is an important issue that looms ahead.

3. Future Direction of New Town Development

(1) Future Housing and Housing Site Policy

In a report titled "Statement on the Basic Direction of Housing Site Policy in the 21st Century and Present Measures to be Taken (Interim Report)" the Construction Ministry's Housing and Housing Site Deliberation Committee presents following directions for housing site policy in the next century.

1. Residential Site Policy and Structural Changes in the Economy and Society

- After the total population peaks in 2007 and number of households in 2014, both will decline, and supply and demand conditions in the housing site market will ease.
- Following the collapse of the bubble economy and sharp decline in land prices, highly leveraged residential land purchases became a losing strategy, and preferences shifted toward leaseholds and rental housing, which do not involve land ownership.
- As personal lifestyles became more diverse, the demand for housing has also diversified beyond the conventional suburban house with yard to more convenient city dwellings.
- With land prices not likely to rise in the foreseeable future, new business models based on other factors need to be created.

2. Policy Response to Housing Site Issues

- Policies must address the shift in demand for housing sites from sprawling remote areas to locations closer to work and closer to or in the city center.
- Policies should promote land use that supports lifestyles and without overburdening budgets, rather than land use that emphasizes asset value.
- Policies should discourage new large-scale developments in favor of effectively using the stock of housing sites by harnessing the existing urban infrastructure.

(2) Future Direction of New Town Development

Based on present economic and social trends, the future of New Town Development rests on how well it accommodates the diverse needs of residents. There are two basic considerations:

(1) supplying more diverse housing and housing sites, and (2) building new urban and community (socioeconomic) infrastructure.

1. Diverse Supply of Housing and Housing Sites

(a) Diversity of housing

In the past, New Town developments have focused on built-for-sale houses for families. In the future, more diverse types of housing will be supplied to accommodate a wider variety of lifestyles and household compositions, including one-story houses and low-rise collective housing aimed at smaller households. In addition, housing will accommodate aging persons by offering a choice of services to meet the needs of residents, such as condominiums with care services and fee-charging homes for the elderly.

In response to changes in the economic environment, lifestyles, and values, housing will be supplied with a diverse assortment of legal rights, including leasehold housing, built-for-sale housing with surface rights, subleased housing, and housing with lifetime use rights.

(b) Diversity of housing sites

Unlike ordinary residential construction, New Town development offers the opportunity to add value to housing by building whole communities. These developments can extend the effort to accommodate aging residents beyond their dwellings and into the residential area, streets and sidewalks, public and commercial facilities, and parks.

Unlike the situation of constructing housing alone, New Towns can design the community including street layouts, and rebuild local communities through electronic town meetings and electronic bulletin boards. In addition, to accommodate the car-oriented society, New Towns can provide two parking spaces per residence, additional communal parking, and large parking lots for commercial facilities.

(c) Diverse business and sales strategies

Developers will need to devise new business and sales strategies, such as forming consortiums for joint sales, or teaming up with local governments and home builders, to develop saleable

products and reduce business risks.

In addition, to actuate the demand for residential land, developers need to dispose of their real estate holdings. To promote the secondary housing market, they need to standardize evaluation methods for existing housing, and accumulate good housing stock by improving the durability and longevity of housing. These measures serve to establish a support system for people who are relocating or rebuilding their home.

2. New Urban and Community Infrastructure

(a) New community infrastructure

Unlike in the past, fewer people today would be content with a suburban residence that traded off convenience for a healthy natural environment. Suburban residences not only need to have convenient transportation, but need the proper infrastructure to accommodate elderly people. Job opportunities and volunteer activities are needed to support employment of the elderly as well as to revitalize the community.

Rather than being purely residential, the neighborhood should contain stores that support daily living such as mini-convenience stores, unattended stores, and home care support centers. In terms of commercial facilities, it is necessary to consider roadside stores, time consuming facilities, shop mobility, and real estate securitization.

(b) Effective public facilities

Amid the growing demand for public facilities to perform more advanced and varied functions, tight fiscal and economic conditions require that facilities to be as effective as possible. There is a need to enhance the infrastructure supplying welfare services for the elderly, as well as schools and other educational facilities that serve core functions for the local community. There is also a need to consider the construction of combined facilities containing child care, educational, elderly welfare, and meal distribution facilities, and to use the PFI method to build supply and processing facilities.

