

# TOKYO 2020 OLYMPICS

GOLD OR SILVER FOR  
COMMERCIAL REAL ESTATE



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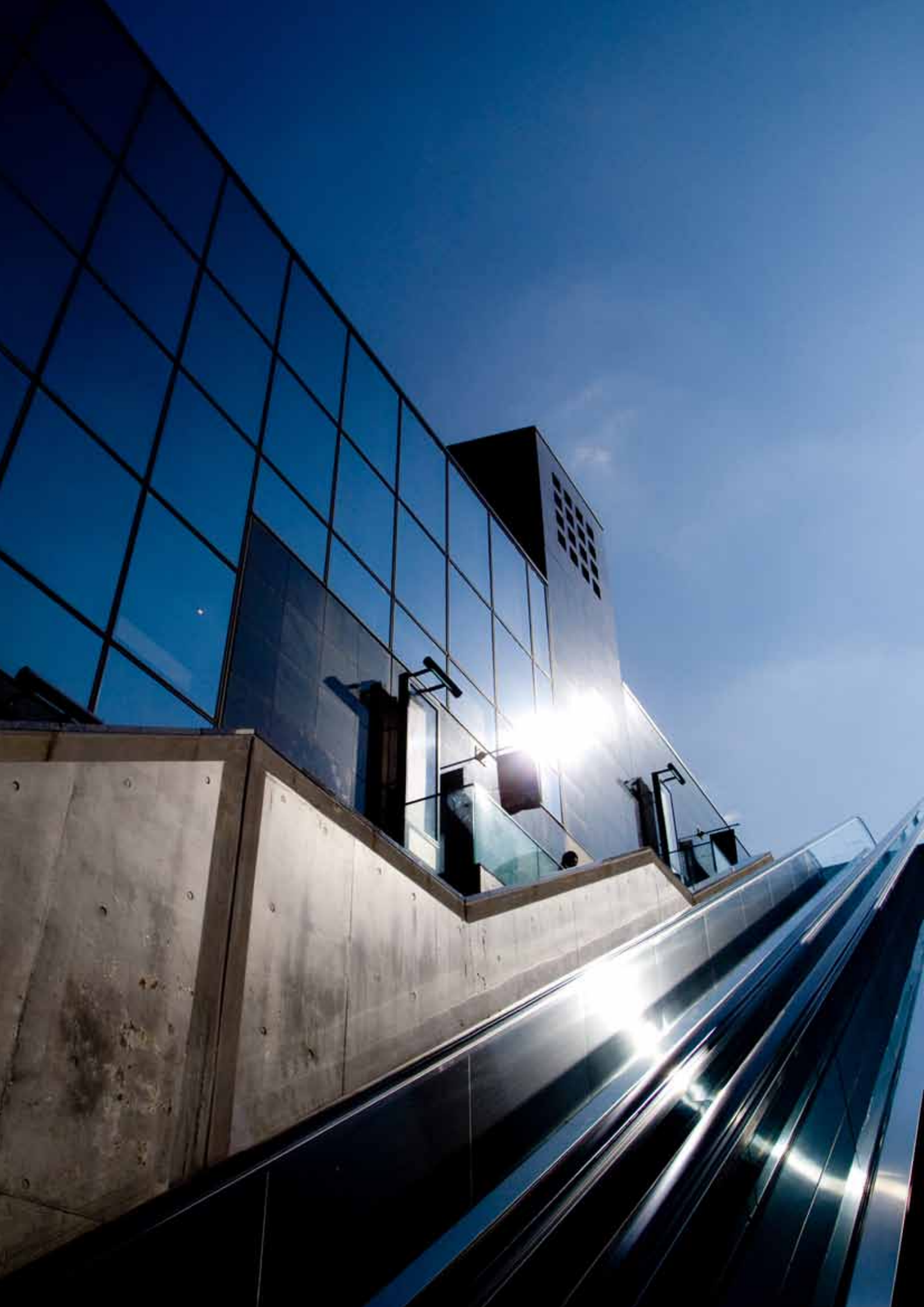
## EXECUTIVE SUMMARY

Prime Minister Abe's bold reforms picked up pace as the so called 'third arrow' growth strategy received the Japanese cabinet's endorsement. Japan's economic revival remains on track as companies are expanding aggressively, spearheaded by its automotive and electronic industries, both of which invest substantially in technology and factories.

