The Future of the Housing Business
Prescriptions for real estate companies during the housing transformation era

Deloitte Tohmatsu Group
Preface

In recent discussions on residential real estate in Japan, faced with an increase in unoccupied residences, deterioration, and problems concerning housing management, the focus has shifted to making effective use of existing housing stock and creating new value.

The new construction–centered housing policies that continued long after the end of World War II are no longer matched to the issues Japan faces today of fewer children due to a lower birth rate and an aging population resulting in gradual population decline. Other factors taking the real estate industry to a major turning point include the changing awareness and values of consumers looking to realize a sustainable society, and the improved accessibility and lower cost of information search brought about by new technologies.

Giving further impetus to these changes is the COVID-19 pandemic that has been sweeping the globe since the end of 2019. With the switch to remote work, the traditional role of home as the place for living, from which one commuted to an office in the urban center has changed, as a new life style was introduced in which the home has become a place where life and work co-exist. The significance of this trend is that the elements determining the demand for and value of residential real estate have shifted from the physical conditions of location in reference to office and building specifications toward the economic and psychological value felt by the consumer.

In an age when the extent of benefits to be obtained from real estate determine the value, it is increasingly likely that the quality of housing management will become an important element in deciding whether customers will choose a property.

After describing the residential realities and issues peculiar to Japan, I would like to consider here the needs of next-generation real estate management from the standpoint of consumers, and offer suggestions on how best to address these needs. My hope is that the thoughts expressed here will become seeds for effective strategy-making.

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Introduction

For a long period after the end of the war, Japanese governments strived to increase the housing supply and raise its quality. After Japan’s first condominium was built in 1956, for example, large numbers of units were supplied through successive condominium development booms. This changed when the population started declining in the 2000s, in light of which the policy switched toward making use of existing housing stock.

Then with advances in technology and the impact of the COVID-19 pandemic, a “new normal” took hold, so that the nature of residences itself is in transition. For one thing, with more people working from home, residences are coming to acquire new functions for teleworking. Moreover, searching for housing is becoming more convenient, as regardless of the rental contract term, the procedures from looking for a property to moving in and out can be performed all on a single smartphone. With the appearance of such services, along with the lowering of barriers for switching dwellings, it can no longer be assumed that a residence is for long-term occupancy.

A particular problem today in this housing environment is inadequate management of aging condominiums. One factor behind this lack of management is that owners or those who inherit a property do not feel the value of a used condominium that has been left vacant and fail to sell or lease it to others, or do not participate in the consensus-forming for repair or rebuilding of a condominium. While the government has tried to address such issues by deregulation, guidance and other measures, the long-standing belief of Japanese in newly built residences makes this problem difficult to solve.

To prevent inadequate management of aging condominiums in the future, it will be necessary not only to devise new ways of condominium management drawing on new technology, but also to create means for maintaining and improving the value and brand image of used condominiums on the housing market and for promoting sales. Key players in devising such means are developers and management companies.

With a view to the future, here we will look at the kinds of policies demanded, from the standpoints of selling and management as well as area management, for realizing condominiums with high economic value that will be the choice of consumers.
1. Changes in the Condominium Industry and Future Outlook

While Japan of course has various forms of dwellings, from detached houses to owned and rental condominiums, the condominium is an important choice now and in the future, as key social infrastructure in urban redevelopment. Here I would like to focus particularly on owned condominiums.

(1-1) The changing condominium market
Against the backdrop of the advancing trend toward a more nuclear family and rising needs for convenient and secure living, the number of households living in condominiums is increasing and the nationwide stock of condominium units is growing year by year. The stock of condominiums 30 years and older is rising, amounting to 2.135 million units, or around one third of the total stock as of the end of 2019, and is expected to nearly triple to 5.702 million units twenty years from now (Fig. 1). In the coming years, the condominiums built around the time of the “bubble economy,” Japan’s asset price bubble, will become increasingly aged.

The number of newly built condominium units in the greater Tokyo area has been declining since 2014. This number dropped to 27,000 units in 2020 as sellers paused their marketing activities or postponed sales during the pandemic. It began rising again in the latter part of the year, however, and is forecast to recover to 2019 levels in 2021. At the same time, sales of previously owned condominiums have trended upward, overtaking the number of newly built units on sale for the first time in 2016. The lead widened even further in 2020, at least one factor being the pandemic (Fig. 2).

