



# Japan Real Estate Market Overview

CY2019 Spring

# ■ Japan country profile

## ※Location:

An island nation in East Asia. Located in the Pacific Ocean, it borders China, North Korea, South Korea, Russia, Taiwan, the Sea of Japan, the Sea of Okhotsk, and the East China Sea.

※Area: Approximately 378,000 km<sup>2</sup>

※Population: Approximately 122.6 million

※Language: Japanese

※Capital City: Tokyo

## ※Government system:

The government system is a parliamentary government with a constitutional monarchy; the chief of state is the emperor, and the head of government is the prime minister.

※Exchange rate: 1JPY(JPY) : Approximately 0.009000 USDs(USD)  
1USD(USD) : Approximately 110 JPYs (JPY)

※Major industries: Banking, Insurance , Real estate, Retailing,  
Transportation, Telecommunications and Construction



# Major Cities

## Osaka



**Location:** Located in Kansai region, positioned in approximately the west of Japan.

**Area:** Approximately 225km<sup>2</sup>

**Population:** approximately 2 million

**Features:**

- ① Second largest city following Tokyo.
- ② Kansai International Airport, Japan's only 24-hour operating airport hub, is located.

**Topics:**

Osaka (Yumeshima) will host the World Expo 2025.

## Tokyo



**Location:** Located in the southern Kanto region, positioned in approximately the center of the Japanese archipelago.

**Area:** Approximately 627km<sup>2</sup>

The "central" area is divided into 23 special wards.

**Population:** Approximately 9 million

**Features:**

- ① The political, economic, and cultural hub of Japan.
- ② Government offices, corporations(headquarters), and commercial facilities are concentrated in the heart of Tokyo.

**Topics:**

Tokyo Olympic 2020 will be held.



# Fukuoka



**Location :** Located in the South of Japan.

**Area :** Approximately 343km<sup>2</sup>

**Population :** Approximately 1.5million

**Features:**

Known as an Asian business hub.

Close to markets in China's coastal regions and Korea.

**Topics:**

Fukuoka is the designation of National Strategic Special Zone for Global Startups and Job Creation by the national government.

# Sapporo



**Location :** Located in the North of Japan.

**Area :** Approximately 1,121km<sup>2</sup>

**Population :** Approximately 1.9 million

**Features:**

Japan's largest call center hub.

**Topics:**

Sapporo is developing toward its bid for the Olympic Games in 2026.

# Nagoya



**Location :** Located almost at the center of Japan.

**Area :** Approximately 326km<sup>2</sup>

**Population :** Approximately 2million

**Features:**

The hub of Japanese manufacturing industries.

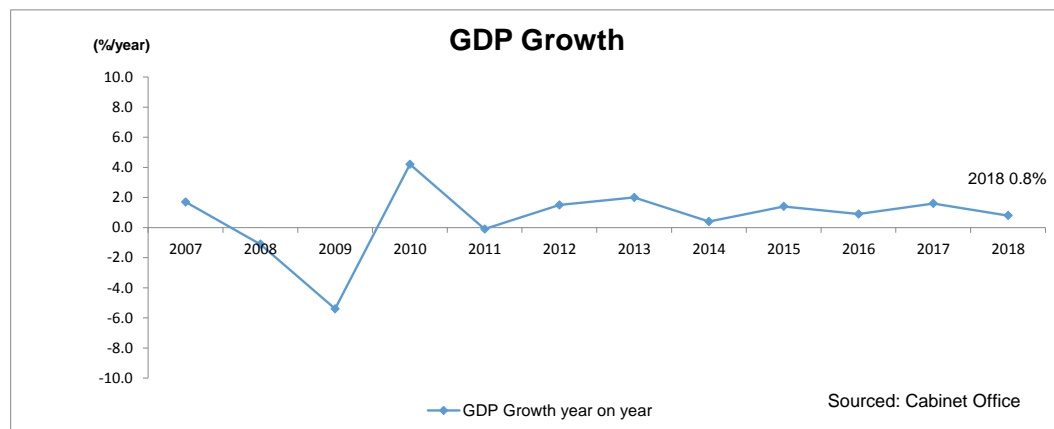
**Topics:**

The headquarter of Toyota Motor Corporation is located.

