

When Your Tokyo Apartment View Becomes a Hyperscale Data Center

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

In 2022, Munekazu and Erin Tanikawa moved into a new apartment in a Tokyo commuter town, expecting a quiet view from their balcony. Four months later, a corporate vehicle backed by Canada's CPP Investments, US asset manager Fidelity, and Japanese trading house Mitsui & Co. bought the parking lot directly below them. The plan: a 52-metre-tall data centre, the kind of warehouse-scale building that powers modern AI. Their ¥50mn (about \$312,000) apartment has since lost roughly a quarter of its value, and the couple has joined more than 13,000 neighbours in petitioning against the project. They have also filed a lawsuit against the entity that approved it.

Their story is not unusual in Japan. The country has roughly 300 data centres, and JLL, a real-estate firm, expects the \$23bn market to grow nearly 50% by 2030 – with 90% of sites concentrated in Greater Tokyo and Osaka. Prime Minister Sanae Takaichi has placed AI at the centre of her economic growth strategy, which analysts say will accelerate the boom further. One lawyer representing residents calls it 'the AI gold rush.' But here's the catch: Japan, unlike the US and parts of Europe where similar disputes mostly affect rural communities, is seeing the backlash erupt in residential and commercial heartland – a difference that experts trace to two distinctive features of Japanese urbanism.

First, planning rules. Japan's Building Standards Act treats data centres as office buildings rather than factories or warehouses, even though they generate industrial-scale heat, noise, and traffic, and store enormous quantities of backup-generator fuel. The Inzai facility is planned to hold 1.2 million tonnes of it. A Kyoto University urban-management professor argues that Japan's land-use codes, written in an earlier era, simply weren't designed to anticipate AI infrastructure. Even NTT Data, Japan's biggest data-centre operator, has acknowledged that modern facilities can no longer be reasonably equated with conventional offices and that regulatory overhaul is needed.

Second, incentives. Local authorities like Inzai City, which sits in Chiba prefecture, collect property taxes from data centres and the investors who own them – a major reason cash-strapped municipalities welcome deep-pocketed developers. An official at the land ministry has said there are no immediate plans to create a new building classification for data centres, suggesting local governments must instead use existing laws to limit unwanted projects. That leaves residents fighting case-by-case battles. The disputed Inzai facility is being developed by the UK's Colt Data Centre Services, near several other Colt sites, at least one of which Microsoft uses. After public protest, Inzai City asked Colt to halt the project and offered alternative land. Colt refused, citing efficiency from clustering with neighbouring centres, and Inzai City stated that under the rule of law it could not deny approval – while admitting the expansion had created 'major issues' for residents that current rules cannot adequately address.

Toshiyuki Takita, a member of the prefectural assembly for Chiba, posed the question that haunts the dispute: this may be the frontier of capitalism, he said, but is it really good for the area over the next 50 or 100 years? It is a question other countries will soon face too. AI's compute hunger is global, but the fight over where its physical infrastructure goes – and who pays the cost in heat, noise, and lost property value – is profoundly local.

2. Explanation

Munekazu and Erin Tanikawa thought they bought a Tokyo-area dream apartment. Four months later, an investor consortium bought the parking lot below – to build a 52-metre data centre on it.

What's Going On?

AI is so power-hungry and data-hungry that it needs warehouse-sized buildings full of servers – data centres – and Japan is suddenly one of the hottest markets on Earth for them. The country has roughly 300 data centres today, and the \$23bn market is expected to grow nearly 50% by 2030, with 90% of sites packed into Greater Tokyo and Osaka.

The catch: Japan's planning rules treat data centres as offices, not as the loud, hot, fuel-storing industrial facilities they really are. So developers – backed by foreign pension funds and asset managers like Canada's CPP and US-based Fidelity – are building them right next to apartment blocks. In Inzai City, near Tokyo, residents have launched lawsuits and gathered 13,000+ signatures trying to stop one going up under their balconies.

How To Think About It

The fight isn't really about one building. It's about what happens when a 21st-century industrial boom slams into a 20th-century rulebook.

- Imagine your school being legally classified as a 'library' – so the city lets someone build one next to a playground. Technically fine on paper; obviously wrong in practice. Japan's building code calls AI server farms 'offices.'
- Or think of how cities zoned for horse-and-buggy traffic struggled when cars arrived: the rules made sense for the old technology and quietly broke under the new one. Data centres are the cars; Japan's bubble-era zoning is the cobblestones.