Traditionally, “buying a condominium” generally meant a newly built one; but these recent trends show that with the drop in available new units, the needs for previously owned condominiums will rise.
(1-2) Diversification of housing needs with changing life styles
While the pandemic has impacted society in many ways, the condominium market has not been affected in such a way as to change the basic market structure. At the current time there are no companies seen to be making major course changes. There is a strong impression that they are proceeding with caution regarding the new pandemic-caused need for a “study” room, proposing simple changes such as providing or converting to work spaces in the exclusive or common elements, tying up with co-working space providers, or strengthening non-face-to-face service provision undertaken earlier as part of their digital transformation policy measures.

Since those in the generation representing the main housing buyers in the future have already experienced a largely remote work style earlier in their working careers, there is a high likelihood of their having significantly different values in choosing a home than previous generations, for whom the emphasis has been on closeness of residence to the workplace. Up to now, there have been programs for working from home intended for employees in special circumstances such as childcare or nursing care; but now remote work has come to be seen as effective in the context of realizing flexible work styles for improving productivity, and has found a place, in combination with traditional commuting, as one of the available work styles.

While a deep-seated preference for living in urban centers continues to remain today, in the medium to long term, housing businesses will need to devise strategies with a view to this trend toward greater diversification. In May 2020, in fact, Tokyo saw a net exodus of residents, reversing the trend of the past seven years. For the full year, the population declined by around 50,000 in 2020 from the previous year. According to recent surveys, as well, demand for detached housing, preferring livability over convenience of commuting, was considerably higher than in the previous fiscal year; and in fact the sales of newly built housing developments increased, making it highly conceivable that potential buyers of condominiums are shifting toward detached houses. In response, we expect providers of condominiums to stress in their product design the unique advantages of condominiums in management services, appealing to the “added value of condominiums” as a reason for choosing them.

(1-3) The condominium management business in Japan
Japan’s Act on Building Unit Ownership, etc. requires that the grounds and common elements of a condominium are to be managed by a management association consisting of unit owners. This management includes holding of general and board meetings, accounting, building superintendent duties, cleaning, and maintenance and inspection of the building and equipment. The management services may be carried out by the association itself (self-management) or be contracted out to a condominium management company specializing in these services, of which the latter is the most common case.

The main revenue sources of the condominium management firm are regularly paid management outsourcing fees and payment for large-scale renovation work contracted every ten years or so. Management outsourcing fees have risen with the increase in number of managed condominiums and trend toward higher prices of newly built condominiums; moreover, large-scale renovation work has increased as more buildings have become aged. As a result, the condominium management market as a whole has been expanding, a trend that is expected to continue.

(1-4) Issues facing the condominium management industry
The condominium management industry faces a severe shortage of labor, notably building superintendents and cleaning personnel. There are two main factors behind this shortage. One is that when the Act on Stabilization of Employment of Elderly Persons was revised, raising the age of mandatory retirement, the work opportunities open to seniors, the main past source of such management jobs, became broader. A second is that as condominiums have become larger in scale and the equipment more sophisticated, and hence the work of condominium management itself has changed, demanding the acquisition of more specialized and complex skills, so that seniors are increasingly avoiding this work.

As condominium management firms have been forced by this situation to raise wages in order to acquire personnel, a major problem for them is that rising labor costs have made their business less profitable. The management firms have therefore changed from the traditional approach of expanding income by increasing the number of contracted buildings, shifting to one emphasizing profitability, such as by telling less profitable condominiums that they would no longer service them or by asking for higher fees. Along with this situation, they must meet the growing diversity and higher level of management services.

(1-5) Outlook for the condominium management industry
Up to now, the condominium management industry as a whole has been slow to pursue digitalization, since the services mostly require human work, whether greeting visitors and residents or performing cleaning and inspection. Moreover, a business model focused on work in a single condominium building is inefficient, is limited in terms of service diversity, and will not necessarily meet all the needs of residents.

The condominium management industry, as the shortage of personnel grows more severe, is likely to step up its initiatives toward improving profitability. In this regard, the digitalization of condominium management services is receiving the most attention. Moreover, the growing acceptance of digitalization resulting from the pandemic should give a greater push to management company’s digital transformation, going beyond seeking efficiency of managing condominium individual buildings and leading to efforts toward raising the value of the surrounding area and entire district.
2. Area Management and Digitalization

(2-1) Trends in area management

Drawing attention today is area management, consisting of initiatives by residents, business owners, land owners and others aimed at maintaining and enhancing the environment and value of the surrounding area, not only of the condominium or just the buildings themselves.