More relevant to real estate markets, the successful bid to host the 2020 Summer Olympic Games are spurring infrastructure projects. These include the Loop 2 (Kanjō 2 Road) project due in 2016, Tokyo's new east-west axis which connects Tokyo Bay Zone (east) with the city center (west), and the Ueno-Tokyo Line – due in 2015 – which enhances connectivity along the city's north-south axis running through Tokyo Metropolitan.

These two axes are anticipated to significantly increase the population's mobility, thus generating opportunities for real estate developments. Districts like Ginza, Shimbashi, Yurakucho and Toranomon, for instance, are anticipated to benefit by being at the crossroads created by the intersecting East-West and North-South axes. In fact, retail and hotel developments including the Ginza redevelopment and the re-building of Hotel Okura are centred around these districts amid record breaking visits to Japan; apartments in the Tokyo Bay Zone along Loop 2 have also witnessed brisk sales.





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## LEGACY OF OLYMPICS

Tokyo's vision for the 2020 Summer Olympic Games is to hold an environmentally friendly and "compact" Olympics – in terms of budget and distances with competition venues to be located within an 8km radius where possible. This success has further strengthened confidence in the nation's potential across the board. Amid this win, the economic policy program dubbed "Abenomics" is moving forward, led by the administration of Prime Minister Shinzo Abe, in conjunction with government bureaucracies and the corporate sector.

In the context of these ambitious efforts to get growth back on track after two decades of economic stagnation, political gridlock and social malaise, the success of the Olympic bid may represent a turning point, giving the Japanese people hope and expectations for change.

However, in order to ensure the success of the Olympic Games, Japan must create a positive legacy that continues long after the Games are over. An important question to consider is whether the event can act as a catalyst for the city's revitalization needed for sustainable growth.

Although retail sales in London during London 2012 were reported to have declined due to lower footfall than expected, London 2012 is regarded as successful in economic terms by the 7.0% increase in expenditure that year, driven by the growth surge during when the games were played out. Notably, although total visits declined by 3% in Q3 2012 after London 2012 were over,

growth in spending per visit shortly after the games' closed hit 8%. Visitors from the BRIC countries were reportedly fascinated by London, attracted by the city's charms and rejuvenation.

