Japanese Construction Market Report

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Updated on August 23, 2024

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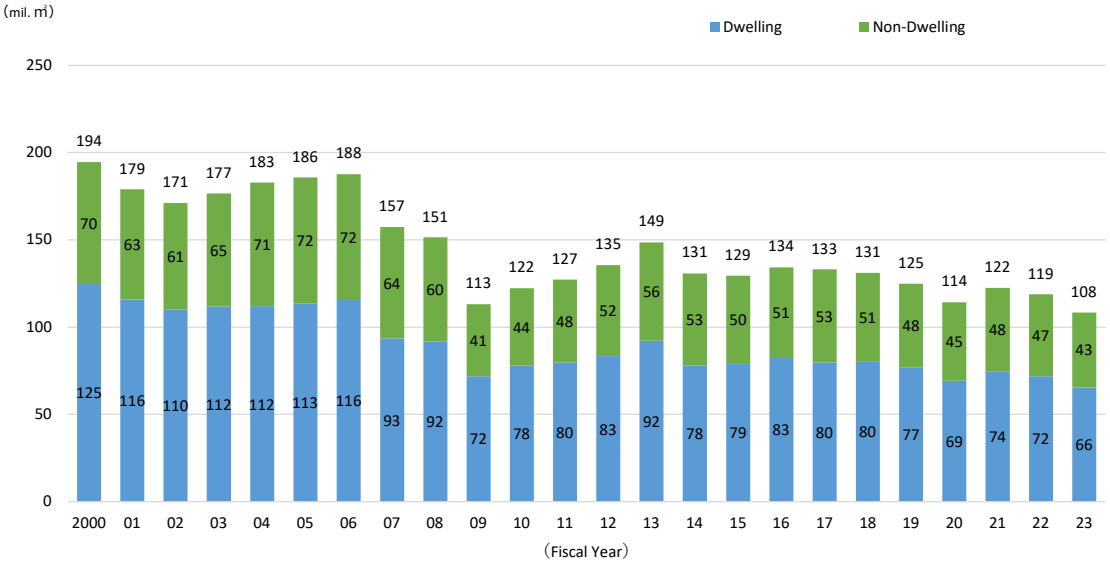
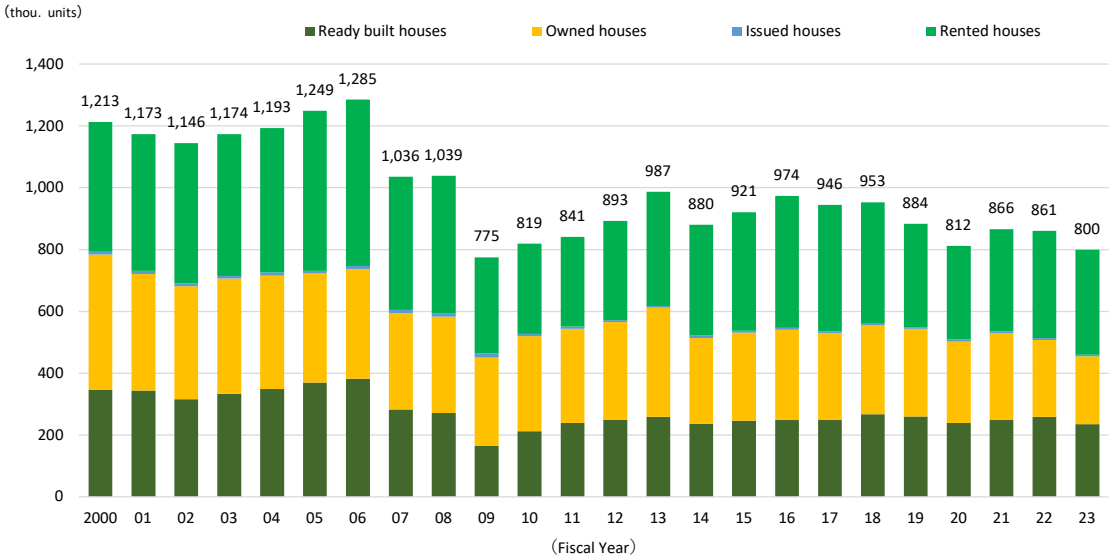
1 Floor Area of Construction Starts