Key Things To Know

- The Tanikawas' ¥50mn (~\$312,000) apartment is estimated to have lost about a quarter of its value since the data centre next door was announced.
- The planned facility would store 1.2 million tonnes of fuel for backup generators – a serious heat, noise and safety concern for neighbours.
- Key players: UK-based Colt Data Centre Services is the developer; its parent is Fidelity Investments; Mitsui & Co. is the Japanese partner; Microsoft is reportedly a major tenant of the broader Inzai campus.
- Even NTT Data – Japan's biggest data centre operator – admits modern facilities can no longer fairly be regulated as ordinary office buildings.
- What most people miss: Inzai City *wants* the property tax revenue, so even when residents push back, local governments are financially motivated to approve.

Why It Matters

Every chatbot answer, every AI-generated image, every TikTok recommendation runs through a data centre somewhere. The infrastructure powering tools you use daily has to physically exist – and increasingly it's being built next to people's homes, not on remote industrial estates. As you start thinking about where to live, work, or invest, 'is there a hyperscale data centre planned next door?' is becoming a real question, the way 'is there a highway expansion?' was for your grandparents.

The Bigger Picture

Prime Minister Sanae Takaichi has put AI at the centre of Japan's economic strategy, which guarantees more of these fights, not fewer. Watch for two second-order effects: a rewrite of Japan's Building Standards Act to give data centres their own category, and a global pattern in which AI infrastructure becomes the next NIMBY battleground – the way wind turbines and oil pipelines were before it. As one local politician asked, this may be the frontier of capitalism, but is it really good for an area over the next 50 to 100 years?

3. Key Terms Glossary

Data centre

A large building filled with computer servers that store data and run software – including the AI models behind tools like ChatGPT. Hyperscale data centres are the biggest kind, often consuming as much electricity as a small city.

Special-purpose vehicle (SPV)

A separate company created just to own one specific asset (here, a parking lot being turned into a data centre). Investors use SPVs to ring-fence financial risk.

Hyperscaler

A giant cloud-computing company – Amazon, Microsoft, Google, Meta – whose data demand is so vast it requires its own dedicated, hyperscale-sized facilities.

Zoning

Local government rules that decide what can be built where (homes vs shops vs factories). Loose zoning means developers face fewer restrictions on land use.

Building Standards Act

Japan's national law setting construction and safety rules. It currently has no separate category for data centres, lumping them in with offices.

NTT Data

A spin-off of Japan's former state telecoms monopoly and the country's largest data-centre operator. Its admission that current rules don't fit modern facilities carries significant weight.

CPP Investments

The fund that manages contributions to the Canada Pension Plan – i.e. retirement money for Canadian workers. It's now one of the biggest investors in global infrastructure, including Japanese data centres.

Bubble-era

Refers to Japan's late-1980s asset bubble, when property and stock prices ballooned then crashed. Rules written in that era – including loose urban-planning codes – still shape construction today.

4. Reading Comprehension Quiz

Circle the best answer for each question.

Q1. The passage primarily argues that the conflict in Inzai City reveals which broader problem?

- A) Japanese homeowners overpaid for property during the bubble era
- B) Foreign investors are crowding domestic developers out of Tokyo
- C) Outdated planning rules cannot govern AI-era infrastructure fairly
- D) Data centres consume more electricity than they generate in value

Q2. Which choice best states the central idea of the passage?

- A) Japan should ban foreign investment in residential neighbourhoods
- B) AI growth is forcing cities to confront where infrastructure belongs
- C) Data centres are safer than residents fear them to be
- D) Inzai City has lost the legal right to approve new construction

Q3. According to the passage, the Tanikawas' apartment has lost roughly a quarter of its value because:

- A) The Japanese property market crashed nationwide in 2022
- B) A planned data centre next door raised heat and noise concerns
- C) Their building was reclassified under new zoning rules
- D) Foreign owners refused to maintain shared common areas

Q4. As used in the passage, the word 'frontier' most nearly means:

- A) International border between two countries
- B) Cutting edge of an expanding economic activity
- C) Wilderness area still untouched by humans
- D) Military boundary defended by armed forces

Q5. As used in the passage, the word 'idiosyncratic' most nearly means:

- A) Outdated and ineffective
- B) Strict and well enforced
- C) Unusual in its specific approach
- D) Identical to other countries

Q6. Which statement about Japanese local authorities can most reasonably be inferred from the passage?

- A) They have stronger zoning powers than US local governments
- B) They face financial incentives that complicate residents' opposition
- C) They unanimously oppose hyperscale data-centre construction
- D) They are legally required to approve any data-centre project

Q7. The passage suggests that the comparison to US and European backlash is meant to:

- A) Show that Japan is inventing a problem that doesn't exist abroad
- B) Argue that Japan should copy Western zoning laws exactly
- C) Highlight what makes Japan's situation distinct despite shared concerns
- D) Demonstrate that residents always lose against large developers

Q8. The author's tone in describing the Tanikawas' situation is best described as:

- A)** Detached and indifferent to their losses
- B)** Sympathetic but committed to factual reporting
- C)** Mocking of their decision to buy the apartment
- D)** Outraged on behalf of the foreign developers

Q9. Which can most reasonably be inferred about Japan's Building Standards Act?