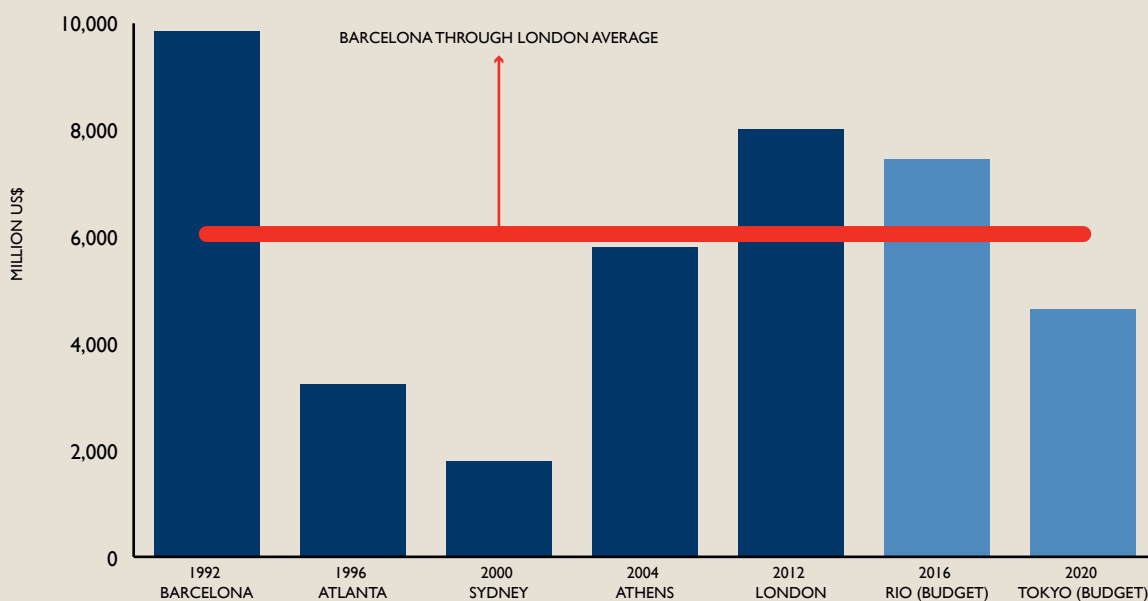
What will Tokyo 2020 mean to Japan's capital? What changes will it bring about in the course of preparation for the Games, and after? What socio-economic impact will it have through changes in the movements of people, goods, services and prices caused by the construction of new infrastructure and venues? Finally, what are the implications for property markets in Tokyo?

## OVERVIEW OF TOKYO 2020

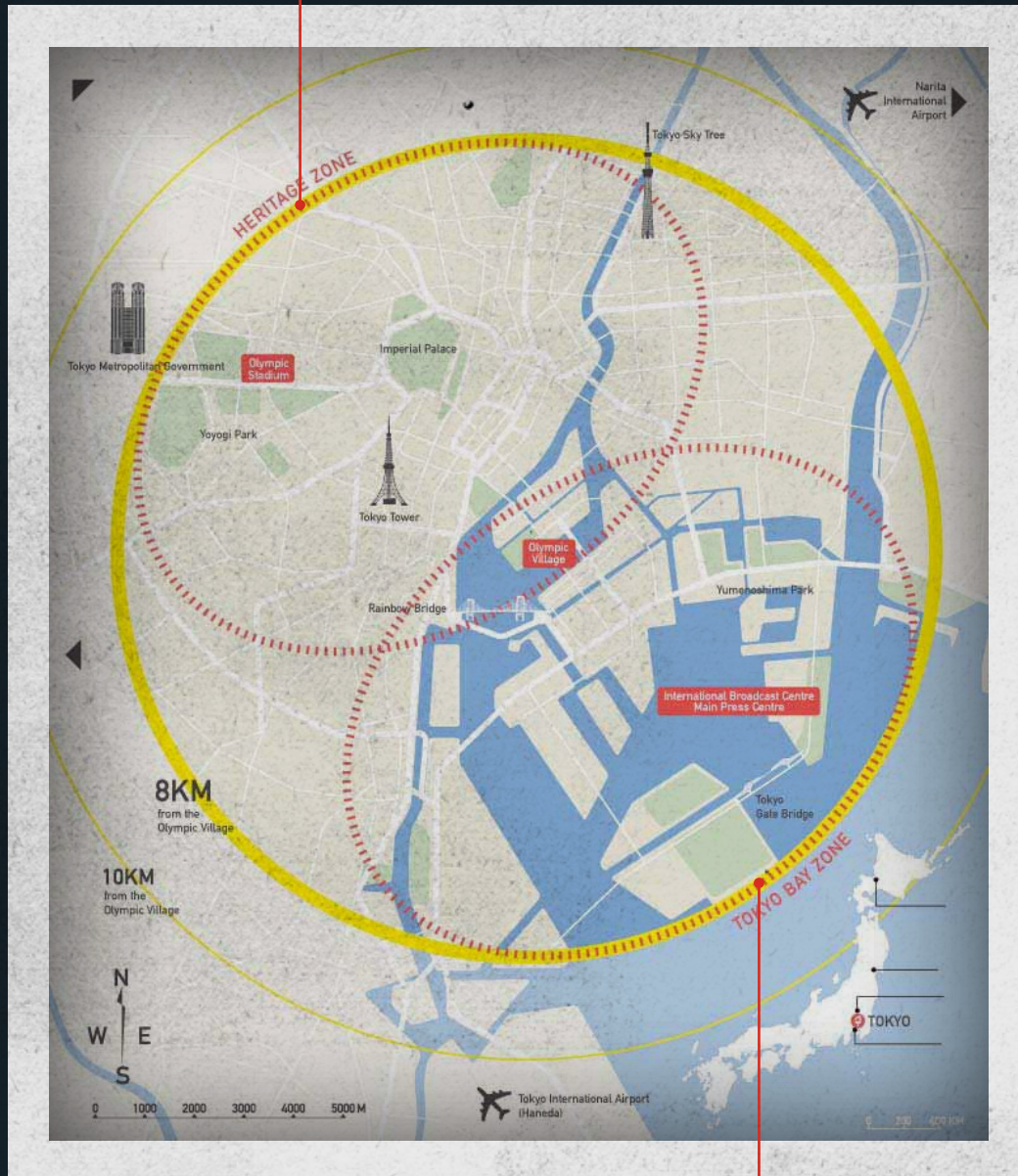
The term "compact Olympics" refers to the relatively smaller budget for Tokyo 2020, as well as the compact area in which the main venues are located – within an 8 km radius from the Olympic Village – which houses the athletes and gives them easy access to the competition venues. Much of the main venues are situated in both the Heritage Zone, which already exist in the highly urbanized areas, and the Tokyo Bay Zone, where several venues will be newly constructed in less urbanized areas.