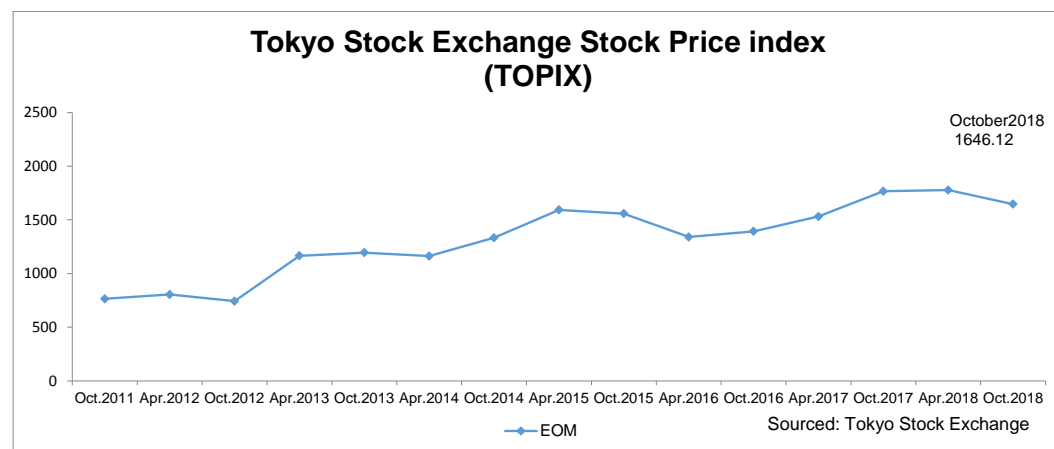
# Japanese Economic Condition

**Japan has the world's third-largest economy.**

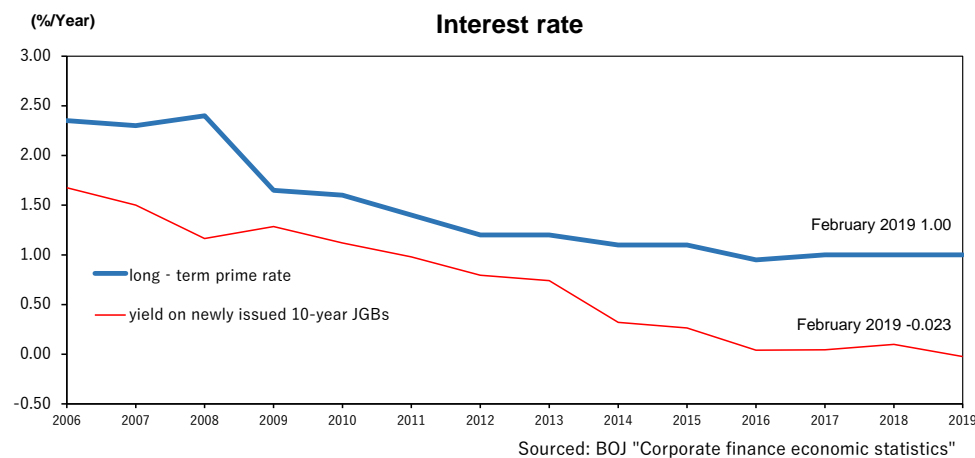
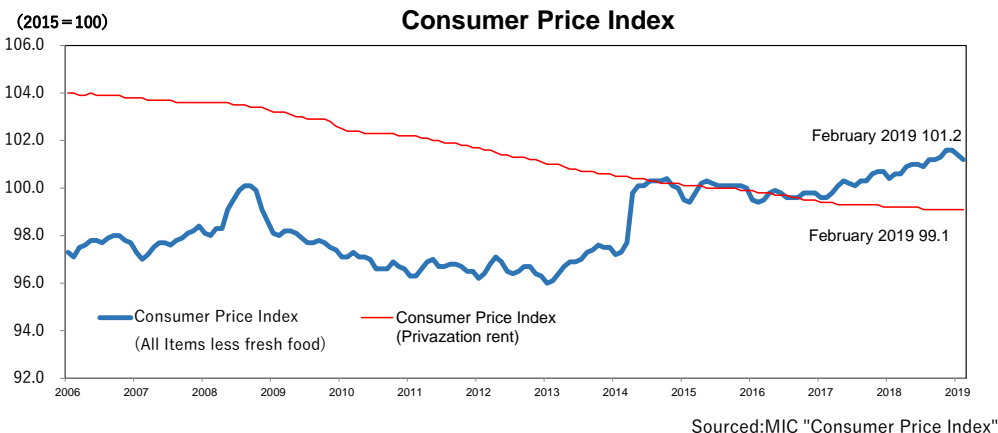
**Japan's economy is likely to continue its moderate expansion.**



