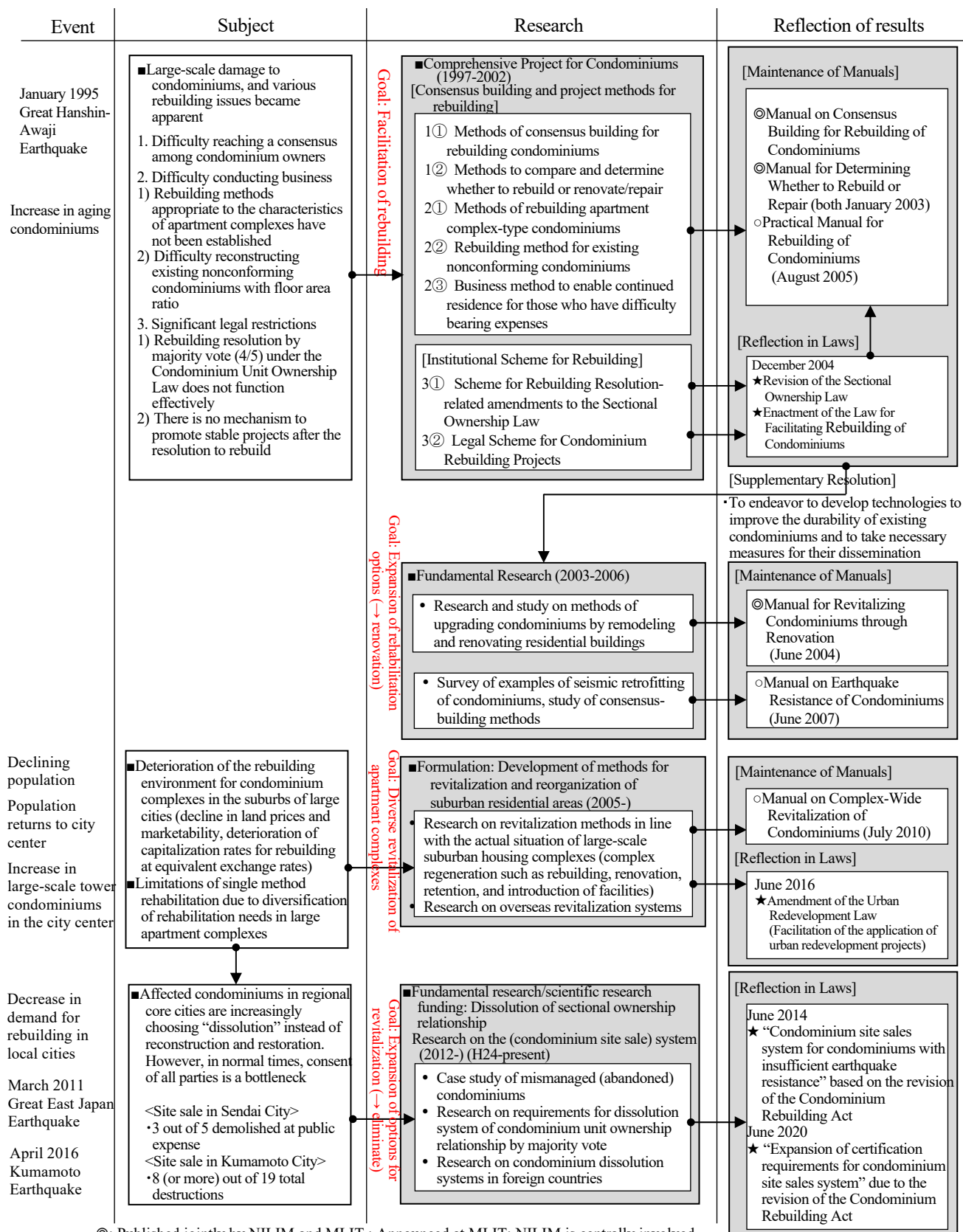


Facilitating the revitalization of condominiums

1. Outline of Research and Activities



The supply of condominiums (condominiums for sale) began in earnest against the backdrop of demand for owner-occupied housing under the high population concentration in large cities during the high-growth economic period, and the supply has been increasing since 1968, when condominiums became eligible for loans from the Government Housing Loan Corporation.

(1) Research to address the “rebuilding” issues that emerged in the wake of the Great Hanshin-Awaji Earthquake (-2002)

[Background/Issues] The Great Hanshin Earthquake caused large-scale damage to condominiums (83 were severely damaged and 108 suffered medium-scale damage), and reconstruction (rebuilding) was carried out in 109 cases. During that time, several issues related to rebuilding became apparent, such as legal restrictions (the resolution to rebuild under the Condominium Unit Ownership Law did not function effectively, and there was no system to stably promote the project after the resolution to rebuild).

