



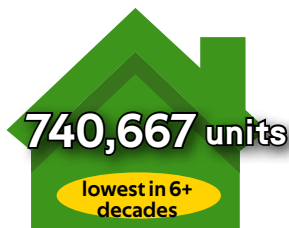
# Japanese New Housing Starts in 2025 and the Outlook

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## 2025日本新屋開工統計及展望

In 2025, Japan's residential construction sector faced a pivotal year. While short-term fluctuations suggested occasional bursts of activity, the annual data painted a clear picture of ongoing structural contraction. Total housing starts dropped to 740,667 units, a 6.5% decline from 2024, marking the lowest annual total in more than six decades.

### 2025 Japan's New Housing Starts



This decline is not a simple market cycle. It reflects persistent demographic shrinkage, evolving consumer behavior, rising construction costs, and the growing concentration of housing demand in major urban centers. Japan's housing market is not collapsing but is undergoing a long-term adjustment.

### Defining Housing Starts in Japan

Housing starts represent the number of new residential construction projects officially initiated within a given period. To qualify, projects must meet minimum size and occupancy requirements. This data is collected and published by Japan's Ministry of Land, Infrastructure, Transport and Tourism

(MLIT), making it a reliable indicator of the construction sector health and developer confidence.

Housing starts encompassing several types of residential projects:

- Owner-occupied single-family homes
- Rental apartment units
- Condominiums and subdivided housing
- Prefabricated and two-by-four construction

Unlike home sales or price indices, housing starts signal upcoming construction activity, often providing an early indication of market trends.

### 2025 Annual Results: A Broad-Based Decline

In 2025, total housing starts fell to 740,667 units, down from approximately 792,000 units in 2024. This represents the third consecutive year of decline, pushing activity to levels not seen since the early 1960s.

#### ◆ Segment Breakdown

Category	2025 Units	YoY Change
Owner-occupied housing	201,285	-7.7%
Rental housing	324,991	-5.0%
Condominiums & for-sale units	208,169	-7.6%
<b>Total</b>	<b>740,667</b>	<b>-6.5%</b>



All major segments recorded declines:

- **Owner-occupied housing** dropped sharply, reflecting fewer new household formations and cautious borrowing.
- **Rental housing** fell moderately, suggesting weaker investor appetite.
- **Condominiums and for-sale units** also decreased significantly, indicating that speculative demand could not offset the broader slowdown.

No sector showed meaningful resilience.

## Monthly Volatility: False Signals

Despite the annual decline, monthly data in 2025 exhibited considerable fluctuations, which can obscure underlying trends.

Selected Monthly Housing Starts (2025)

Month	Units
January	56,134
February	60,583
March	89,432
April	56,188
May	43,237
June	55,956
July	61,409
September	63,570

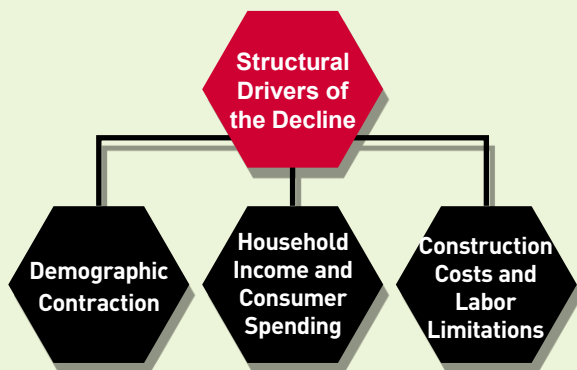
March posted a 39.1% year-on-year increase, reaching nearly 90,000 units — the strongest monthly total since 2008. However, the surge was short-lived. April and May saw sharp contractions of 26.6% and 34.4%, respectively.

Such volatility likely reflects:

- Regulatory timing effects, including stricter energy-efficiency standards introduced in April 2025
- Project scheduling adjustments
- Seasonal and reporting factors

Spikes in individual months do not indicate structural recovery; the downward trajectory remained intact.

## Structural Drivers of the Decline



## ◆ Demographic Contraction

**Japan's population shrinkage is the primary driver of declining housing demand.** Household formation is closely tied to population trends, so fewer young households directly reduce demand for new homes.

Projections suggest Japan's population may fall below 100 million by 2050. Even ambitious policy interventions are unlikely to reverse this trend within the next decade. The housing market's size is ultimately constrained by its demographic base.

## ◆ Household Income and Consumer Spending

Consumer confidence remains fragile. In late 2025, household spending declined nearly 3% year-on-year, one of the fastest drops in recent memory.

**Stagnant disposable income, rising living costs, and limited wage growth delay major purchases such as homes.** Mortgage affordability depends not only on interest rates but also on wages; in urban areas, moderate wage growth has not offset rising construction and property prices.

## ◆ Construction Costs and Labor Limitations

The construction sector faces persistent labor shortages caused by:

- An aging workforce
- Limited inflow of skilled foreign labor
- Falling domestic participation

Material prices remain elevated due to global supply chain issues and currency fluctuations. Rising costs squeeze margins and limit the feasibility of projects, particularly outside high-value urban areas. Even if demand stabilizes, these supply-side constraints will restrict expansion.

## Regional Dynamics

**Major urban centers continue to dominate housing activity, but even these areas experienced declines.**

- Tokyo saw housing starts drop approximately 6% in 2025.
- Osaka (Kansai) and Nagoya (Chubu) also recorded lower totals.

