
Osaka Renaissance News

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Welcome to “Osaka Renaissance News” - the email newsletter of Osaka City Government’s “Urban Revitalization Task Force”.

The Osaka Urban Revitalization Task Force

We are the first *City Task Force* established in Japan to address urban regeneration and revitalization issues within a common framework. We also collaborate with the central government’s “Urban Renaissance Program”. The role of the task force is to coordinate and promote the set of initiatives that taken together form the Osaka Revitalization Plan.

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“Osaka Renaissance News” is distributed through multiple email channels to spread the word about important initiatives taking place in Osaka.

This Issue: City Redevelopment

The re-stimulated property market in Osaka is the most buoyant feature of the local economy. Outside the centre of Tokyo there is no other location with so many new developments planned, especially in the retail sector. This is what makes it truly an Osaka Renaissance.

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The Osaka City Blue Print for Urban Revitalization addresses:

- Urban Regeneration
- Business stimulation (notably in knowledge-based industries)
- Tourism and life-style
- Education – especially professional and life-time learning
- Foreign direct investment

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CITY REDEVELOPMENT

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AUTHOR'S INTRODUCTION

Osaka, and Japan as a whole, has reached the point where it is not enough to build and they will come, as was possible during Japan's long economic boom. The recession, accompanied in the case of Osaka by a major downturn in the property market, caused a hefty decline in property prices, which only stopped falling in early 2004, notably in Osaka's best downtown and residential areas. At the recession receded, and the property market perked up it released risk capital for long over-due property redevelopment. Having said this, except in the most sought-after areas of Tokyo, competition to secure tenants is intense, and developers have to offer increasing value in order to fill a building profitably.

Another major change since the bubble period is that the city centre is no longer prohibitively expensive for residential construction. The result is that land owners are finding a market again for land no longer wanted for either office or commercial purposes. In turn, that has helped to push up real estate prices, especially in the downtown core. The influx of condo development is giving a new

momentum and interest to the city as the residential population creates demand for new services.

It is probably fair to say that there is no other part of Japan, outside pockets in Tokyo, where there is so much new development planned as in Osaka, especially retail-linked investment. There are concerns expressed about another property bubble, but more probably it will be a reallocation of land uses, with various parts of the city having to adjust to increased competition as new developments in the downtown chip away at the attractiveness of locations further away.

In the meantime, more economic activity is helping to swell the city government's finances, and this is generating the kind of virtuous cycle familiar among regenerated cities in the U.S. and Europe. That is, a win-win for the city, for citizens and for developers. That lesson is being taught and learnt as recent missions on the subject of urban regeneration attest. It is a major reason for believing in an "Osaka Renaissance".

Alex Stewart

CITY REDEVELOPMENT

After a more than a 15-year hiatus building works are underway across Osaka.

(1) Context for redevelopment

Cities are a stage on which millions of people daily play out their lives in economic and social exchange. Over time the setting changes reflecting new needs and opportunities. To provide these new facilities, or settings, property developers assume risk to build office, living, or commercial facilities which they hope will meet changing needs. This takes place under either the enlightened eye or heavy hand of government. If all the conditions are right, the benefits of good development can be enormous. In Europe, Manchester and Barcelona are two of many examples of successful redevelopment, or regeneration. The conditions in Osaka are also set fair for successful redevelopment. Here is why.

There is now a new appetite for taking risk, which has arisen from a mixture of government efforts to defeat deflation – for example zero interest rates designed in part to pull real estate prices out of their 20-year lows. A second reason is that real estate companies have largely cleaned up their post-bubble balance sheets. Finally, the building stock is badly out of date, since not much major developments have occurred, especially in Osaka, since the Bubble.

Alongside these reasons is the fact that real estate investors are more canny about how they invest, basing it on cash returns, or yield, rather than simply capital returns. No-one any longer believes land simply appreciates in a straight line. This is forcing real

estate companies to build properties which can secure good yields by making buildings to a higher standard, and most importantly, offering better facilities and attractions. As a result, there is a new kind of competition which is entirely positive for tenants in so far as the value offered is much higher and the overall contribution to the built environment much more attractive. In short, gone are the days when property companies built (anything) and tenants came (anyway).

(2) Condo development

One immediate result is that developers are succeeding in luring people back from the suburbs to live in the city centre. In the last three years a forest of 30-storey high condo towers has risen up in the city centre, transforming it from a monotone commercial centre into a multi-faceted residential, commercial and business zone. Demand for condos has helped landowners find a market for land no longer needed for office space. On the other hand, the influx of 30,000 or more new residents has created demand for services to cater to them, including shops, day care centres, and cleaning services. All of this is putting a new dynamism into the property sector.