According to Bank of Japan, Japan's economy is likely to continue on an expanding trend throughout the projection period -- that is, through fiscal 2021--despite being affected by the slowdown in overseas economies.

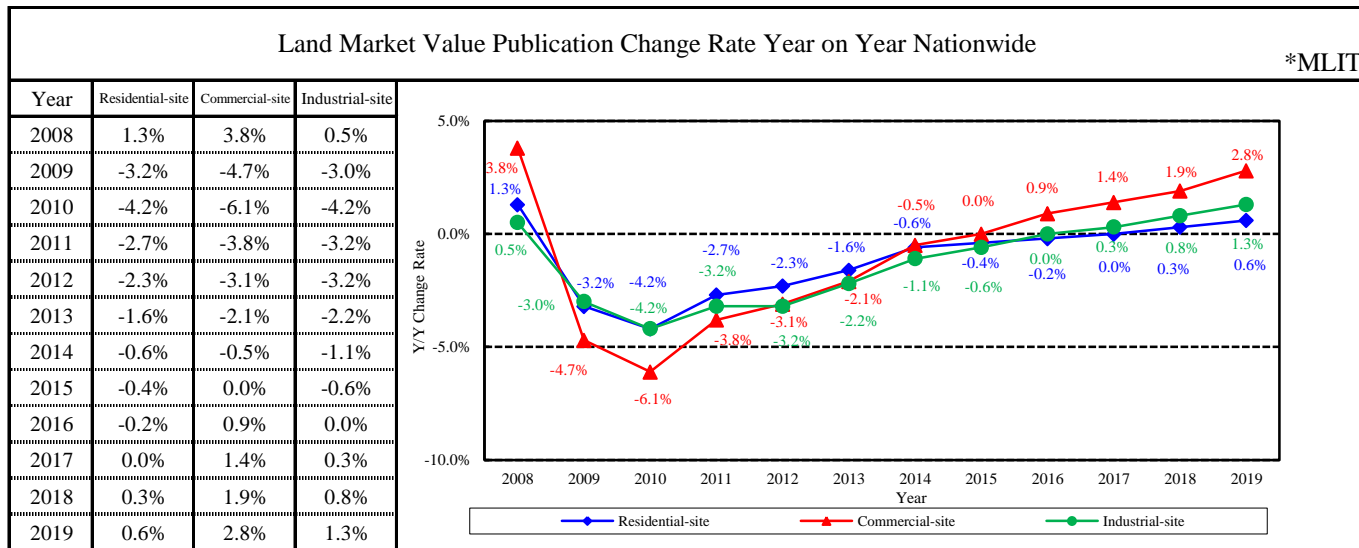


Domestic demand also affected by the consumption tax hike increased on the back of highly accommodative financial conditions and support from government expenditures.