Source：Construction starts statistics (MLIT)

The floor area of new construction starts exceeded 170 million m² from FY2000 to FY2006, but it declined after FY2007. Particularly in FY2009, due to the impact of the Global Financial Crisis following the collapse of Lehman Brothers, both residential and non-residential construction dropped to about 60% of the level in FY2000. Since then, it remained around the 130 million m² level, but in FY2020, due to the impact of the coronavirus pandemic, it decreased to 114 million m², almost the same level as during the Global Financial Crisis. Although there was a slight recovery in FY2021, it did not return to pre-pandemic levels and has continued to decline. In FY2023, the floor area for residential construction was 66 million m², for non-residential construction 43 million m², and the total was 108 million m², a 9.2% decrease from the previous year.

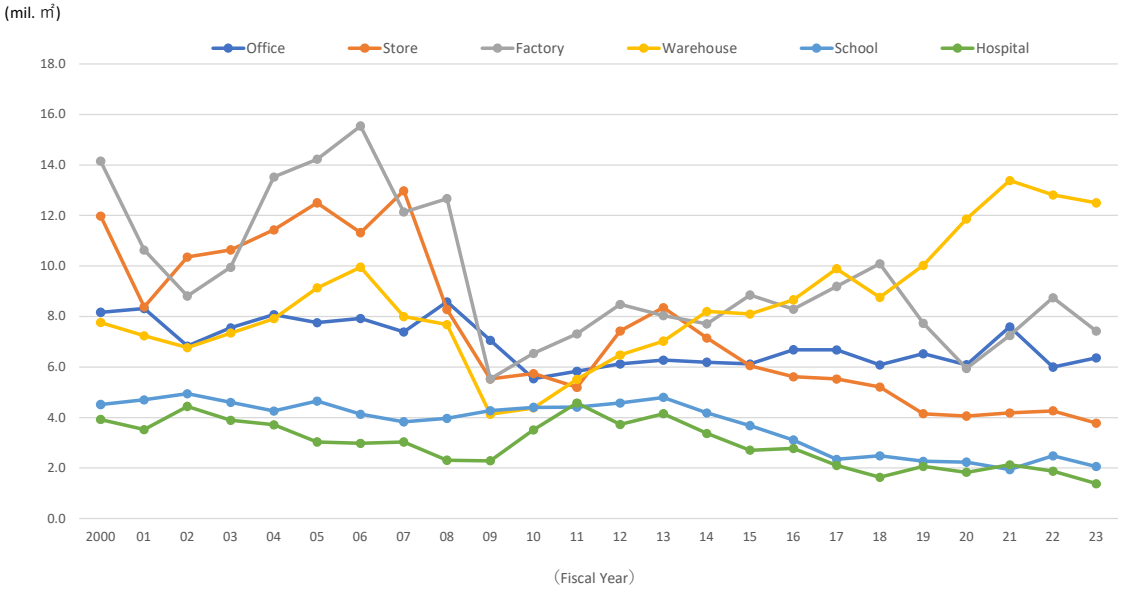
2 Dwelling Units of Construction Starts



Source：Construction starts statistics (MLIT)

The number of dwelling units of construction starts remained around 12 million units in the first half of the 2000s, but in 2009 it dropped sharply to 775,000 units. In recent years, it has remained at the 800,000 to 900,000 level, and in fiscal 2023, it was 800,000. The breakdown was 43% for rental houses, 27% for owned houses , 29% for ready built houses, and 1% for issued houses.