Along with efforts to preserve and increase asset value, such as by creating a highly livable and attractive environment and forming a beautiful townscape, area management has come to include building brand strength, creating a safe and secure area, forming a favorable community, carrying on local traditions and culture, and other such non-digital activities. To these ends, corporations and other stakeholders have a vision for each area, which they seek to realize (Table 1).

With advances in technology, areas throughout the world are increasingly being given smart city functions, drawing on information and communication technologies (ICT). The use of these technologies is making possible real-time information provision and control and meeting of individual needs, with services provided through total optimized control. Ultimately the expectation is that this will lead to higher economic competitiveness, greater individual Quality of Life (QOL), and achievement of a sustainable environment, helping to raise area value.

To date, however, most of the world’s attempts at large-scale area management using information and communication technologies have been government-led projects. There is still no example of corporate-led ICT-based area management that could be called a success story. The key is seen to be in achieving monetization along with the provision of value to consumers (Table 2).

### Table 1: Representative examples of area management in Japan

<table>
<thead>
<tr>
<th>Area</th>
<th>Project overview</th>
<th>Value provided to consumers</th>
</tr>
</thead>
</table>
| Roppongi Hills              | Mori Building Company, together with the Roppongi Hills Council as unified manager, is responsible for overall management of Roppongi Hills including the residential buildings. | • In living spaces where all of life can be experienced within a short distance, occupants of the residential buildings are provided with safety, peace of mind, and comfort.  
• The development and area management of Roppongi Hills provide value not only to those living in the residential buildings but to the surrounding citizens, by enhancing disaster prevention functions through provision of greenery areas and water supply facilities. |
| Otemachi-Marunouchi-Yurakucho Area | The OMY Area Management Association, a nonprofit corporation, carries out initiatives around two axes, “creating lively use of public spaces” and “encouraging human interaction inside the area.” | • On Marunouchi Nakadori, a major street in the area, the Association opens the street to pedestrians and puts on various events including open cafe spaces. For workers and visitors, it is a place of rest and relaxation. |

Source: Created by Deloitte Tohmatsu Group based on various public information

### Table 2: Early examples of area management using information and communication technologies (smart city projects)

<table>
<thead>
<tr>
<th>Area</th>
<th>Project overview</th>
<th>Value provided to consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kakogawa Smart City Project</td>
<td>This is a smart city project being carried out by Kakogawa City in Hyogo Prefecture, aimed at becoming the choice of the child-rearing generation.</td>
<td>• It is raising the quality of life (QOL) of citizens by means of a service for watching after children and elderly people who risk becoming lost, making use of cameras and computer chip-embedded tags and an urban computer platform.</td>
</tr>
</tbody>
</table>
| Kashiwanoha Smart City Project | Located in the Kashiwanoha district of Kashiwa City, Chiba Prefecture, this is a smart city project being promoted by Urban Design Center, Kashiwanoha (UDCK), a public-private-academia partnership, including real estate company Mitsui Fudosan. | • Making use of AEMS*1 to optimize energy use in the entire area and HEMS*2 to visualize energy use, the smart city provides residents and visitors with environmentally friendly living.  
• The Kashiwanoha IoT Business Co-creation Lab, aimed at private companies, government agencies, and research institutions, is making use of IoT communication infrastructure to create IoT-related business opportunities and support collaboration, contributing to new business creation. |
| Woven City                  | Woven City is a smart city being built by Toyota Motor Corporation in Susono City, Shizuoka Prefecture, on an area of around 710,000 square meters where a factory once stood. | • As a test bed for a fully connected environment linking all kinds of things and services, where people actually live their lives, it will introduce and trial self-driving vehicles, MaaS (Mobility as a Service), personal mobility, robots, smart home technologies, AI and other technologies, helping to create new value and business models for corporations and researchers. |

Source: Created by Deloitte Tohmatsu Group based on various public information

*1 Area Energy Management System  
*2 Home Energy Management System
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(2-2) Digitalization initiatives by domestic players
In area management incorporating information and communication technologies, not only government agencies and developers but IT and other kinds of companies provide services using digital technology, becoming actively involved as area management players. In the future, these various industries may become main players on the market, leading to game changing progress (Table 3).

(2-3) Impact of the COVID-19 pandemic
The way area management is carried out going forward may well be significantly affected by the COVID-19 pandemic.

The first impact is that, as remote work becomes common as a measure for preventing the spread of infections, not only is a lifestyle combining living and work spaces in the same place becomes the norm, but the need to locate residences near urban centers where companies are concentrated is fading. Such changes mean that the value of an area is no longer determined solely by concentric distance circles from the city center or from train stations. Rather, the area value will be weighted also by such elements as provision of an environment conducive to an enjoyable lifestyle.