The year-on-year rate of change in the CPI (all items less fresh food) has been positive, but has remained relatively weak compared with the expansion of the economy and tightening of labor market conditions. Behind the fact that the rise in the inflation rate takes more time than the improvement in the economic. Employment situation is the persistence of ideas and practices based on the negative thoughts due to the long-term experience of low economic growth and deflation. However, firms' stance gradually will shift toward further raising wages and prices. Households' tolerance of price rises will increase. In this situation, further price rises are likely to be observed widely and then medium- to long-term inflation expectations are projected to rise gradually. As a consequence, the year-on-year rate of change in the CPI is likely to increase gradually toward 2 percent.

# Japanese Real Estate



## 【1-year land market value since January 2018】
















On the national average, the average for all uses has risen for four consecutive years, and the rate of increase has also been expanding for three consecutive years.

Residential-site increased for two consecutive years, commercial-site increased for four consecutive years, and industrial-site increased for three consecutive years with each showing a stronger upward trend.

### ※Land Market Value Publication

The Land Appraisal Committee under the MLIT publishes those market values per square meter of standard sites as of January 1 every year, which have been assessed by the Committee on the basis of real property appraisal. 26,000 standard sites were selected across the country by the Committee in 2018. The Land Market Value Publication has provided basic information about the land market in Japan since 1970.

# Real Estate Weather Forecast

	Current	1st Half of 2019	2nd Half of 2019
	End of Dec.2018	Jan.-Jun.2019	Jun.-Dec.2019
All Use	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Office	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Residence	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy
Retail	 Cloudy	 Cloudy	 Cloudy
Logistics	 Sunny partly cloudy	 Sunny partly cloudy	 Sunny partly cloudy

The Real Estate Weather was “Sunny partly cloudy” for the all use at the end of December2018.

The forecasts for the 1<sup>st</sup> half of 2019 and the 2<sup>nd</sup> half of 2019 were “Sunny partly cloudy” as well.

The weather forecasts for retail were “cloudy” as of the end of December 2018 and the whole term of 2019.

For all other uses were "Sunny partly cloudy" as of the end of December 2018 and the whole term of 2019.

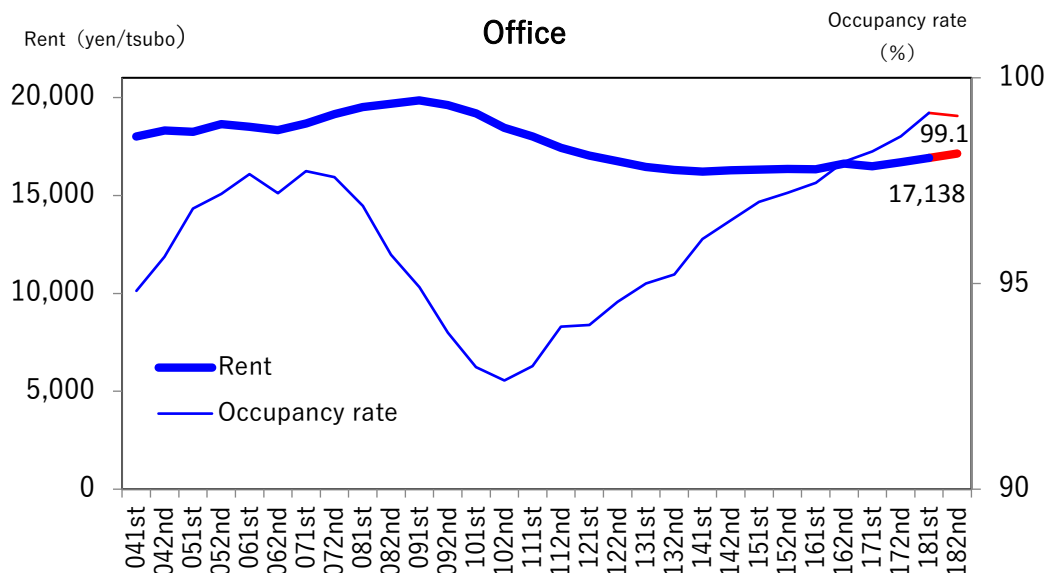
## ◆What’s “TMAX Real Estate Weather Forecast”?