The budget for investment in infrastructure and venues for Tokyo 2020 is less than the past average of actual costs due to the fact that a large proportion of the Tokyo 2020 venues will be on premises that already exist (26 out of the total 38 venues); few infrastructure projects are scheduled to be newly built specifically for Tokyo 2020. However, several significant infrastructure projects which would effectively sustain Tokyo 2020 and not due to the successful bid are under way.

### INVESTMENTS IN INFRASTRUCTURE AND VENUES



WEST: HERITAGE ZONE



EAST: TOKYO BAY ZONE



## CONCENTRATION OF VISITORS

### HIGHER VISITOR NUMBERS EXPECTED

London 2012 was estimated to have 640,000 visitors at its peak, although it has been suggested that the actual number might be less than that, partly because of transportation failure. As such, a large number of potential visitors could have stayed away from London during the games due to fears of overcrowding.

Tokyo 2020 is expected to see 920,000 visitors per day, according to Tokyo Metropolitan Government Office. Given Japan's overall enthusiasm for the Olympic Games, these estimates appear plausible. As noted above, the location of Tokyo 2020 is relatively small, whereas London 2012 was more spread out across a larger area. This is likely to result in a greater concentration of visitors to Tokyo 2020 than to London 2012.

Omotesando then



## TRANSPORT VOLUME

### ANTICIPATED TO BE GREATER THAN IN LONDON

All of the track and field events will be held in the Tokyo 2020 Olympic Stadium in the Heritage Zone, which is believed to be the most attractive spot for spectators. This is far away from the Olympic Village in the Tokyo Bay Zone. This distance would create significant volumes of people moving from place to place, including operations staff, the media and observers associated with the travel of the athletes.

For London 2012, the Olympic Park and surrounding areas housed many of the venues including the Olympic Stadium and village, with the aim of minimizing travel for the people involved. Despite this, the inadequacy of transportation connecting the Olympic Park and the City, where the rest of games were held, was severely criticized. The transport situation of Tokyo 2020 could evoke similar concerns.