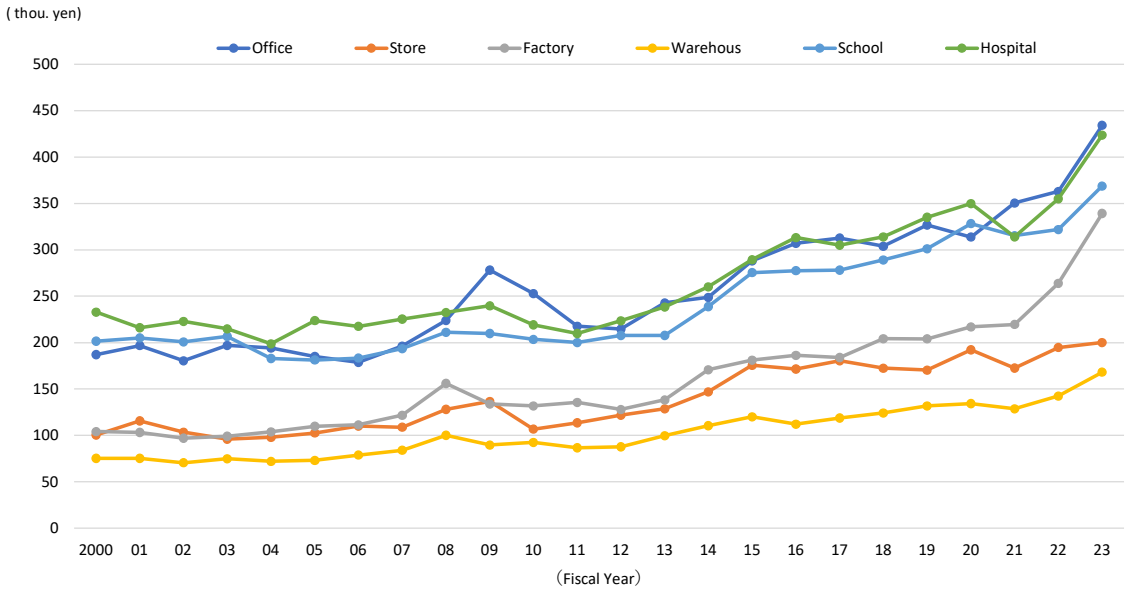
3 Floor Area of Construction Starts by Building Use（Non-Dwellings）



Source：Construction starts statistics (MLIT)

Looking at the types of use, warehouses grew at an average rate of about 15% from FY2019 to FY2021, but have been on a gradual downward trend since peaking. Offices grew by 25% year-on-year in FY2021, but declined the following year,and recovered by about 6% in FY2023. All other uses declined in FY2023.