Second, in public spaces, it may well become necessary to make adjustments in density and facility design based on infection risk. Needs will likely increase for controlling urban density making use of such data.

Table 3: Examples of services expected to grow domestically

<table>
<thead>
<tr>
<th>Service</th>
<th>Overview</th>
<th>Value provided to the area</th>
</tr>
</thead>
<tbody>
<tr>
<td>MaaS application “Whim”</td>
<td>This service, with one app, enables seamless searching, reservation, payment, and actual use of the mobility available for getting to a destination (car sharing, bike share, bus, taxi). It is provided by MaaS Global Ltd.</td>
<td>• Not only can users lead a life of highly convenient transportation, they can also reconfirm the appeal of the area. – Making use of this service, real estate company Mitsui Fudosan is providing residents of specific condominiums with mobility matched to their preferences, for a monthly subscription fee. In addition, users are invited to places in the area where they rarely get a chance to go, and can enjoy special privileges limited to participants in the trial.</td>
</tr>
<tr>
<td>Time-rental workspace conversion project</td>
<td>Vacation rental properties are converted to time-rental workspaces using smart locks. The service is provided by Osaki Electric Co., Ltd. and Spacee Inc.</td>
<td>• By offering a way to make effective use of idle real estate in the area, the service helps prevent inadequate management of condominium units. • It also helps raise the QOL of people living in the surrounding areas by increasing their options for remote work spaces.</td>
</tr>
<tr>
<td>Last mile distribution by drone delivery</td>
<td>A commercial delivery service is being trialled, making use of an app and drones to deliver fresh food for barbecue use to users on isolated islands. It is provided by Rakuten and Seiyu.</td>
<td>• While this is an example of a service targeting islands, use of similar services in urban areas with poor access by commercial facilities is a way of raising area value.</td>
</tr>
<tr>
<td>Fukuoka City official LINE account</td>
<td>Fukuoka uses the LINE messaging service to provide city residents with timely information in such areas as disaster prevention, trash pickup, child-rearing, crime prevention, traffic safety, and events. Fukuoka City provides this service through a comprehensive collaboration agreement with LINE.</td>
<td>• By providing a platform enabling ready access to necessary information in the area, the service helps raise the convenience as well as the image of the city relative to other areas.</td>
</tr>
</tbody>
</table>

Source: Created by Deloitte Tohmatsu Group based on various public information
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3. Functions Demanded of Future Condominiums

The pandemic has resulted in new trends that need to be met, such as more time spent at home, and the move away from city centers seeking bigger living spaces and a better surrounding environment. In this part, while touching on housing functions that will be demanded for the life style of the future, I would like to look at brand image renewal measures for which developers enhance the functions of existing stock and at additional functions for increasing management associations’ revenue in order to prevent inadequate condominium management after occupants move in.

(3-1) Provision of housing functions that will be demanded for the life style of the future

While the pandemic has prompted some Tokyo residents to move to the suburbs, seeking more living space and a life style with comfort and convenience provided by large shopping malls and other facilities, the popularity of well-situated condominiums in the urban centers of greater Tokyo is not likely to change to a large extent. In this section, I would like to discuss the new kinds of values demanded in housing by customers in the post-pandemic era.

First, the expectation is that after the pandemic subsides, the combination of remote work and commuting will take hold as a work style. This means that, whether in urban centers or suburbs, the availability of work space and extent of sound-proofing functions for keeping out household sounds and other distractions will be major factors when customers choose a residence. In the case of compact spaces such as one-room or one-bedroom units where it is difficult to provide work space, an environment conducive to working from home can be provided by installing a built-in desk or introducing work spaces in the common areas. Up to now, it was common to design shared work spaces in the form of open space libraries or study rooms. From now on, however, the demand is likely to be for individual booths or other personal spaces where work can be done. Another possibility for raising user convenience would be to provide a rental service for computer displays, microphones and the like along with the work spaces. In buildings where it would not be feasible to install shared work spaces, they can still be given an advantage over other buildings by tying up with nearby business hotels or companies offering shared offices, and letting residents use these at discount rates as part of a teleworking plan.

The provision of housing functions in anticipation of future customer needs is important for raising customer satisfaction and brand image formation. As existing stock continues to grow, provision by developers of means for supporting customers after the condominium is supplied can be seen as a necessary condition for earning customer trust and continuing to be the choice of buyers.