(c) Local networks

It is crucial to build new community infrastructure facilities as well as networks that support the effective use of that infrastructure. For example, there is a need for transportation systems using minibuses or electric cars to facilitate movement, as well as package delivery systems, meal delivery services, and an information infrastructure including electronic bulletin boards.

(3) Forecast for New Town Developments

As explained earlier, in light of demographic trends and the economic environment, there is no reason to anticipate any significant demand increase for residential land in the suburbs of large metropolitan areas. The type of uniform and massive residential developments that characterized the past can no longer be structurally supported in today's metropolitan areas.

In particular, since the rising land prices that used to allow projects to recover their investment with relative ease are not in the long-term forecast for land prices, private developers cannot afford to undertake large-scale residential developments that entail infrastructure construction.

These grim facts might lead one to believe that New Town developments face poor prospects in metropolitan areas. But New Town developments have two key advantages – a high quality of urban infrastructure, and the ability to build communities that look ahead and accommodate evolving lifestyles. Developments that emphasize these two points are sure to be highly competitive.

Thus it is critical to add value by supplying diverse housing and residential land to accommodate the growing diversity of lifestyles, building communities that reduce the commute between home and workplace to support multiple uses of land, and providing high quality urban infrastructure. In addition, it is necessary to devise ways to circumvent rapid aging by building residential developments in stages or supplying a variety of residential formats, and thereby achieve a better social mix across generations. Meanwhile, the car-oriented society is altering the conditions for locating commercial facilities and residential needs, making it important to carefully perform land use and facility planning to accommodate these changes.

The challenge for metropolitan New Town projects is how to produce the best living environment possible while reducing the burden on developers, yet maintaining the high quality of urban infrastructure. Alternative approaches are being sought, including the construction of public facilities with the PFI method, and of large commercial facilities using securitization with SPC. Above all, the new mission of New Town development is to lead the way in building communities where residents can feel secure about growing old.

Changes in society & economy		Status of Parties Involved in New Town Development			
		Present residents	Prospective buyers	Local government	Developer
Population structure	Decline in population and number of households Easing of population concentration in cities Aging, decline in birth rate Smaller households	Mismatch between household & housing Rebuilding demand Relocation demand Measures to accommodate aging Accessible long-term care Convenience facilities Community revitalization Separation of children's household from parents	Decline in demand for residential land Diverse needs for residential land use Diverse needs for types of housing alternatives	Decline in demand for residential land Accommodating aging, decline in birth rate Decline in planned population Idle schools	Decline in demand for residential land New product planning Barrier free residential area Construction of new commercial facilities New sales strategy
Economic environment	Prolonged low economic growth Decline & stabilization of land prices Failure of Japanese style management	Asset deflation Improving the job environment Public pension anxiety Increased flow of residential assets	Changes in employment & wage systems Anxiety regarding long-term, large housing loans Asset deflation Shift from ownership value to use value	Restraint of chaotic development Tighter budgets Review of development cost burden	At the limits of mass supply approach Review of developer cost burden Mini-development projects that don't need infrastructure Large inventory of defective housing
Lifestyles	More freedom from time & space constraints Preference for natural environment, convenience Increase in women who work Diversification of employment forms	Accommodating car-oriented society Change in attitude toward inheritance	Preference for central city residence Accommodating car-oriented society Preference for residence close to job Environment oriented Change in preference for owning home	Establishment of community characteristics Supply & processing facilities Review land use of residential specialization	Accommodating car-oriented society Diversity of housing alternatives Review of land use for exclusively residential purposes



Future direction of New Town Development

Diverse supply of housing and residential land	New urban and community infrastructure
<ul style="list-style-type: none"> Diversity of housing supply Diverse housing alternatives Housing to accommodate aging Diverse forms of usage rights Diversity of residential land Barrier free residential area and community Revitalization of community Accommodating the car-oriented society Diversity business & sales strategies New product development Cooperative sales Expand existing home market Facilitate home rebuilding, relocation 	<ul style="list-style-type: none"> New community infrastructure for daily living Job creation in the community Large shopping centers Stores closely tied to community Cost-effective public facilities Welfare facilities for elderly Multi-purpose public facilities Enhanced educational facilities Facilities built with PFI scheme Community network system Simple transportation system Introduction of delivery system Information infrastructure