[Research Outline and Results Implementation] As the number of condominiums is increasing and rebuilding of older condominiums in normal times is expected to become a social issue, we conducted research and development to solve the above issues. Based on the results, we provided technical support for the amendment of the Act on Condominium Unit Ownership and the enactment of the Law for Facilitating Rebuilding of Condominiums, prepared and published manuals on rebuilding of condominiums jointly with the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), held lectures organized by NILIM, gave presentations to management associations and businesses, and appeared in mass media.*1)

(2) Research on “renovation” to expand condominium revitalization options (2003-2006)

[Background/Issues] The “supplementary resolutions” at the time of the enactment of the Law for Facilitating Rebuilding of Condominiums stipulated that “efforts shall be made to take necessary measures for the development of technologies to improve the durability of existing condominiums and their dissemination,” etc.

[Research Outline and Results Implementation] Based on the above incidental resolutions, we conducted a survey and research on methods of upgrading existing condominiums by refurbishing them, and a survey and research on methods of consensus building on examples of seismic retrofitting of condominiums. Based on the research results, we prepared and published manuals to promote the retrofitting of existing condominiums jointly with MLIT, and actively held lectures for management associations and engineers to disseminate the results.

(3) Research on various regeneration methods for suburban apartment complexes (2005-)

[Background/Issues] While the supply of large-scale tower condominiums has increased in central Tokyo due to the return of the population to the city center, the business environment for rebuilding in suburban areas has deteriorated due to declining land prices and marketability. Particularly in large suburban apartment complexes, the “single method” type of rebuilding or renovation has become difficult to achieve in terms of consensus building and business profitability.

[Research Outline and Results Implementation] As a new stage toward facilitating the revitalization of suburban apartment complexes, we conducted a survey of the actual conditions of large-scale suburban apartment complexes, and as a revitalization method suited to the actual conditions of the complexes, we conducted research on institutional schemes to realize “complex-wide” revitalization, including rebuilding, renovation, retention, and introduction of facilities, as well as studying overseas condominium revitalization systems. Based on the research results, we provided technical support to MLIT in the preparation of a manual for apartment complex revitalization and the study of the system.

(4) Research on “Dissolution of Sectional Ownership Relationship” to expand the rehabilitation options (2012-)

[Background/Issues] The demand for rebuilding has been declining not only in the suburbs of large cities, but also in the central areas of regional cities and other areas. In condominiums damaged by the Great East Japan Earthquake and the Kumamoto

Earthquake, there was an increase in the number of cases where “dissolution of the sectional ownership relationship (demolition at public expense → sale of the site)” was chosen instead of rebuilding. On the other hand, there were concerns about an increase in the number of condominiums mismanaged or difficult to rebuild due to the aging or non-occupancy status of unit owners. Dissolution of the sectional ownership relationship (dissolution → sale to a business operator → applicants purchase a new reconstructed condominium) is considered to be a new and effective means of revitalizing aging condominiums even in normal times, but it is virtually impossible because it requires “unanimous consent.”

[Research Outline and Results Implementation] As a new stage for expanding options for condominium rehabilitation, we conducted case studies of mismanaged condominiums, research on requirements for dissolution systems for sectional ownership relationships, and surveys and studies on dissolution systems overseas. Based on the research results, we provided technical support for the study to establish a condominium site sale system.

2. Main Research Results

(1) Results related to the rebuilding of condominiums - Preparation and publication of manuals to support the implementation of the law

- In accordance with the “Basic Policy on Facilitating Rebuilding of Condominiums” (formulated by MLIT in December 2002) based on the Law for Facilitating Rebuilding of Condominiums, the following manuals were prepared (Figure-1) as technical guidelines to support the efforts of management associations and experts, and were jointly announced with the Housing Bureau, MLIT.
- Manual on Consensus Building for Rebuilding of Condominiums: Divides the process of consensus building up to the resolution of rebuilding, which starts with the consideration of rebuilding by volunteers, followed by the consideration of the rebuilding concept and formulation of a rebuilding plan by the management association, and the process of implementing the project while deepening consensus building after the resolution of rebuilding.
- Manual for Deciding Whether to Rebuild or Repair Condominiums: In order to make a rational decision on whether to rebuild or repair/refurbish condominiums, which is a key point in forming a consensus for rebuilding, the manual explains the criteria for judging the degree of deterioration, and the concept and procedure for deciding whether to rebuild or repair/refurbish based on cost-effectiveness, etc. Also provided are examples of the performance and specifications of newly built condominiums and technical information on repair and renovation methods, etc., which can be used as reference for rebuilding concepts.