4 Building Construction Unit Price by Building Use（Non-Dwellings）

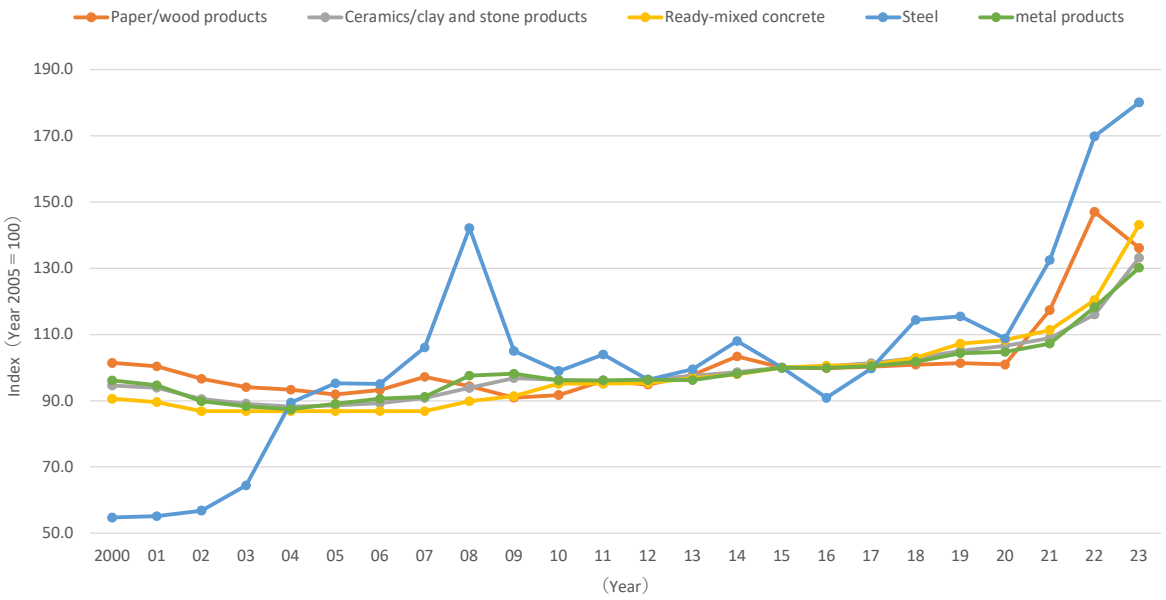


Source：Construction starts statistics (MLIT)

In the 2000s, the cost per square meter for office space was below 200,000 yen, but since FY2016, it has risen to over 300,000 yen. In FY2021, the cost was 351,000 yen per m², in FY2022 it was 363,000 yen per m², and in FY2023 it increased by 20% year-on-year to 434,000 yen per m².

In FY2023, the cost per square meter for non-residential spaces was 424,000 yen for hospitals, 369,000 yen for schools, 339,000 yen for factories, 200,000 yen for retail stores, and 168,000 yen for warehouses, all showing increases from the previous year.

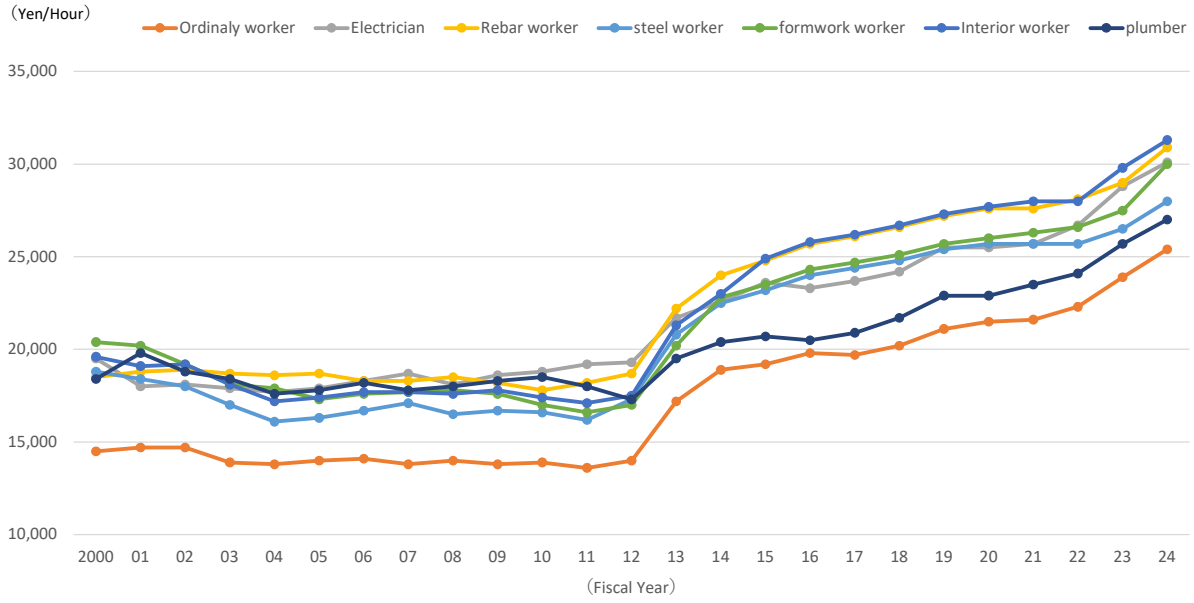
5 Construction Material Price Index (Tokyo)



Source：Building Material Price Index （Construction Prices Research Institute）

Steel prices surged after 2020 due to China's economic growth and the global economic recovery from the COVID-19 shock, but their growth has been slowing down in 2023. Lumber and wood products saw a sharp increase due to the expansion of housing demand in the United States and the impact of the Ukraine crisis that began in February 2022, but they have stabilized in 2023 with a 7% year-on-year decrease. Since 2020, the costs of materials such as ready-mix concrete, formwork, and metal products have generally continued to rise, leading to an increase in the cost of structural work.