Given the greater concentration of visitors anticipated in Tokyo 2020 than in London 2012, combined with the expected larger numbers involved, transportation infrastructure investments will be more crucial in the 2020 Games.



Omotesando in 2014



## INFRASTRUCTURE CONSTRUCTION

The upcoming Tokyo 2020 Olympics has pushed forward the timeline for substantial infrastructure projects planned to revitalize the city, including railways, roads and other projects.

### DEBUT OF TOKYO'S EAST-WEST AXIS

Firstly, the Loop 2 (Kanjō 2 Road) project will be completed, with its extension constructed, by 2016 – far in advance of Tokyo 2020. The project will connect the city center district (West), a key district of the Heritage Zone, with Ariake (East), a key district of the Tokyo Bay Zone, and less urbanized districts where several venues will be constructed.

Because of this, Loop 2 is currently called 'Olympics Road', although it was originally planned to expand the urban district eastwards. Transportation capacity between these two districts will increase significantly. Part of the capacity will be borne by a BRT (Bus Rapid Transit) system where a lane used exclusively for buses will ensure a smoother transit.

Notably, large and iconic regeneration projects in the Toranomon submarket in the city center are currently moving forward in conjunction with Loop 2 and the new metro station plan. Its flagship project is Mori Building's Toranomon Hills, which opened in June 2014. Comprised of office, hotel, residential and retail blocks, the project is anticipated to drive regeneration of the district in many ways. For instance, it is located in a designated "Asian Headquarters National Strategic Special Zone," which offers significant corporate tax exemptions under certain conditions.

These regenerations and residential/venue developments are thought to be anchored to Loop 2, with significant presence in the urban realm. Developments stimulated by Loop 2 are expected to act as Tokyo's East-West axis, drawing an increasing number of residents, workers and visitors. A key attraction will be the easier commute offered by the axis, with its proximity to the city center and the abundance of high-quality entertainment, dining and shopping venues.

### STRENGTHENED TOKYO NORTH-SOUTH AXIS

Traditionally in Tokyo's transportation system, railway services connecting the northern and southern parts of Tokyo Metropolitan with the Tokyo city center have played a key role in the transportation network. Office premises located on this north-south axis are competitive because of the ease of commute for workers.

In order to strengthen this north-south axis, a railway project running through Tokyo Metropolitan called the Ueno-Tokyo Line is under construction and due to open in 2015, directly connecting the north of Tokyo Metropolitan to its south. Because the terminals for the northern and southern parts are currently the Ueno and Tokyo Stations, respectively, passengers wishing to travel across Tokyo Metropolitan areas need to transfer at these stations, which is thought to greatly impede passenger traffic.

Furthermore, a plan for the improvement of airport access, which bypasses the subway system is drawing attention as well, because current accessibility is impacted due to long travel times, in contrast with other capitals. This could be realized by 2020 although some of the difficulties that lie ahead, including hikes in construction costs and time constraints, will have to be overcome.

Another plan is for the extension of the existing subway route, which is regarded as more practical and feasible. This extension would cater to tourists visiting the recently constructed Tokyo Sky Tree, one of the most popular sightseeing spots in Tokyo, with good access to Toyosu, another key district in the Tokyo Bay Zone.

### IMPACT OF THE 1964 TOKYO OLYMPICS

Tokyo hosted the Summer Olympic Games just a half-century ago, at which time Japan was regarded to have joined the community of developed nations. The most iconic event for Japan was the debut of a bullet train called the Shinkansen – connecting the two largest cities, Tokyo and Osaka – which enhances overall mobility in the country to promote economic growth.

The 1964 Olympics also spurred the modernization of Tokyo, with the construction of modernized transportation infrastructure, ranging from newly paved roads in neighborhoods to the metropolitan expressways across the city. In fact, these new roads played a key role in generating new catchment areas including Aoyama, Harajuku and Omotesando – now iconic centers of high fashion and Japanese youth culture, which prior to Tokyo 1964, had humbler beginnings.

