

Japan's glut of abandoned homes: Hard to sell but bargains when opportunity knocks

Realtor Yuken Kon specializes in properties most of his peers steer clear of.

Take a two-bedroom apartment on the second floor of an aging, five-story Soviet-style danchi complex in the quiet outskirts of Yokohama.

It belonged to a divorcee in her 60s who jumped to her death from the roof of the building amid a bout of depression. The condo was inherited by one of her daughters, but she had no use for the property — it was nearly five decades old and tied to painful memories of her late mother.

So it remained abandoned, like millions of other homes in Japan that have been left vacant as the nation grays and its population shrinks.

“It’s common to find places like this that go unoccupied after the owner passes away,” Kon said.

He oversaw a full renovation of the apartment and is asking ¥9.8 million for it — a bargain considering the investments made to replace the time-worn kitchen, toilet and bathroom, not to mention the flooring and wallpaper.

“There’s always someone interested in a good deal,” he said.

Once a phenomenon primarily associated with rural communities, abandoned homes are permeating suburbs and worming into crowded cities at an alarming rate.

Over 8 million properties across Japan are unoccupied, according to a 2013 government report. Nearly a fourth have been deserted indefinitely, neither for sale nor rent.

In Tokyo — where 70 percent of the people live in apartments — more than 1 in 10 homes are empty, a ratio higher than in cities like London, New York and Paris.

And that figure is expected to soar in the coming decades as deaths outpace births in a super-aging society where more than 1 in 4 people are 65 or older.

Nomura Research Institute projects the number of abandoned dwellings to grow to 21.7 million by 2033, or roughly one-third of all homes in Japan. Meanwhile the population, which peaked nearly a decade ago, is forecast to fall 30 percent by 2065, creating an ever-increasing pool of uninhabited houses.

“There is no single answer to the problem,” said Wataru Sakakibara, a senior consultant at NRI who led the think tank’s study.

He said various measures are being promoted by the government and municipalities to tackle the phenomena, including subsidies for owners willing to dismantle dilapidated houses. But tearing down homes is costly, and a decades-old tax break that promotes construction by setting property tax on vacant lots at six times the level of those with buildings discourages demolition. Meanwhile, housing starts reached 967,200 in 2016, a 6.4 percent increase from the previous year.

“If this continues, at some point it may be necessary to consider limiting new construction. But that would have a substantial impact on the economy,” Sakakibara said.

Vacant houses are not only eyesores and firetraps but easy targets of vandalism that can diminish surrounding property values. It’s one of the most visible signs of how Japan’s demographic shift is reshaping its landscape.

Kon, who heads the aptly named Outlet Real Estate Co., turns a profit by transforming such liabilities into assets.

He handles vacant properties with issues — both physical and psychological — that mainstay realtors would have a hard time pitching to clients.

These include houses that cannot be rebuilt due to construction regulations, homes tucked away behind narrow alleys inaccessible by car, and “stigmatized” properties with histories of suicides, murders and, increasingly common, “lonely deaths” of older tenants whose lives ended in isolation.

His method caters to Asian superstitions. A follower of esoteric Buddhism, Kon performs goma fire rituals at properties he decides to manage to clear out any negative energy the space may harbor. He takes hints from feng shui when renovating homes and advertises on his website how the process reinvents forsaken homes as “good luck properties” available below the market price.

It’s a unique business model that fills a niche, bridging owners who are hard-pressed to get rid of forlorn homes and bargain hunters on the lookout for cutthroat deals.

But even Kon won’t venture into the countryside, where depopulation has seen communities fragment and property prices plummet.

“Many homes in rural areas are literally worthless. It’s a burden for owners and some are even willing to pay to get rid of them,” he said. Such properties, Kon said, aren’t on the market because they’re not worth the effort for brokers.

Tetsuya Fujiki, an architect and real estate consultant, saw this as an opportunity.

In 2015 he launched a website called *Ieichiba*, giving owners of unseen properties a platform to showcase their homes and negotiate directly with potential buyers. It was a simple concept akin to a digital flea market for homes. It turned out to be a hit.

“We see people, many in their 30s and 40s, buying properties through our site like they’re getting themselves a slightly expensive toy or home appliance,” Fujiki said. “It’s all very casual.”

Some are being offered for free, like a wooden two-story house on an island off Wakayama Prefecture or a fully furnished home in the mountains of Yamaguchi Prefecture. As with many properties listed on the site, both were inherited by children who didn’t want the extra responsibility.

There are also unique deals on offer, like a former post office in Aichi Prefecture with an asking price of ¥500,000. Fujiki said the property has already received numerous queries from interested buyers.

“I knew there was something to be made from the growing number of properties ignored by the mainstream real estate market,” Fujiki said.

It’s not only homes that are being abandoned.

This year an independent expert study group headed by former Iwate Gov. Hiroya Masuda estimated that around 4.1 million hectares of land — equivalent to the size of Kyushu — is unclaimed. It projected that figure to climb to 7.2 million hectares — roughly the size of Hokkaido — by 2040 as inheritors opt out of registering properties to dodge taxes.

The situation presents myriad problems, including lost development opportunities and damage from natural disasters triggered by poor land management. It prompted the government to call for simplifying procedures to allow such plots to be used for public works projects, but it is unclear whether such measures can curb the rising tide of forgotten land.

Municipal governments have also set up *akiya* (empty home) banks to list unused land and residences that are still habitable for sale or rent, targeting city dwellers drawn to the idea of

country living. But despite many inquiries, the number of signed contracts remains small, according to a study by the Japan Organization for Internal Migration.

Meanwhile, home-sharing operators like Airbnb Inc. and e-commerce giant Rakuten Inc. are betting that a new wave of hosts looking to capitalize on idle properties will enter the market once a law giving the green light to minpaku private short-term lodging services takes effect in June.

“These abandoned homes are toxic assets — they’re costly to maintain or to tear down,” said Munekatsu Ota, head of Rakuten’s vacation rental arm, Rakuten Lifull Stay Inc. “But a simple renovation could turn them into moneymakers.”

An expanding market for secondhand properties would help alleviate the problem, but many of the neglected homes scattered across the nation were built during the postwar construction boom, when houses were designed to last only a few decades before being torn down and rebuilt, according to Hidetaka Yoneyama, a housing specialist at Fujitsu Research Institute.

This means that despite changing attitudes toward secondhand homes, Japanese buyers generally prefer new ones over old: the ratio of used homes circulating in the entire housing market remains below 15 percent, substantially smaller than in the United States and European countries.

There is also a psychological factor to why people aren’t too keen on selling, renting out or demolishing their properties, Yoneyama said during a recent presentation on the issue.

A 2015 government study shows that nearly a third of owners of homes that have been abandoned altogether intend to keep them that way.

“Inheritance is the No. 1 reason behind ownership of these properties,” he said. “There is strong resistance among owners toward disposing of homes full of memories of their parents.”