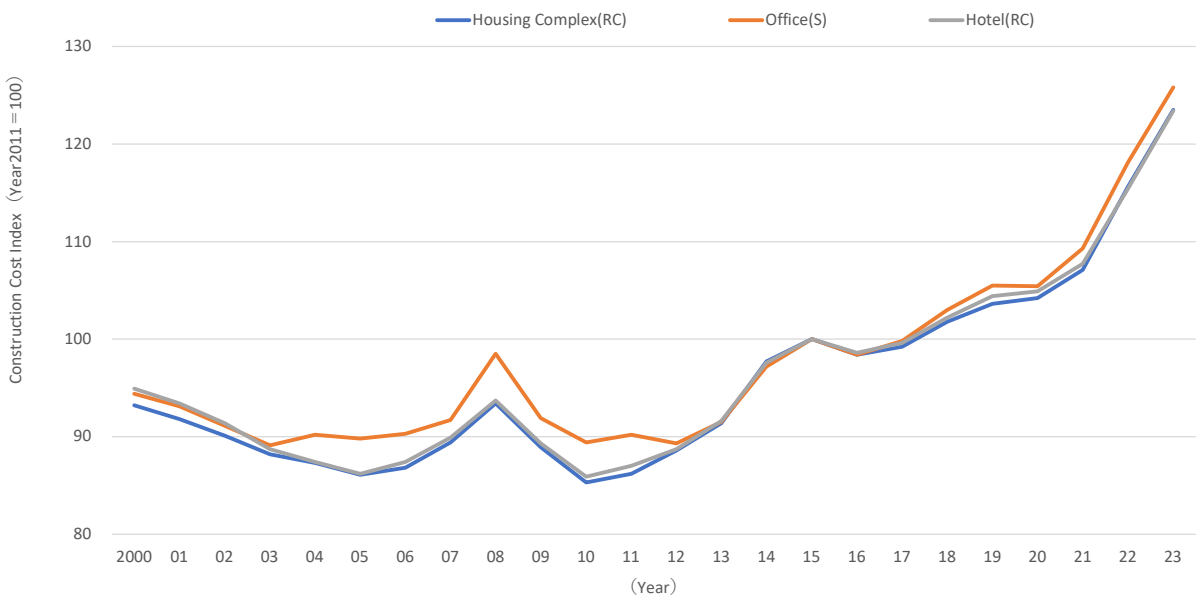
6 Unit Labor Cost（Tokyo）



Source：Labor costs for public works design and construction （MLIT）

The nationwide weighted average public works design labor unit price for fiscal year 2024 is 23,600 yen for all job types, marking the 12th consecutive year of increases since fiscal year 2013. In 2023, there was a 5.9% increase compared to the previous year.