- A)** It is likely to be amended specifically to address data centres
- B)** It already classifies data centres as industrial facilities
- C)** Officials see no current path to immediately reclassify data centres
- D)** It overrides local government zoning decisions automatically

Q10. Which choice provides the best evidence for the answer to the previous question?

- A)** 'Japan's biggest data centre operator...admitted the need for regulatory overhaul'
- B)** 'an official...said there were no immediate plans to create a new classification'
- C)** 'Inzai City...is keen to collect property taxes from data centres'
- D)** 'the developer...argued it would be more efficient to be near other data centres'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that the conflict in Inzai City reveals which broader problem?

Answer: C

The passage frames the dispute as a clash between modern data centres and bubble-era zoning rules that classify them as offices. Choice A is a TRAP C distractor – true-ish in the real world but not the passage's argument. SAT Tip: when a question asks for a passage's 'primary argument,' pick the answer that ties together the most paragraphs, not the one that matches a single sentence.

Q2. Which choice best states the central idea of the passage?

Answer: B

The article uses one couple's lawsuit to illustrate a wider question about how AI infrastructure fits into urban life. Choice C inverts the passage's tone (TRAP A: right scope, wrong direction). SAT Tip: 'central idea' answers usually sound broad and neutral; very specific or extreme options are almost always wrong.

Q3. According to the passage, the Tanikawas' apartment has lost roughly a quarter of its value because:

Answer: B

The passage directly links the value drop to the announced data centre and its expected nuisances. Choice A is TRAP C – plausible-sounding but unsupported by the text. SAT Tip: 'According to the passage' questions are open-book – the answer is stated nearly verbatim, so resist any option that requires outside knowledge.

Q4. As used in the passage, the word 'frontier' most nearly means:

Answer: B

The local politician calls data-centre development 'the frontier of capitalism,' meaning the leading edge of where capital is now expanding. Choice A is the everyday meaning of the word – the classic vocab-in-context trap (TRAP B). SAT Tip: substitute each option back into the original sentence; only the correct meaning preserves the sentence's logic.

Q5. As used in the passage, the word 'idiosyncratic' most nearly means:

Answer: C

Critics say Japan is 'idiosyncratic' in classifying data centres as offices – meaning peculiar to itself, distinctive. Choice A is a TRAP B distractor: it borrows tone from the surrounding criticism but misses the precise meaning. SAT Tip: 'idiosyncratic' always means 'peculiar to one person or thing' – don't confuse it with general criticism words like 'flawed' or 'broken.'

Q6. Which statement about Japanese local authorities can most reasonably be inferred from the passage?

Answer: B

The passage notes Inzai is keen to collect property taxes from data centres and investors, suggesting an incentive that conflicts with residents' interests. Choice D is too absolute (TRAP B: passage vocabulary in a wrong combination). SAT Tip: inference questions reward the most cautious answer – pick the option that 'could reasonably follow,' not the one that overstates the case.

Q7. The passage suggests that the comparison to US and European backlash is meant to:

Answer: C

The text says backlash exists in the US and Europe but is centred in rural areas there, while in Japan it occurs in residential and commercial heartland – the comparison sharpens what's different about Japan. Choice D is TRAP C – broadly cynical but unsupported. SAT Tip: when an author makes a cross-country comparison, ask 'is the author setting up a similarity or a contrast?' – usually it's a contrast.

Q8. The author's tone in describing the Tanikawas' situation is best described as:

Answer: B

The passage describes their financial loss and signature drive without melodrama, while still treating their concerns as legitimate. Choice D inverts who the author sympathises with (TRAP A). SAT Tip: tone questions test how the author writes, not what the author writes about – scan for adjectives and framing devices, not subject matter.

Q9. Which can most reasonably be inferred about Japan's Building Standards Act?

Answer: C

A land-ministry official is described as saying there are no immediate plans to create a new classification, and that local authorities should rely on existing laws. Choice A states the opposite (TRAP A: right scope, wrong direction). SAT Tip: when an inference question's options include both 'will happen' and 'won't happen,' check which one the passage's specific evidence actually supports.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: B

Option B directly states the no-immediate-plans position that the previous answer rests on. Option A is tempting (TRAP B) because it sounds related to regulation, but acknowledging a need is not the same as having a plan. SAT Tip: on evidence-pairing questions, identify the exact sentence that supports your prior answer first, then find the option that matches it – don't browse all four hoping one feels right.