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Why foreign buyers are seeking ‘worthless’ wooden homes in Kyoto?

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Demand is growing for old-fashioned ‘machiya’ houses which offer Japanese heritage at a bargain price



A 2,962 sq metre house in the western Arashiyama district of Kyoto, ¥700m (\$5.65m)

The popular image of Kyoto may be one of incense-infused temples and elusive geisha, but the view from the city’s station is of concrete office blocks, tangled telephone wires and cheap prefab housing. Only a few time capsules from Japan’s pre-industrial past survive behind the tacky *pachinko* parlours.

Machiya — merchants’ wooden town houses, whose ornate, shadowy eaves once lined every street in the former imperial capital — are being steadily demolished. Postwar, Japan’s baby-boomers wanted an address in a spanking new, earthquake-proof apartment block; *machiya* were regarded as worthless anachronisms.

Only about 28,000 remain, out of the city's 667,000 households, and they are disappearing at a rate of 1.6 per cent annually, according to Akari Nishii of the Machiya Machizukuri Fund, a preservation charity.

Machiya are typically concealed behind elegant wooden lattices, which allow for privacy while letting in air and light. The front room was typically used as a shop, while the private back rooms, with ancient wooden beams, sliding paper screens and tatami-mat-covered floors, overlook a courtyard garden.

Many of these buildings, often semi-derelict, are today being rescued by foreign buyers looking for their very own slice of ancient Kyoto. Hachise, a machiya sales agency, launched an English language service last year to accommodate growing foreign demand, mostly from western expats based in Hong Kong and Singapore.

“Usually they are looking for a holiday house,” says Kae Motokado, a spokeswoman, “but we also have an American couple and two French couples who are preparing to live in their machiya.”

Part of the attraction is cultural, part is affordability. Kyoto is home to 17 Unesco world heritage sites and is regularly voted the world's best city to visit. Many buyers see property there as a bargain and are drawn by the plummeting yen, which has lost a third of its value against the dollar in three years. Japanese real estate is also still underpriced 25 years after the bursting of the asset bubble.

In addition, counter-intuitive property economics, whereby new homes depreciate over a 30-year lifespan, mean that old buildings are almost worthless, their only value being the land they sit on. Japan therefore has no culture of house restoration. “Most machiya cost between Y30m and Y55m [\$242,500 and \$445,000],” says Motokado. “The building itself is worth nothing — people will sell it to a big real estate company as a building lot.”

Christian Lengelle, a Frenchman based in Tokyo, is restoring several machiya for rental to tourists. “I love the historical value of those houses,” he says. The cost of renovation is “anything between Y300,000 to Y800,000 [about \$2,400 to \$6,500] per *tsubo*” — a Japanese measurement equivalent to 3.3 sq metres.

Machiya owners who let their property can expect rental income of about Y18,000 (\$145) per night in high season, and half that in low season, according to Ken Hayashi, who runs House Network, a buying agency for foreigners.

The city government now provides renovation grants, as does the Machiya Machizukuri Fund, which has subsidised 73 restoration projects in nine years. However, according to Motokado, foreign clients increasingly want “a house they can move right into”, so Hachise plans to introduce a full renovation and rental service.



The garden of a 'machiya' in Kyoto prior to its renovation by Christian Lengelle

The company has 20 machiya for sale, including one exquisitely restored 77 sq metre home with wood finishes and sliding doors opening on to four terraces,



The interior of a 77 sq metre, renovated property in east Kyoto, Y63.8m

for Y63.8m. The best of the unrestored properties is a 190 sq metre former kimono merchant's residence, more than 100 years old, with a traditional double-height ceiling over the kitchen and a separate warehouse. The house is on sale for Y108m.

Young Japanese are also now beginning to buy machiya for use as modern live-work spaces. "They are becoming popular among the young generation who want to start a café or gallery, or a co-working space for IT

businesses," said Motokado. Foreigners, meanwhile, are cautiously welcomed. "We know some foreigners have a very rich understanding of Japanese culture; more so than most Japanese people," says Nishii.

Not every foreigner is sensitive to cultural nuances. Yukiko Takano, of Sotheby's International Realty, spends a lot of time managing the expectations of Asian buyers.

"Asian VIPs usually ask to see homes starting at Y500m," she says. This is a rarity in Japan, though Sotheby's is selling a beautiful 2,962 sq metre estate in western Kyoto for Y700m. "What they want is the classic Kyoto feel — a large garden with beautiful trees and a serene atmosphere," she says, "but with en-suite bathrooms."

Buyers for what Takano calls "top-notch" homes depend on the fluctuations of the world economy. "Right now, it's Hong Kong Chinese, Taiwanese, Thai and Indonesian. It used to be French. Some day it will swing back to Japanese." When that day comes, the micro-trend for restoring "worthless" old houses may have finally gone mainstream.

Buying guide

Machiya owners who wish to let their properties are meant to obtain a hotel licence; however, many unlicensed rentals are arranged on Airbnb

Don't expect a survey when you buy. Transactions in Japan are based on trust

Machiya do not comply with modern earthquake safety regulations. Earthquake insurance starts at Y180,000 (\$1,449) for five years' coverage

What you can buy for . . .

\$500,000 A run-down seven-room machiya in central Kyoto built in 1889

\$1m A 286 sq metre house with a tea ceremony room and traditional gardens

\$2.5m A former geisha house with original features in Kyoto's Gion district

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