The standard property (250 properties in this survey) is extracted from the property owned by J REIT, and the NOI (Net Operating Income) is forecast for each property from the present to the present to six months and from the seventh to the twelfth months, and the deviation from the standard NOI, which is expected to be stable in the medium to long term, is expressed qualitatively in terms of the outlook for the real estate market based on the weather chart. This report presents weather as of the end of December 2018 and weather forecasts for the first half of 2019 (January to June 2019) and the second half of 2019 (July to December 2019)

Sourced TMAX Valuation



# Office



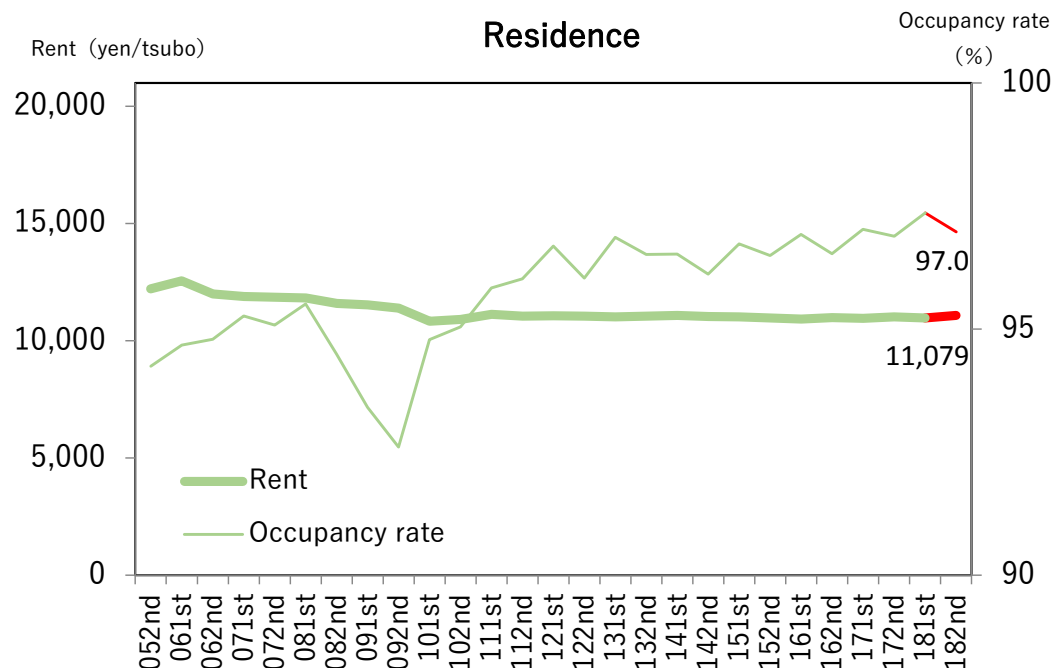
The occupancy rate of the 2<sup>nd</sup> half of 2018 was 99.1% same as that of the 1<sup>st</sup> half of 2018, which has remained high level. Actual rents also trended upward, reflecting current market rent increasing.

## ◆ Overview

The vacancy rate in the five metropolitan wards declined from 2.57% as of June 2018 to 1.88% as of December 2018 (Miki Shoji Office Data). The decline in the vacancy rate is still driving the rise in rent, and the NOI is expected to increase slightly. Corporate performance is robust, and also office demand in the metropolitan area and central metropolitan areas is robust. The ratio of active job openings to active job applicants continued to be at a high level of 1.63 in December 2018. The new office supply in 2019 was approximately 229,000 tsubo (rentable area basis) in 23 wards of Tokyo. There are some buildings whose tenants are predetermined prior to completion. In the major regional cities (Sapporo, Sendai, Nagoya, Osaka, and Fukuoka), there is a very small supply of new offices. The vacancy rate is low in all five cities, and the rise in rent is expected to continue due to tight supply-demand conditions.

Sourced TMAX Valuation

# Residence



The occupancy rate was 97.0% in 2<sup>nd</sup> half of 2018, hovering at around 97% recently with slight fluctuation. The rent has remained flat since the 2<sup>nd</sup> half of 2010, and there has been little change.