(3-2) Brand image renewal by enhancing the functions of existing stock

As noted in Part 1, the stock of existing condominiums nationwide continues to grow, and the number of condominiums aged 30 years and older is predicted to nearly triple in another twenty years. Even in the case of sturdy steel-reinforced concrete condominiums, over time the building and equipment deteriorate and the asset value gradually declines. Simply letting condominiums deteriorate can be harmful to the brand image. My advice for maintaining and enhancing the asset value and brand image of older condominiums is to promote renovation business. Renovation business in this case consists of buying older condominium units, raising their value through renovation, and reselling them to obtain profit. Through this business, the developer can put its strengths to effective use. In procuring building materials, for example, the developer can make use of the scale of its supply of newly built condominiums to reduce costs. Other advantages are in drawing on the accumulated knowledge in the construction field, and in providing post-sales peace of mind by guaranteeing after-sale services.

Fig. 3 Overview of renovation business

<table>
<thead>
<tr>
<th>Condominium owner (1 unit)</th>
<th>Condominium developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy used condominium</td>
<td>Renovate and sell</td>
</tr>
<tr>
<td>Brokage in group</td>
<td>Condominium buyer</td>
</tr>
<tr>
<td>Management firm in group</td>
<td>Commissioned management</td>
</tr>
</tbody>
</table>
The renovation does not have to be limited to individual units but can be implemented for an entire building. By performing seismic reinforcement work on buildings that were constructed based on older earthquake resistance standards, the developer can seek to raise the asset value of the entire building, not only the interior of residences. In Japan with its frequent quakes, seismic reinforcement work can be seen as having particular social significance. When a property is renovated, marketing and sales of the individual condominium brand can be handled by a real estate broker in the group, and a management firm in the group can be put in charge of condominium management after handing over to occupants, thereby raising the company’s brand recognition and expanding income of the entire group (Fig. 3).

Next I would like to say a few words about measures for improving efficiency and raising the contract success rate when seeking to resell a property. Since the personnel involved in renovation business carry out sales efforts while handling multiple properties at the same time, the burden is larger than the more usual situation where they are responsible for sales of one property only. To reduce this burden, developers should promote efficiency of sales operations making use of digital technology. The communication between the sales representative and broker, traditionally making use of telephone or fax, such as for confirming property information, arranging for viewing of the property by prospective buyers, and confirming ad placement, can instead take place all in an online system, reducing the burden of sales operations. This frees up the personnel to concentrate on purchasing and design duties, potentially leading to an increase in properties and greater product appeal. In addition, introducing a virtual reality system for viewing a property will let potential buyers easily view it at any time without going to the site, leading to greater customer satisfaction and higher contract success rates. Promoting renovation business making use of existing stock not only enables profits to be raised steadily without relying solely on the number of available newly built condominiums, but should help invigorate the used housing market and contribute to achievement of a sustainable society.

(3-3) Consideration of additional functions for realizing management association profits

To maintain the value of a condominium, proper management and maintenance are necessary, making it essential to realize sound administration of the condominium management association. Stable association administration needs to be considered from two standpoints, those of lowering management costs and achieving stable revenue for the association. Cost reduction will be discussed in part 4, while this section looks at approaches to increasing management association revenue.

The first is for the developer to rent empty parking spaces in the condominium and obtain rental revenue by sublease contracts with outside borrowers. Parking spaces tend to be highly popular when a property is first built, such that they are often assigned by lottery before occupants move in. In many cases, however, empty spaces increase over time, as users no longer want to pay the high fees or no longer own a car. Parking space fees make up a large portion of management association revenue, so that if the empty spaces situation persists, association revenue will drop, forcing them to consider raising the management fees for each unit. This problem can be countered by having the developer rent out the empty spaces, advertising them to potential users and obtaining rental fees. Fixed rental fees are paid to the association regardless of the occupancy rate. While there are issues to be resolved such as security and taxation, the association should be able to obtain stable parking area revenue thanks to a high use rate, without needing to deal with user screening, contracting, fee collection or other trouble.

The second approach to increasing revenue is by converting ordinary notice boards to digital signage. By installing digital signage in place of the boards used to notify residents of inspections and other matters, and placing corporate advertising on the signage, the management association can obtain ad revenue. Locating the digital signage in entrances, elevator halls, and other places where residents will see them regularly, rather than where they are not readily noticed as before, should result in high cost-effectiveness for the advertising companies as well. In addition to corporate ads, notices from the developer or group companies can be posted, and in a disaster, information including emergency escape routes can be provided, among the many other possible functions.

