Toyota Throws More Weight Behind Its Homes Unit

Steel-Frame Houses Get Renewed Push, Tie-In to Electric Cars

By JOHN MURPHY

KASUGAI, Japan -- Toyota Motor Corp. has put millions of people on four wheels. Now, the global auto giant wants to put roofs over their heads, too.

Best known for its top-selling cars like the Prius and Corolla, Toyota is looking to apply its ecofriendly image and technical know-how to help boost sales of its small and little-known prefabricated-housing division.

Associated Press

A couple inspects a Toyota Home model house in Tokyo. The house's components were built on a housing plant's assembly line.

Since 1975, Toyota has been building steel-frame houses designed to withstand earthquakes and typhoons and keep out burglars. So far, demand for such durable homes has been modest in Japan, where traditional wooden houses are demolished and rebuilt every 30 years on average, nearly twice as often as in the U.S. Toyota's home business accounted for just 0.5% of the company's $262 billion in annual sales last year.

But with new Japanese government calls for sturdier home construction -- to cut down on waste created by home demolitions -- and heightened consumer interest in eco-conscious designs, Toyota hopes it will play a leading role in the years ahead in defining not only how the Japanese drive but where they live, too.

In the last year, Toyota Home, as Toyota's housing division is known, launched an aggressive advertising campaign to make more consumers aware of the brand, opened showrooms and hired architects to help redesign its lineup of homes -- which consumers complained had more function than style.

Toyota's aspirations as a home builder are also gaining new importance with the planned launch by 2010 of its plug-in vehicles, gas-electric hybrid cars with powerful lithium-ion batteries that drivers will need to recharge at home. The car maker is testing an electricity-monitoring system in its homes that would charge the vehicle during off-peak hours to keep utility bills low, while the car's battery can serve as an electrical backup, powering the home during blackouts.

Toyota engineers are also experimenting with using solar panels as house siding and powering homes with fuel cells, which combine hydrogen and air to produce electricity.

"At Toyota, we have certain technologies that we can apply to other fields," says Senta Morioka, president of Toyota's housing operations.

The housing business was the idea of Kiichiro Toyoda, founder of Toyota Motor, who saw the destruction from fire of Tokyo's homes during World War II and believed that his company's

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technologies could someday be used to develop more-durable homes.

At the Kasugai Housing Works in central Japan, one of Toyota's three prefab-housing factories, an assembly line of robots, conveyor belts and helmeted workers produced a steady flow of rectangular steel-framed cubicles finished with staircases, kitchen cupboards, bathtubs and toilets.

Most Toyota homes are made from six or more of these large cubicles, which are assembled -- like Legos -- on the building site. From its start on the factory floor to its final completion on site, a Toyota home can be built in 45 days, less than half the time it takes for contractors to build a typical wooden-frame home, Toyota says.

Like its cars, Toyota's lineup of homes is wide-ranging, with more than a dozen designs. There is the popular Smart Stage, a conservative, 1,000-square-foot, two-story home priced at about $200,000. Then there is the sleek, custom-built 2,600-square-foot Espacio Square for the Lexus set that sells for more than $800,000. Salespeople say nearly all home buyers are Toyota car owners.

At the Toyota Home showroom inside a Toyota-owned shopping mall near Yokohama, potential buyers are invited to step inside an earthquake simulator for a lesson in why a durable home is important in this earthquake-prone country.

Other displays focus on how Toyota's car technologies have been applied to houses, including a rustproofing process that preserves the house's steel structure for decades; a device to quiet engines that can help damp vibrations from foot traffic on the upper floors; and a single key that can be coded to open both the owner's Toyota car and Toyota home.

Toyota's home sales have risen slowly in the past three decades, peaking at just over 5,000 units in 2006 before falling to 4,600 units last year during a national slump in the housing market. This year, the company hopes to reach sales of 5,000 homes again. It has set a longer-term goal of selling 7,000 homes a year but hasn't set a specific deadline to reach that.

With sales so small and many companies trimming back unnecessary enterprises to concentrate on their core businesses, the question arises: Is this a business Toyota should be in?

Analysts say that while Toyota may realize some research benefits from its housing operations, it is hard to judge whether Toyota gains much financially from the enterprise or its other minor side businesses, including planting roof gardens, growing sweet potatoes in Indonesia and building boats.

"There are lots of places to hide in Toyota, so a wasted investment is very difficult to find on a balance sheet with so many assets," says Kurt Sanger, an auto analyst for Deutsche Bank in Tokyo.

Toyota's Mr. Morioka says the business is profitable, though he declines to give details.

Much of the unit's success will depend on a proposed law by the Japanese government that would provide tax incentives to home buyers who invest in longer-lasting homes. Most Japanese homes have a life span of just 30 years, compared with 55 years in the U.S., according to the Japanese government. Toyota guarantees its homes for 60 years, a feature that will help sales if Japanese lawmakers approve the tax break for durable homes.

Other than what it called a one-time "experiment" building a development of 50 homes near its truck plant in San Antonio in 2006, Toyota says it has no ambitious plans to build homes outside Japan. "It's way beyond what we're thinking right now," Mr. Morioka says.

—Akane Ichikawa and Naoto Okamura contributed to this article.

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