## ◆Overview

According to the statistics on housing starts by the Ministry of Land, Infrastructure, Transport and Tourism, the number of rental housing starts in the six-month period from July to December 2018 was approximately 208,000, which declined 4.6% year on year. The increase in vacancy rates due to the easing of supply and demand is expected to stop. While the declining birthrate and aging population and the declining population in rural areas may be a cause for concern in the rental housing market, the demand for rental housing in urban areas is stable as the population in special wards of Tokyo and rural urban areas continues to exceed their migration and the number of households continues to increase.

Sourced TMAX Valuation

# ■ Retail

## ◆ Overview

The number of local department stores and general merchandising supermarkets is increasing due to sluggish sales caused by competition in commercial facilities and increased competition between EC and real stores.

Large retailers have chosen and concentrated management resources, and the withdrawal of unprofitable stores has also been relentlessly carried out at core stores, contributing to the decline in NOI.

According to METI's Census of Commerce, sales for the six months from July to December 2018 by type of business amounted to 3.3 trillion yen for department stores (down 2.8% y-o-y), 6.8 trillion yen for supermarkets (up 0.1% y-o-y), and 6.2 trillion yen for convenience stores (up 2.1% y-o-y). Department stores are affected by a decrease in floor space due to closure, and same-store sales are flat. The supermarket is compensating for the slump in clothing due to strong food sales. The number of foreign visitors to Japan from July to December 2018, which had a major impact on the retail industry, continued to increase to 15.29 million (up 2.4% from the same period a year earlier), although the Kansai International Airport was closed in September due to Typhoon 21. Consumption of foreign tourists visiting Japan in 2018 reached a record high of 4.5 trillion yen, with shopping costs rising to 1.3 trillion yen.

# ■ Logistics

## ◆ Overview

According to JLL's Tokyo Logistics, the vacancy rate of logistics facilities in the Tokyo metropolitan area increased from 4.4% at the end of June 2018 to 5.1% at the end of September 2018 due to the impact of new supplies, but dropped to 4.1% at the end of December 2018. Demand for logistics facilities is expanding due to the expansion of EC demand.

In the Tokyo metropolitan area, in particular, inquiries are increasing in the bay area close to the final consumer area and the area around the outer ring road.

# ■ Hotel

## ◆ Overview

Towards the 2020 Tokyo Olympic and Paralympic Games and the Inbound of 40 million people, the hotel's opening rush has reached its peak, and there are still vigorous moves to establish and renovate the hotel.

According to Japan Tourism Agency (JNTO), the number of visitors to Japan in 2018 reached approximately 31.19 million (up 8.7% from the previous year). That is a record high. By country, China stood at 8.38 million, reaching the 8 million mark for the first time in all markets, and Thailand stood at 1.13 million, surpassing 1 million for the first time in Southeast Asia. As a result, China reached a record high in 19 markets except Hong Kong. The environment surrounding the hotel sector is generally in good condition. Considering the progress of various environmental developments toward the Tokyo Olympic and Paralympic Games (2020), it is expected that the inbound will continue to be on an increasing trend in the future. However, attention must be paid to the exchange rate trends and changes in the global situation.

# ■ Healthcare

## ◆ Overview

Since the Lehman shock, the market for securitized real estate transactions has been shrinking. But the market has been active in recent years, and the base of properties traded has been expanding continuously.

With regard to health care assets such as fee-based homes for the elderly, which have reached the world's highest level, the Ministry of Land, Infrastructure, Transport and Tourism presented the "Guidelines for the Utilization of Healthcare Athletes for the Elderly" in June 2014 in response to the advent of a declining birthrate and aging society in Japan. The environment for the REITs that trade in healthcare facilities is being developed. In FY2014-2015, three health care specialty REITs were listed, and property acquisition in these REITs has been observed. The market is being expanded. In addition to these health care-oriented REITs, there have been a number of housing-type REITs and comprehensive REITs that have been acquired these days.



If you would like to know

further information,

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