The third approach is remodeling or repurposing common facilities that have fallen out of use. In a large-scale condominium, for example, there is often a playroom for children when the building is first constructed, since the new entrants are likely to include large numbers of children. As the years go by, however, and the children become older, the playroom may no longer be used. If fees for one-time common facility renovation costs are included with the condominium purchase price, the management association will be able to carry out remodeling when deciding to alter a common facility. In addition to remodeling, if the common facility is on the ground floor, it can be repurposed and offered to an outside tenant, providing the association with revenue from tenant rental fees. If remodeling of a common facility is not necessary, the funds can be returned to the management association as cost of repairs, making effective use of the funds collected for remodeling. In such ways, by altering common facilities in line with changing resident needs over time, customer satisfaction and brand image improvement can be aimed for.

While we have suggested three approaches to raising revenue, to avoid inadequate management of aging condominiums, it will be necessary for the management association to consider ways of increasing revenue that have not been tried aggressively up to now, such as investing reserve funds or creating profit by making use of underused resources. As for developers, by supporting the management association as needed, they will be able to maintain high customer satisfaction after purchase and protect their brand image as well.
4. Initiatives Demanded in Future Condominium Management

The business climate for the condominium management industry is expected to become increasingly challenging, even while the demands society places on condominium management companies increase year by year as buildings become run-down and residents grow older. In this part 4, I would like to present four measures that condominium management firms can adopt, taking advantage of good opportunities for expanding demand as management costs in the condominium management industry continue to rise.

The following four measures are not to be considered independently; rather, on the basis of the first two measures, which ought to be taken by many condominium management companies right away, the third and fourth should become possible.

(4-1) Digitalization of condominium management
The first of these measures is digitalization of condominium management. Condominium management services today include participation in and running of general and board meetings and other face-to-face duties, and duties that require human labor such as cleaning, inspection, and patrols. Because of this personal nature of the services, digitalization has not progressed in the industry as a whole. As the problem of labor shortages becomes increasingly severe, condominium management firms seeking to shore up their top line revenues will need to increase the number of condominium units handled and managed per employee, by means of thorough improvement of work efficiency. Of the possible measures, the digitalization of condominium management can be seen as enabling work to be carried out more efficiently, in three specific ways.

The first is simply as a replacement of labor. Among the possibilities are introducing cleaning robots, IoT technology for inspections and patrols, and chatbots for handling complaints, all of which help keep down personnel costs. Human employees can then concentrate efforts on high added value areas where the human touch is preferable. Moreover, the personnel freed up by these measures can be put to use in increasing the managed unit capacity.

The second way is by improving existing inefficient workflow. Examples are online distribution and storage of general and board meeting materials, conducting resident surveys online, digitalizing inspection and maintenance records, and introducing a condominium accounting system. In particular, the distribution and collection of paper materials are inefficient in terms not just of labor but also sending and receiving costs (postal, transportation, and storage costs), making digitalization highly advantageous. Additionally, switching to online exchanges between the head office and managed properties will reduce the number of site visits by head office staff while enabling them to make door-to-door on-site visits, for more effective use of work time.

Lastly, the data accumulated in these digital operations can be used to raise the quality of services, leading to higher resident satisfaction. By introducing IoT equipment, for example, the airconditioning and lighting environment in common areas can be optimized, and upkeep and predictive maintenance can be performed based on the state of wear and tear of equipment and devices, achieving high resident satisfaction.

It is likely that new digitalized services will continue to be developed for various aspects of condominium management; but even before that, the introduction of a number of services that already exist is expected to proceed. Whether or not condominium management becomes digitalized can be seen as a key factor for competitiveness of such business.

(4-2) Division of condominium management specifications into standard and optional
The second measure is to classify condominium management specifications as standard and optional, that is, defining the provided condominium management services based on such factors as the property grade, resident demands, and management and outsourcing costs (Fig. 4). The present situation is that the quality of condominium management, and especially resident satisfaction, are greatly dependent on the quality of the representatives and management staff. This means that even if the condominium management agreement itself does not change, and there is no difference in the provided services, it is highly likely that the skill in handling of the duties by staff will affect resident satisfaction. By clearly articulating in writing the kinds of services to be received, it should be possible to control the expectations of residents and to reduce the gap.

In classifying into standard and optional services, in a high-grade condominium, for example, while some of the digitalization initiatives introduced in (4-1) may be incorporated, the emphasis will be on face-to-face communication, with a building superintendent on permanent duty as in the past. Optional services can be added relating to the frequency of inspections and patrols, the extent of assistance with running management association general and board meetings, and the promptness of response to emergencies such as loss of key or water leaks. Other possibilities are provision or introduction of living services such as housework and house cleaning.

