

Mitsubishi Estate Plans Japan's Tallest Building

Skyscraper will be part of \$8.3 billion project in central Tokyo



1) TOKYO— Mitsubishi Estate Co. said it plans to build Japan's tallest building as part of an \$8.3 billion development in central Tokyo, the latest sign of a boom in the capital's property market.

2) Mitsubishi Estate said it will build a 1,279-foot skyscraper and three other structures just north of Tokyo's main railway station, in the heart of the financial hub and among the city's priciest real estate. The total cost will likely exceed ¥1

trillion (\$8.3 billion), company officials said. The land alone is valued at ¥600 billion.

3) Mitsubishi Estate President Hiroataka Sugiyama said he hopes the development will improve the city's standing as a global financial center, while attracting a wide range of professionals in other industries. "I want this building to be as symbolic and as competitive [as other landmark buildings] in the world," Mr. Sugiyama said.

4) The targeted completion date is 2027, a long time horizon that underscores Mitsubishi Estate's commitment to the city center even as some analysts have expressed worries about the longer-term outlook. Tokyo's high-end property market is booming again following years of struggle in the wake of the 2008 global financial crisis and the March 2011 earthquake and tsunami. High-quality properties have become nearly as expensive as during the most recent market peak in 2007.

5) But some fear the market will lose momentum after the 2020 Tokyo Olympics, if not sooner. Yasuo Kono, Japan strategist at U.S.-based LaSalle Investment Management Inc., said the recovery in office properties is accelerating, leading to more development projects, but that this is unlikely to last until 2020.

6) Still, projects such as the one announced by Mitsubishi Estate fit well with the long-term redevelopment theme for Tokyo—tall, multipurpose buildings at the city center—and such investments should perform relatively well, he said.

7) The average office vacancy rate in the central business districts fell to 4.9% in July from 9.3% three years ago, according to brokerage Miki Shoji Co. The average rent for new buildings rose 18% during the period. Big investors have returned. Last year, Singapore sovereign-wealth fund GIC Pte. bought 24 floors of Pacific Century Place Marunouchi, a building just south of Tokyo Station, for \$1.7 billion.

8) In January, LaSalle Investment Management and sovereign-wealth fund China Investment Corp. teamed up to buy the Meguro Gajoen commercial- property complex in Tokyo for around ¥140 billion.

Mitsubishi Estate's new skyscraper would be twice as tall as its current landmark property, the Marunouchi

9) Building just west of Tokyo Station, and unusually high for an earthquake-prone county such as Japan. Still, it will rank well behind some of the world's tallest buildings. The tallest one in the U.S., One World Trade Center, is nearly 500 feet taller at 1,776 feet.

10) Mitsubishi Estate officials say the company's seismic-resistance technology prevents its buildings from suffering damage or sustained swaying during big earthquakes.

The ¥1 trillion price tag for the project doesn't represent the company's coming investment. It already owns a majority stake in the land and existing properties.

11) The company plans to take a majority stake in the new project. Mr. Sugiyama said it will be able to finance the project within its regular operating budget and doesn't plan any special financing. Mitsubishi Estate or its predecessors and affiliates have been major landlords in that area of Tokyo since purchasing the land from the government in 1890. Local real-estate professionals say the company has never stopped redeveloping the area, even during the worst of Japan's property-market bust in the 1990s.

【The Wall Street Journal/Aug. 31, 2015/By Kosaku Narioka】 hub: 中枢 standing: 地位 horizon: 地平線、展望

underscore: 強調する outlook: 見通し momentum: 勢い strategist: 戦略家 accelerate: 加速する vacancy: 空き brokerage: 仲介会社 team

up: 共同する complex: 複合施設 earthquake-prone: 地震が起こりやすい seismic-resistance: 耐震 sustain: 耐える swaying: 揺れ

★Ice breaker for active discussion★

1. Would you like to work in an office located on top of a skyscraper? Why or why not?
2. What are the merits of a city that has a prominent landmark?
3. What can you say about Mitsubishi Estate's plan?
4. What kind of problems can low vacancy rate cause?
5. Japan is an earthquake-prone country.
What measures should be done in constructing skyscrapers?
6. Make sentences using the following words: underscore, momentum complex, property, sustain, brokerage, investment and landmark.

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