The central and local governments have also helped. In April 2003, the central government launched its Urban Renaissance Program as part of anti-deflationary measures designed to fight the effects of falling land prices. The program gave cities various types of

support and new powers to accelerate development in designated priority areas. In Osaka city, a total of four such areas were accepted for support. The Osaka city government then formed the first Urban Regeneration Task Force designed to give impetus to the planning and redevelopment process. The activities of the Task Force have helped to stimulate a new interest in the role of urban planning as a tool of economic and urban regeneration.

(3) Umeda Area

The most important of the areas designated as a priority redevelopment zone is the half-vacated freight yard north of Osaka station, in Umeda. This matchless site covers an area of 24 hectares (59 acres) making it only slightly smaller than the Shiodome redevelopment in Tokyo, and significantly larger than the better known, Roppongi Hills. In an Osaka context the Umeda site is even better, since it is located in the centre of the Kansai region's main transport hub. In view of its location the City, together with other agencies, including the Urban Renaissance Agency, which belongs to central government, have spent the past three years developing a blue-print for redevelopment in order to maximize both its commercial and strategic value.

Anticipation of its redevelopment is already having two very powerful effects, both of them helping to underwrite the theme of "Osaka Renaissance". The first is the "shower effect" of stimulating property development in the surrounding area. The second is the heightened awareness of the importance of good planning and design. The shower effect is well known in Tokyo, where developments like Roppongi Hills and the new Akihabara have set off a train

of redevelopments both adjacent to them, and across Tokyo. The importance of good planning is now also clear to developers and city governments respectively, since the economic benefits are clearly visible in Roppongi Hills and other leading developments.

JR West was the first to announce a redevelopment plan for JR Osaka Station in response to the decision to redevelop the freight yard. Planned is a totally new station, which will have a "space top plaza" under a huge domed roof, helping to connect the north and south sides of the tracks. There will also be a brand new 21-story building on the north side, which will have a giant atrium, low-rise shopping mall, and office block, part of which will be occupied by Mitsukoshi's new Osaka flagship store.

(4) Retail developments

The JR West announcement set off a race among the other retailers in the area. This is not a small race either as Umeda has already the second largest concentration of department stores in Japan after Ginza in Tokyo. Leading off is Hankyu, which is going to renovate its flagship store next to its railway terminus and build a 41-story building above ground. Hankyu is already the largest department store in Osaka, and the new Hankyu will be 40% larger with 84,000 m² of retail space. Daimaru is following, adding 60% more floor space to increase its store, which occupies part of JR Osaka Station, to 64,000m².

All of these retail expansions will be completed in 2011 at the same time as the JR Station redevelopment and the first phase of the Freight Yard redevelopment. They will join and merge with the superb redevelopment achieved by the Hanshin Property

group in the West Umeda site, south of JR Station, which was completed at the end of 2004 after 20 years of planning and phased development. Anchored by the Ritz-Carlton Hotel, it is now Osaka's most prestigious commercial and office development, which sets the standard for the rest of the area to attain. Following completion of the West Umeda site, the Sankei group decided to scrap its flagship building adjacent to the site and replace it with a 34-story mixed office and commercial building, designed by a foreign architect, with completion set in 2008.

As a result of these developments alone, the Umeda area will be totally transformed by 2011, with massive additions of retail space, the addition of many new brand shops, and towering office blocks. This will all happen before the larger phase of the Freight Yard redevelopment begins. This will start after the rest of the freight yard moves out, sometime around 2011 and continue until about 2017. Once the whole northern area is completed it will be fair to say that Umeda, and even the identity of Osaka, will have been wholly transformed.

Elsewhere too, the Umeda effect is spreading. The whole of the Midosuji Boulevard area is being steadily upgraded and redeveloped as investors either buy existing buildings, or build on vacant land, which in some cases has been empty for years, victim of the capital famine that proceeded from the bubble years. Midosuji connects Umeda with the three other major retail and office centres in Osaka – Yodoyabashi, Himmachi and Shinsaibashi. The boulevard ends at Namba, which is the traditional entertainment centre, 4.4km from Umeda in the north.

Other important priority urban development areas under the governments Renaissance Plan are Nakanoshima Island, just below Umeda, and the Minatomachi area, near Namba Station in the south. Both areas have suffered especially from a lack of development capital post the bubble. Now that the restructurings at property companies is over, development is proceeding at a lively pace.

(5) Nakanoshima Area

Nakanoshima is an island formed where the river through Osaka splits. It has been an important part of Osaka's commercial life since the early Edo period when merchants developed it as a storehouse next to the river for ease of transportation. The city's main wholesale market is still on the river just downstream from it to this day. However, the western end of the island was never linked by the train and subway grid. This will change in 2008 when a new underground extension of the Keihan Railway from Temmabashi Station opens, adding four new stations on the island.