In the case of a middle-grade condominium, on the other hand, digitalization can be pursued aggressively, introducing robots and sensors, and not hesitating to make use of online notifications and announcements to residents, limiting face-to-face communication to the minimum necessary services so as to reduce management costs.
Depending on the kinds of services demanded by the management association and the upper limit on management and outsourcing costs, it may be necessary to consider the possibility of switching over to self-management.

Looking at the future of condominium management, we can expect to see increasing needs to match the services provided by the condominium management company to the services expected by residents. Communication with residents is likely to take on new importance, for determining the level of condominium management needed and how much residents are willing to pay for this.

(4-3) Support for self-management of condominiums

The trend of rising condominium management fees may well lead more condominium management associations to look closely at the self-management option. As a third measure, therefore, rather than distancing from those associations that choose this option, we can expect demands for providing support for self-management, making use of the digitalization of condominium management introduced in (4-1) and of the division of management specifications into standard and optional as discussed in (4-2).

Possible ways of supporting self-management include provision of support applications and other software. Even if the management association lacks specialized knowledge and experience in condominium management, if it becomes possible to provide one-stop assistance for such tasks as keeping track of contracts with service providers and of orders, organizing occupant and owner information, and managing repair reserve fund income and outgo, the costs and trouble of condominium management can be reduced. Leading management firms have released self-management support applications in recent years, and companies offering similar services have appeared among real estate tech companies, making it likely that competition will heat up for self-management support applications.

Even in highly specialized areas such as drawing up long-term or large-scale repair plans, there are expectations for provision of advice and consulting from third-party standpoints. By leaving basic condominium management up to the management association and providing only highly specialized services as options, it should be possible to provide high added value and high unit price support.

Although self-management support itself may not lead directly to big profits, actively engaging in such support can be seen as important from the standpoint of maintaining good relations with management associations performing self-management, enabling group companies to reap profits when future large-scale refurbishment or rebuilding are carried out.

(4-4) Collaboration among rival companies

Another important measure is to strengthen collaboration across rival companies. Companies that insist on providing services on their own may increasingly find themselves coming up short on the resource and cost fronts. By classifying condominium management services into standard and optional, and carving out a portion of these services, it should be possible to outsource them to other companies in the same industry. At the same time, a company might take on certain condominium management services on a BPO basis for the managed properties of other firms, in the case of service areas or locations where it has an advantage. By focusing its own resources on areas where it is strong, it will be able to manage operations efficiently.

Such collaborative relations among rival companies are also possible from the standpoint of digitalization of condominium management discussed in (4-2). As for companies that develop digitalization tools, by having their own tools introduced and used for managed properties of other companies, they can obtain rental or usage fees, and reduce their maintenance costs through the cost advantages of scale. The tool users, meanwhile, can keep down system development costs and reduce their management costs.

There are limits to what a company can do on its own in the face of the severe problems of labor shortages and rising personnel costs. By actively pursuing collaboration with rival companies while making the most of a company’s own areas of specialty, the condominium management industry as a whole benefits and develops.

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**Fig. 4 Examples of standard and optional condominium management services**

<table>
<thead>
<tr>
<th>Service level</th>
<th>Management services</th>
<th>Management services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong></td>
<td>In-person support for holding general and board meetings</td>
<td>Superintendent on site, monitoring by patrols</td>
</tr>
<tr>
<td></td>
<td>Application-based support for holding general and board meetings</td>
<td>Remote surveillance by security cameras</td>
</tr>
<tr>
<td><strong>Ordinary</strong></td>
<td>Handle condominium accounting services</td>
<td>Introduce accounting service, have management association handle</td>
</tr>
<tr>
<td></td>
<td>Full-scale trouble response service</td>
<td>Self-handling of trouble response</td>
</tr>
<tr>
<td></td>
<td>Provision or referral of shopping, childcare, and other life services</td>
<td></td>
</tr>
</tbody>
</table>

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5. Initiatives Seeking Maximization of Group Earnings

The suggestions in parts 3 and 4 were aimed at players involved in Japan’s condominium industry. This part discusses measures by which companies carrying out comprehensive housing-related business, such as selling, renting, and brokering, can diversify the earnings of the entire group through cross-selling, as well as measures for expanding earnings by offering services to a customer base that extends to the area surrounding a condominium.

(5-1) Making use of customer data around condominium management business as core

Most housing-related business such as selling, renting, and brokering adopts a pull-type model, waiting for action by customers. The main ways of attracting customers are placing ads and setting up model rooms, with the means for actively persuading customers seen to be limited. Since this situation is reliant on the owner’s choice, it risks loss of opportunities for the group as a whole, such as when sales are made with another company as broker, or remodeling or renovation is ordered from another company.