Most notably, Omotesando was merely a neighborhood with a high concentration of intellectuals living in one of the nation's first multi-family residential developments – the Dojunkai apartments – which were unusual at the time. The name Omotesando is derived from "sando," a path or road approaching a shrine, in this case, the Meiji Shrine built in 1920.

The area started to take on western influences due to the influx of these cultures and know-how, especially fashion, after the Second World War. Omotesando was transformed into one of the top high streets along with Ginza in Tokyo, acquiring a cosmopolitan flavor after the Washington Heights site, a military housing complex, was converted to the Olympic Village for Tokyo 1964.



LOOP 2

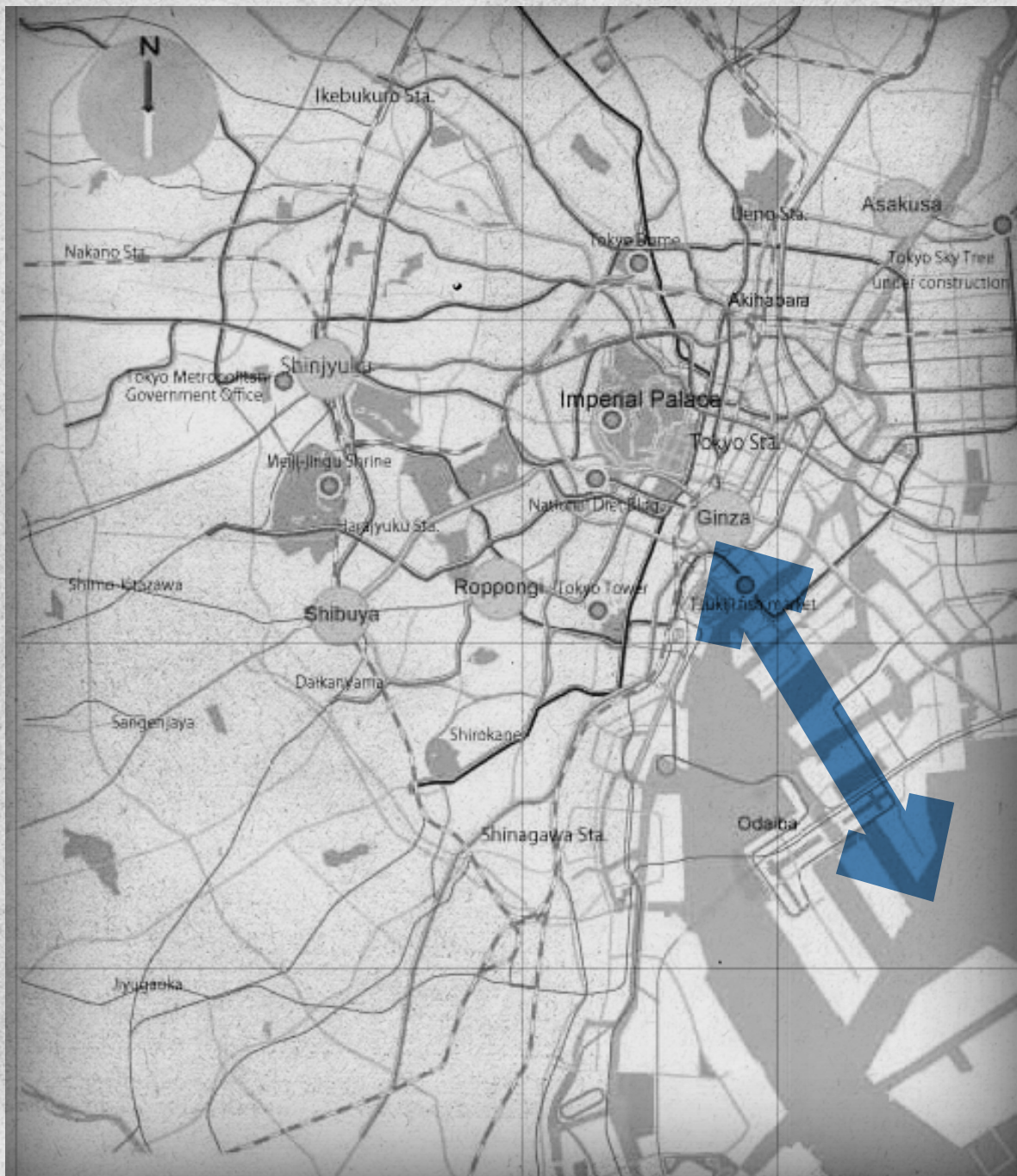




## TOKYO NORTH-SOUTH AXIS

STRENGTHENED TRANSPORTATION CAPACITY RAILWAY PROJECT TO  
RUN THROUGH TOKYO METROPOLITAN





## TOKYO EAST-WEST AXIS

INCREASED ACCESSIBILITY TO TOKYO BAY ZONE  
EXTENSION OF LOOP 2



## IMPLICATIONS FOR PROPERTY MARKETS

### HOTEL MARKET: PROJECTS ARE GEARING UP

Luxury hotels are reported to be gearing up for expansion in Tokyo's city center largely a result of the government's policies to boost tourism. These projects include Marriott International in collaboration with hoteling giant Prince Hotel, Andaz Hotel in Toranomon Hills, Aman Resorts and Starwood Hotels & Resorts. Most recently, Hotel Okura which was built in 1962 just before 1964 Tokyo Olympics, launched its redevelopment plans to increase room capacity by 35%.

Especially in the Tokyo Bay Zone, a number of new hotel development projects are expected to be launched by hotel companies and developers including giant Mitsui Fudosan, NTT Urban Development and Keikyu Corporation. Even before winning the bid to host the summer Olympics, Daiwa Royal Hotels won a bid for a development site in Ariake, which will lead to hotel and retail developments.

### RESIDENTIAL MARKET

#### KACHIDOKI, HARUMI, TOYOSU AND SHINONOME DISTRICTS MATURE AS URBANIZED RESIDENTIAL AREAS

A large number of high density developments in the Tokyo Bay Zone (Kachidoki, Harumi, Toyosu and Shinonome Districts) along Loop 2 have been launched. While these districts have attracted

buyers due to its proximity to the city center since the opening of the Oedo Line in 2000, developers have anticipated another hike in demand due to further improved accessibility to the city center, due to the introduction of the BRT system.