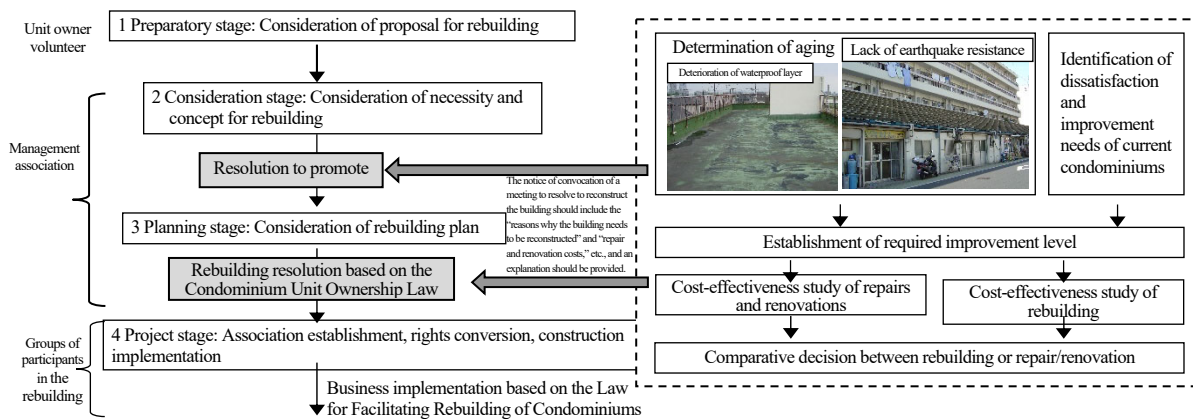


Figure-1 Phasing of rebuilding and the importance of deciding between rebuilding and repair

(2) Results related to condominium renovations - Preparation and publication of manuals

- Based on the “supplementary resolution” at the time that the Law for Facilitating Rebuilding of Condominiums was enacted, a manual was prepared to promote the revitalization of existing condominiums to extend their useful lives, assuming that they are about 30 years old and about to undergo their first large-scale repair (Figure-2).
- Manual on Methods of Revitalizing Condominiums through Repair: Provides descriptions of the contents and construction methods for upgrading work that can be assumed for each item of large-scale repair work, as well as the contents and construction methods for large-scale repair work that adds new performance and functions through extensions, remodeling, etc., with photographs of examples. It also provides reference information on expected costs, building standard-related regulations such as the Building Standard Law, procedures under the Condominium Unit Ownership Law, and subsidies and loans for renovations.

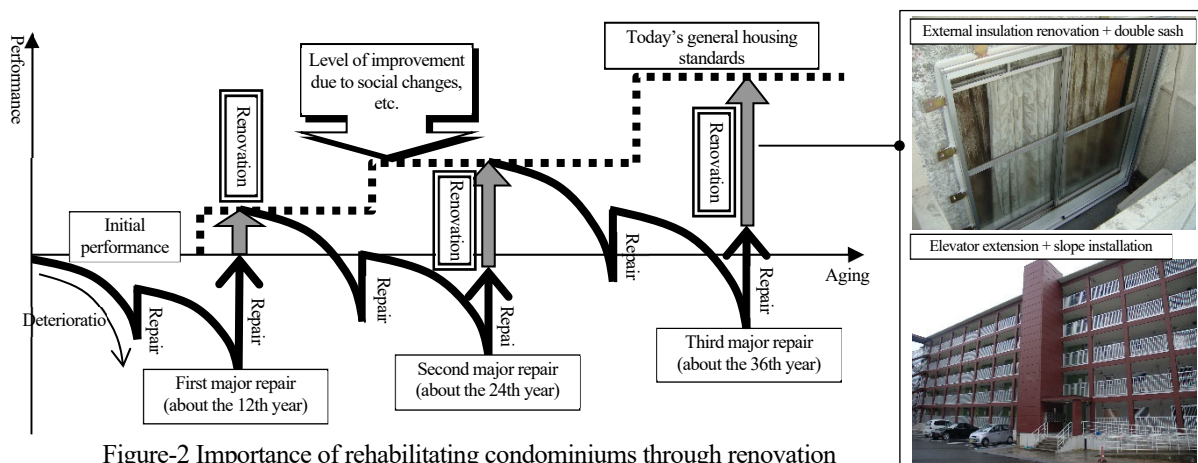


Figure-2 Importance of rehabilitating condominiums through renovation

(3) Results on various revitalization methods for suburban estates - Technical assistance for manual preparation