## ◆ Urban-Rural Divergence

Urban centers continue attracting internal migration and foreign capital, while many rural areas face accelerating depopulation. In some regions, demolitions exceed new construction, further concentrating housing demand in economic hubs.

Expansion outside major cities is unlikely, making Japan's housing market increasingly spatially concentrated.

## Price Trends Versus Starts

While overall starts fell, prices in central Tokyo continued rising, highlighting the following divergence:

- Urban land scarcity and ongoing investor demand have kept prime properties expensive.
- Rising prices, combined with falling starts, suggest affordability constraints.

This is a segmented market rather than one expanding in volume. Strong prices protect asset values but limit participation among first-time buyers.

## Outlook (2026–2030)

Forecasts from Mizuho Financial Group suggest **annual housing starts will stabilize in the mid-700,000 range, with no significant rebound expected.**

Models from Trading Economics indicate monthly starts will remain below historical averages into 2027–2028.

### ◆ Base Scenario

- Annual starts: 700,000–750,000 units
- Continued monthly volatility
- No sustained upward trend

### ◆ Potential Risks

- Economic downturns
- Tighter mortgage policies
- Rising material and labor costs

### ◆ Conditions for Rebound

A meaningful recovery would require:

- Large-scale housing subsidies
- Immigration policy reforms increasing household formation
- Significant productivity gains in construction technology

With these factors absent, structural stagnation is the most realistic scenario.

## Emerging Opportunities

Even in a contracting market, some segments are expected to grow:

### ◆ Renovation and Replacement

Japan's aging housing stock presents opportunities for renovation and reconstruction, especially in post-war homes needing safety or efficiency upgrades.

### ◆ Senior-Oriented Housing

An aging population is increasing demand for:

- Assisted living facilities
- Smaller, accessible units
- Housing integrated with healthcare services

These segments will expand but cannot compensate for overall demographic decline.

### ◆ High-End Urban Assets

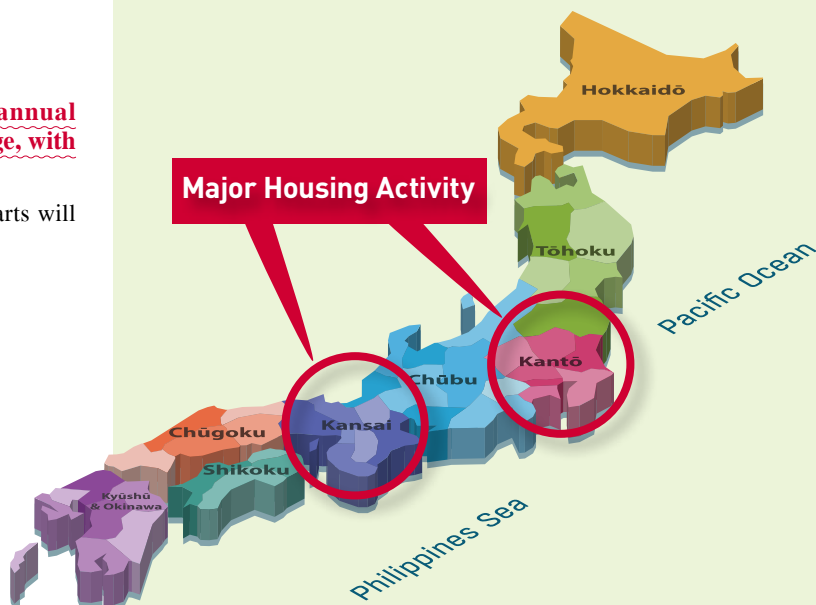
Luxury and investment-grade condominiums in Tokyo attract domestic and international buyers. While profitable, these remain niche markets without large-scale impact on national totals.

## Historical Perspective

Annual housing starts in the early 2010s often exceeded 1 million units. Since then, the trend has been a steady decline:

- Fell below 900,000 units mid-decade
- Dropped under 800,000 units in 2024
- Reached 740,667 units in 2025

This reflects structural resizing rather than cyclical downturns.



## Strategic Implications

With new housing starts weakening and demand concentrating in selected urban pockets, **the focus shifts from volume growth to efficiency, specialization, and tighter targeting of end-use segments.**

### Developers

- Prioritize cost efficiency and productivity
- Focus on urban hubs and high-demand areas
- Target aging demographics

### Policy makers

- Consider targeted housing incentives
- Address labor shortages in construction
- Align supply with demographic realities

### Investors

- Differentiate between volume-driven and price-protected micro-markets
- Avoid assuming that historical growth trends will persist

## Conclusion

Japan's housing starts in 2025 point to a structural adjustment rather than a temporary dip. Total starts fell to 740,667 units, down 6.5% from 2024, and the decline was broad-based across owner-occupied, rental, and condominium segments. Month-to-month volatility created some mixed signals, but it did not change the underlying direction of the market. The more realistic outlook is stabilization around a lower baseline, not a return to high-volume expansion. Demographic contraction remains the central long-term constraint, reinforced by affordability pressure, elevated construction costs, and persistent labor limitations. As a result, Japan's residential construction market is shifting toward quality, replacement and renovation activity, efficiency, and sharper demographic targeting, with demand increasingly concentrated in specific segments and locations. ■

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