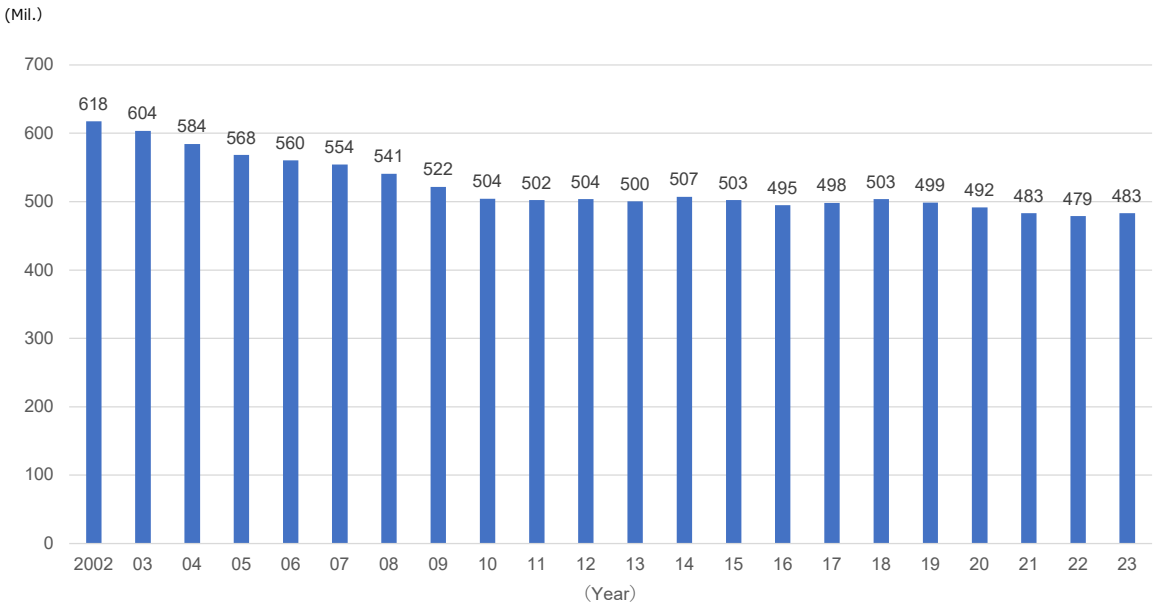
7 Construction Cost by Building Use



Source：Construction Cost Index （Construction Prices Research Institute）

For all three uses, there has been an upward trend since 2012, with a sharp rise of over 7% year-on-year from 2021 to 2022, and over 6% from 2022 to 2023.

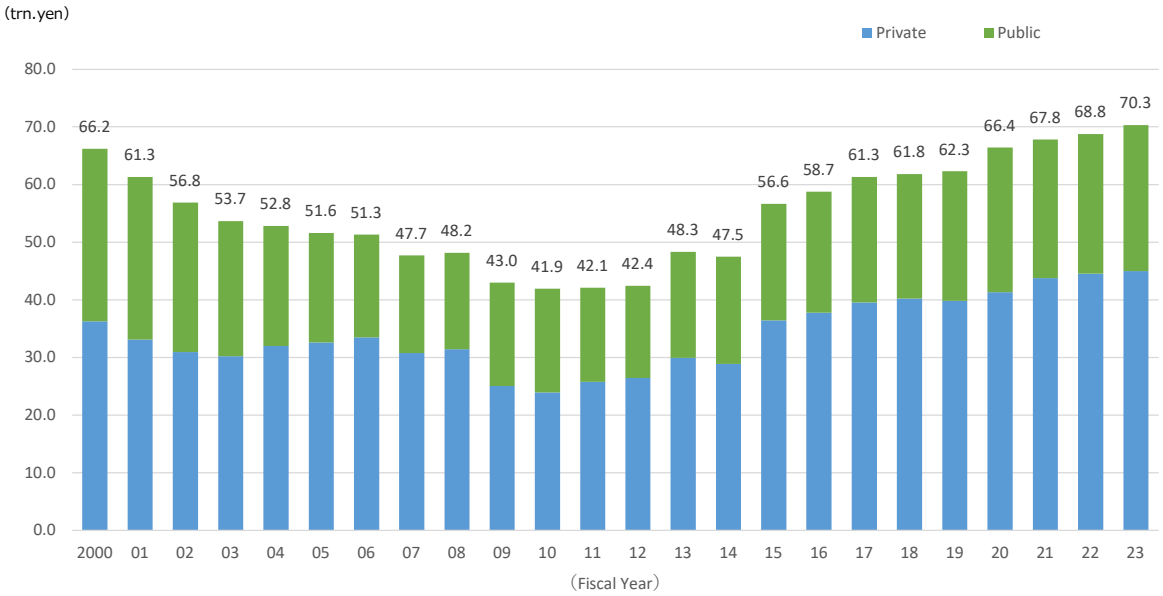
8 Number of Employees in Construction Industry