- Large-scale apartment complexes (Photo-1) built in the suburbs of large cities are facing a deteriorating business environment for rebuilding due to declining land prices and marketability, and it is becoming increasingly difficult to rebuild or renovate them using a single method due to the difficulty of reaching a consensus based on the assumption of a reasonable economic burden. Therefore, we conducted a survey of large-scale suburban apartment complexes and studied a system scheme to realize “complex-wide” rehabilitation, including rebuilding, renovation/repair, and introduction of facilities, as a rehabilitation method suited to the actual conditions of the complexes.
- We were mainly involved in the study of the “Complex-Wide Condominium Revitalization Manual” at MLIT, and reflected the results of the study (e.g., the concept of revitalization combining rebuilding and renovation of each building in the complex, procedures under the legal system, etc.).



Photo-1 Typical large suburban apartment complex
Issues in the revitalization of large suburban apartment complexes include: i) difficulty building a consensus among many unit owners of different attributes; ii) deterioration of business conditions for rebuilding using excess floor space (due to restrictions on the disposal of reserved floor space as condominiums, a reasonable financial burden is required for rebuilding); and iii) the need for a large number of condominium owners to be involved in the rebuilding of the complexes

(4) Results on the “Dissolution of the Sectional Ownership Relationship” to expand the options for condominium rehabilitation

- There are concerns that the number of mismanaged condominiums (Photo-2) and condominiums that are difficult to revitalize will increase due to a decline in the demand for rebuilding as a result of changes in the housing conditions and the aging and non-occupancy of unit owners (vacant or rented). Therefore, in order to expand the options for condominium revitalization, we conducted case studies of mismanaged condominiums, research on building requirements, etc. for the system of the dissolution of the sectional ownership relationship by majority vote, and research and study of dissolution systems overseas.
- We provided information and other support for the establishment of the “condominium site sale system” under the revised Law for Facilitating Rebuilding of Condominiums, based on the research results.

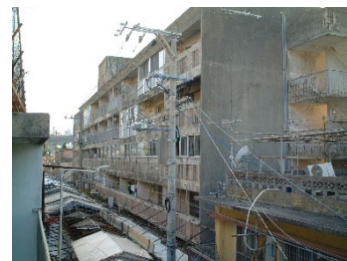


Photo-2 Example of an aging condominium
A condominium that has deteriorated significantly due to a combination of mismanaged conditions and the effects of salt damage

3. List of Related Reports and Technical Documents

- 1) “Standard for the Judgement of a Condominium in a Detrimental Situation Due to Sanitation Issues,” (Proposal) Based on the 1st Clause of the 102nd Article of the Law for Facilitating Rebuilding of Condominium, and Related Data, NILIM Technical Note No. 83, January 2003
- 2) “Manual for Consensus Building for Rebuilding Condominiums / Manual for Judging Whether to Rebuild or Repair/Refurbish Condominiums, NILIM Technical Note No. 84, January 2003
- 3) “Report of the Symposium on Condominium Rebuilding - How to Prepare for Condominium Rebuilding,” NILIM Technical Note No. 86, March 2003
- 4) “Development of Methods for Redeveloping and Restructuring Suburban Housing Sites in View of Depopulation,” NILIM Project Research Report No. 26, February 2009

*1 Active in the following media appearances: ① NHK Special Report Metropolitan Area: “How to prepare for rebuilding of condominiums,” broadcast on September 20, 2002; ② NHK Radio Evening Edition: “How to prepare for aging condominiums,” broadcast on December 17, 2002, ③ NHK Educational TV Friday Forum: “Condominium Rebuilding Forum - How to prepare for condominium rebuilding,” broadcast on March 7, 2003.

4. Future Outlook

The volume of condominium stock has reached approximately 6.55 million units (as of the end of 2018). With the increase in the stock, there are concerns that an increasing number of condominiums will face obstacles to proper management and smooth rehabilitation due to the aging and non-occupancy of residents, a shortage of management association leaders, an increasing number of elderly people who have difficulty expressing their will, and changes in local housing conditions (demand for condominiums). In order to address these issues, the following studies should continue to be conducted.

- ① Research on new management methods such as the management system, management ownership method, and trust management method by external experts.
- ② Research on technical standards such as expropriation-type retirement systems for condominiums that have become in a state of external diseconomies, requirements and technical standards for expanding the scope of condominium site sale systems, and methods and technical requirements to enable complex-wide rehabilitation such as rebuilding, renovation, and introduction of facilities in conjunction with community development for large complexes.