The new rail link is stimulating investment by leading land owners, notably Kansai Electric Power, which completed an impressive 41-story head office on the island in December 2004. In 2009 and 2010, leading real estate company, Daibiru Corporation, will complete two 32-story office towers next to one of the new Keihan Railway stations. The Keihan Railway Group has also announced plans for major investment in several multi-use facilities along the new train line, including an office, condominium, supermarket, hotel and even an eldercare facility.

Opposite Nakanoshima, on the northern side, nearest Umeda, the

former site of the Osaka University Medical School is now under redevelopment. Asahi Broadcasting Corporation is the main developer. Its plan is to create an entirely new image for the age of digital broadcasting, which will include four TV studios, five radio studios and a 300-seat public hall. In addition, the site will host a high-rise condo tower, with up to 500 units, a multi-purpose hall, cafes, restaurants, a fitness club and a supermarket. Keio University in Tokyo has also been invited to open a Business School campus on the site. To finish off there will be a wooden deck running up to the river, incorporating water as an element in the design. All of this is due to be completed in 2008 in time for the opening of the new Keihan extension line.

Water is now a key theme in the city's revitalization plan, under the slogan, "Water Capital". Osaka was famous in the Edo period for its 888 bridges - in fact a poetic exaggeration, but an indication nonetheless of the importance of water in the earlier lives of citizens. However, during the high-growth industrial period, water was treated as an inconvenience rather than an asset in the planning of the city. This is now changing 180 degrees. The fact is that over 10% of Osaka's land mass is made up of water, enabling some, a little hopefully, to describe it as a Venice of the Orient. It isn't, but it is still a worthy vision.

(6) Namba Area

The current focus of the water revitalization plan is the Dotombori Canal, which is the most famous landmark in Namba, made famous by Ebisubashi Bridge where over-enthusiastic Hanshin Tiger baseball fans throw themselves into the water to celebrate major victories. The whole

canalway is now receiving a face-lift, which includes dredging the canal, and building wooden stroll promenades along the banks.

The most important recent redevelopment in the Namba and Minatomachi area is Namba Parks, a mixed office and commercial development, opened at the end of 2003. It occupies the site of a former factory belonging to Kubota and also where a baseball stadium once stood. Its redevelopment has succeeded in drawing more business to the area, attracted by its shops, cafes, and restaurants scattered along its naturalistic "canyons" designed by renowned American architect, Jon Jerdi. The second phase of the redevelopment will be completed in 2007 adding 100 more shops and another popular rooftop garden.

Nearby is Takashimaya Department Store, which has stood on its site since before the war. It is due to undergo a major renovation and expansion, which will increase the floor area 35% to 76,000m². Opposite it, the Tokyo-based retail operator, Marui, is shortly opening its first store in Osaka with 17,000m² of retail space. On the same site Toho Cinema group is about to open Osaka's largest cinema complex.

The encouraging point about all these redevelopments is that for the most part they are designed to make Osaka a more fun, liveable and attractive city. This is essential to attract more visitors, investment and business when cities all over the world, including Japan, are moving, or have moved, in this direction. Osaka must do the same.

Osaka's other under-utilised asset is the sea. In the last few years, much of the industrial real estate in the port area has become redundant, or moved

offshore, leaving swathes of land for redevelopment. The first major redevelopment occurred when Universal Studios Japan opened on a “brownfield” site in 2001. Tempozan, almost opposite the USJ site, has also contributed to the repositioning of the harbour as a leisure and entertainment centre.

(7) Cosmosquare Area

The biggest opportunity and also challenge is to make the artificial islands built in the mouth of the port an exciting and profitable development. An area called Cosmosquare on the largest of these islands is developing into a new kind of lifestyle zone after many false starts. There are now several large condo towers planned which will provide a flow of 24-hour business. At the centre of Cosmosquare is the 54-story World Trade Center Building, and alongside

it the Asia-Pacific Trade Center. Both are outstanding buildings, but neither has yet fulfilled its potential. This is partly owing to the distance from the city centre as well as the earlier fare structure, which made it very expensive to visit the island. Train fares were unified in 2005, so it is no longer any more expensive to visit than other parts of the downtown. That in turn has made it possible for developers to begin planning condo developments. Of interest to foreign investors is that there are also major subsidies available to companies which want to establish operations in qualifying business fields in the location. If the city can make a success of Cosmosquare’s redevelopment it will signal that the Osaka Renaissance is complete.

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