A push-type approach, on the other hand, would seem to offer the potential for minimizing such opportunity loss, by making the condominium management business its core. This approach makes use of the customer data obtained in the condominium management business, building relations with customers and making proposals that are timely and appropriate to the life stage of residents. The condominium management business, unlike other housing-related businesses, is in a situation enabling ongoing connections with customers to be maintained. It is possible, for example, for a condominium management business, along with providing management services to customers who purchased units, to keep regular track of changes in the family makeup and needs, as well as the status of building and equipment deterioration. By properly analyzing this data, the company can make proposals for remodeling, such as upgrading kitchen and bath facilities or changing the room layout, without missing good opportunities while providing timely support to condominium owners for selling or renting their properties when they are changing their residence (Fig. 5).

(5-2) Creating an organization across group companies for leading data utilization

Making effective use of data obtained from condominium management business in customer transfer and referral requires that careful attention be paid to handling of personal information, as well as figuring out types of data to obtain and the best methods of data acquisition, analysis, utilization, and storage. There are many aspects to be considered, such as whether to create a general customer relation management (CRM) system, or a customer data platform (CDP) that includes usage logs for the company’s own online site and Web behavior history, or to introduce a system that extends automation to marketing. Since system development costs and maintenance costs tend to rise in proportion to the amount of stored data, it is important first of all to carefully study the extent of data sufficient for the group as a whole.

Also to be noted is that for the condominium management company that is essential for data acquisition, there is a high risk that the direct return will be small relative to the increased cost of acquiring and updating information about the residents and their needs, along with building and equipment information, turning the effort into a cost center. It is therefore important to give the management company incentive regarding customer transfer and referral inside the group, increasing their motivation to acquire data.

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Fig. 5 Proposal for building customer relations around condominium management business as core

- Provide services to housing purchasers
- Propose remodeling as family makeup changes
- Propose changing to a different unit based on health status
- Propose renovating kitchen and bath facilities based on maintenance status of each unit
- Propose subleasing or looking after unit while away due to sudden job transfer
- Offer consulting on inheritance or sale of unit based on ages of residents
In group companies that carry on multifaceted business relating to housing, it will be necessary to establish an organization or function that is neutral in relation to the condominium management company and each group company, responsible for the role of overseeing the methods of data acquisition, analysis, utilization, and storage, as well as creating a permanent mechanism for maximizing profits in the group as a whole. This role includes coordination across group companies regarding the incentive for customer data transfer and referral and regarding the redistribution of earnings.

(5-3) Expanding services using information and communication technologies to the overall area

Making use of these initiatives to offer services to a customer base that extends to the area surrounding the condominium should increase the economy of scale. Initiatives drawing on information and communication technologies are essential for raising the level and added value of area management; and when a company takes the lead, as it hardly needs reiterating, the key to success will be to achieve both provision of value to consumers and monetization of such services. Now that the pandemic has brought about a new normal in life style and has helped lower the psychological hurdles in the way of digital tool use by residents, this could turn out to be a golden opportunity for such initiatives.

Going forward, it will be necessary to raise the area value through efforts that do not limit the service recipients to condominium residents but include the surrounding community. If a property is located near tourist spots and office buildings, the brand image of the entire area can be raised by providing services with advantages not only for the area residents but for visitors and workers.

Currently it is becoming common, as part of condominium management, for services such as those for living convenience or for disaster prevention to be provided by means of smartphone applications. It is further likely that services will be offered aimed at controlling the density of people in public spaces to reduce the risk of infection, and that MaaS services will be offered to condominium residents. By expanding such services to the entire area, it should be possible to raise the satisfaction level of residents with the area as a whole.

(5-4) Collaboration across industries toward expanding services

For developers and management companies to provide services to the entire area making use of information and communication technologies, they will need to collaborate with companies in other industries. For example, in case of a service that determines the density of people in the surrounding area or obtains traffic information and notifies residents, managing the data will require tying up not only with the government agencies in charge of roads and parks, but with companies that own or manage train stations and commercial facilities, offices, and all kinds of other spaces.

Moreover, to provide services that make greater use of information and communication technologies, it will be essential to create collaboration arrangements with companies having the technical expertise that the developer and management company may lack. Joining hands with other corporations and coming up with a vision, while keeping in view the establishment of an area management organization, CVC investment and other such measures, can create additional area value and in the end will enable the developer and management company to protect condominium value.
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