Source：Lavor Force Survey （MIAC）

The number of workers in the construction industry has been on a declining trend, peaking at 6.85 million in 1997 and decreasing to 4.79 million in 2022, which is 70% of the peak. However, in 2023, it slightly recovered to 4.83 million.

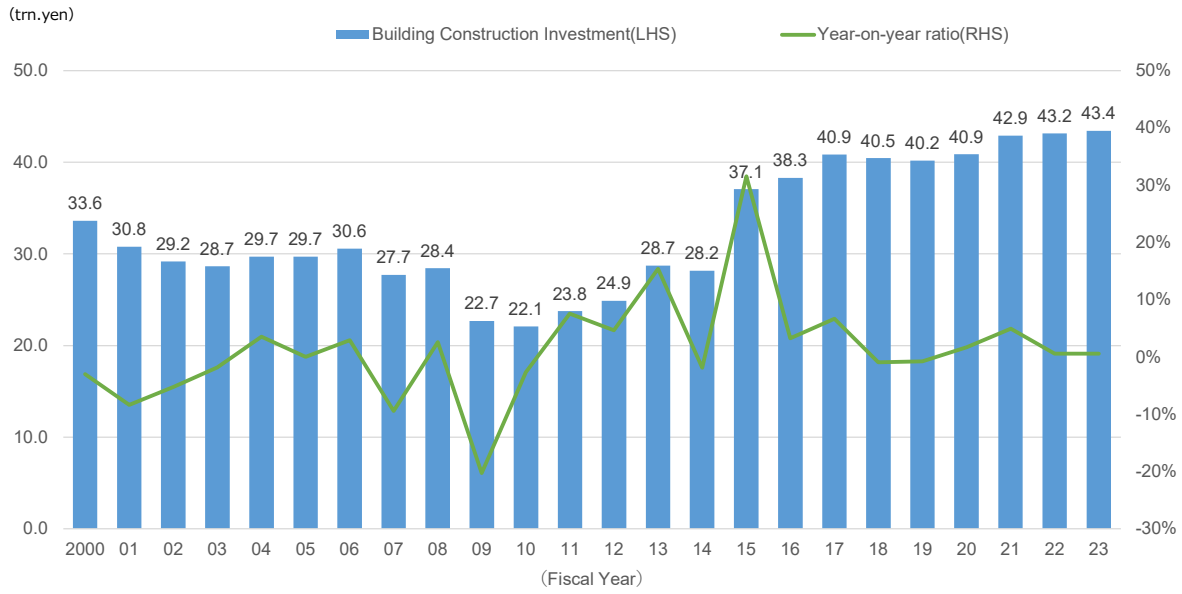
9 Construction Investment(Private/Public)



Source：Construction investment outlook （MLIT）, Nominal Value

Construction investment has been on the rise due to the reconstruction demand from the Great East Japan Earthquake and an increase in private capital investment. Government construction investment for fiscal year 2023 is projected to be approximately 25.34 trillion yen, a 4.5% increase compared to the previous year, while private construction investment is expected to be about 44.98 trillion yen, a 1% increase year-on-year. In terms of the composition of construction investment, the private sector accounts for 64% and the government sector 36%.

10 Building Construction Investment



Source：Construction investment outlook （MLIT）,Nominal Value

Breaking down construction investment by type of work, buildings account for 61.8% and civil engineering for 38.2%. Most private investment goes into building construction, while most government investment goes into civil engineering. Building investment significantly dropped to 22.1 trillion yen in 2010, but has been at a level of over 40 trillion yen since 2017, with a forecast of 43.4 trillion yen for fiscal year 2023.