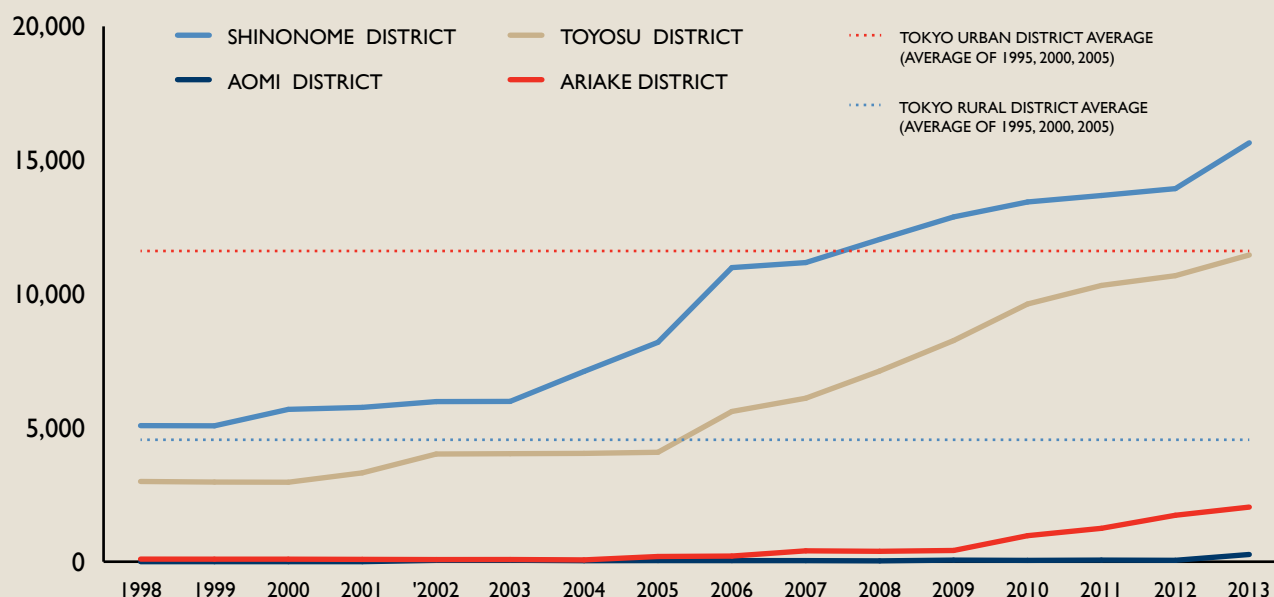
Accordingly, new retail developments are expected to cater to these residents. In addition to apartments and retail, lower-cost, non-centralised office premises are likely to be developed. These premises, which would take advantage of relatively inexpensive land before the anticipated hike in prices, would be supported by the younger generation that prefer shorter commutes to improve work-life balance – an increasingly important goal for them. These areas will provide investors with new investment opportunities across different sectors.

#### DEMAND FILTERS TO THE ARIAKE AND AOMI DISTRICTS

Although Ariake and Aomi Districts are generally regarded to be secondary locations, due to lower population densities, they are expected to catch up with the increased volume of new supply. Potential buyers who have been priced out in the leading developing districts due to a hike in apartment prices are expected to shift to the Ariake and Aomi Districts.

These districts still lag the leading developing districts in terms of the increase of residents. This implies new investment opportunities for residential premises, shopping centers and amenities, due to the influx of new residents, with Tokyo 2020 acting as a catalyst for urban growth.

#### POPULATION DENSITY PER SQUARE KILOMETER



## RETAIL MARKET

### GINZA: BENEFITED BY “CROSS ROADS” WILL KEEP THE CROWN

In addition to the prime location of Ginza between Heritage Zone and Tokyo Bay Zone during Tokyo 2020, the combination of a strengthened North-South axis and the debut of an East-West axis is expected to create synergies in the longer term around the Ginza, Shimbashi and Yurakucho Districts – situated closed to the “cross roads” of these axes, where concentrated masses will transfer or stop, as witnessed historically in urban environments around the world.

### TORANOMON HILLS AND AN AMBITIOUS NEW HIGH STREET

In connection with the Toranomom Hills project that is driving the submarket, there is an ambitious plan for a new high street that, if it comes into fruition, may rival Omotesando – the second most notable high street after Ginza in Tokyo. The symbol of the leisure scene for Tokyo’s future generation would include more pedestrian spaces set in a greener environment with fewer car lanes. It is believed that the new high street will feature global luxury retailers, implying new investment opportunities for retail premises.

## CONCLUSION

After two decades of economic stagnation, political gridlock and social malaise, the success of the Olympics bid may represent a turning point in which to get growth back on track, giving the Japanese people hope and expectations for change.

Tokyo is also the first city in the Asia Pacific region to host the summer Olympic Games for the second time. Amid growing expectations for the region to emerge as an important economic growth engine, what legacies can Tokyo as a pioneer city leave for the next generation in the region? An important question to be asked of Tokyo 2020 would be whether the event can act as a catalyst for not only the city’s revitalization, which is needed for sustainable growth, but also paves the way for more prosperity in the region.

Tokyo 2020 could fire up Japan’s renaissance - just like in 1964.

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