



JAPANESE REAL ESTATE MARKET, TODAY



To the Next Stage!
trusted to stable growth

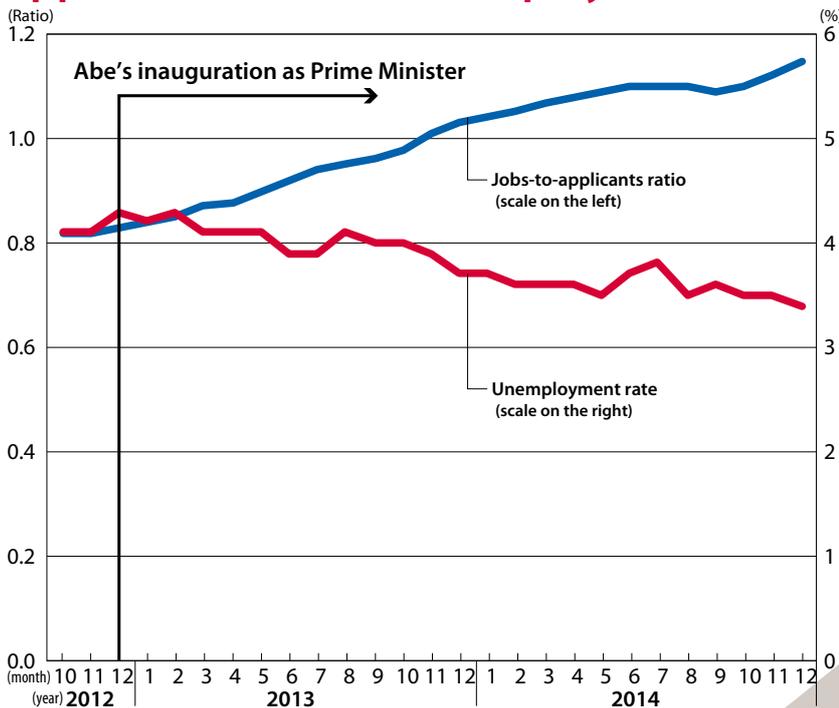
Carrying out structural reform of Japanese economy

Structural reform that enables sustainable growth of Japanese economy

Sustainable economic growth is made possible by the so-called “three arrows”: “Bold monetary policy,” “Flexible fiscal policy,” and “Bold, speedy growth strategy.”

Japan promotes foreign direct investment in Japan by being “the best country in the world in which to do business.”

[Figure] Japan’s Economy Track: jobs-to-applicants ratio and unemployment rate



NOTE: Both are seasonally adjusted values

SOURCE: Ministry of Health, Labour and Welfare, and Ministry of Internal Affairs and Communications

1. Monetary policy

The Bank of Japan introduced quantitative and qualitative easing in April 2013, aiming to “achieve the inflation target rate as soon as possible, that is, within about two years.”

Bold monetary policy

Monetary easing to increase the amount of money in circulation and eliminate the deflationary mindset

First arrow

2. Fiscal policy

Along with the implementation of its agile financial policy, Japan intends to achieve a surplus in its primary balance by 2020

Flexible financial policy

The government’s initiative to ignite the dampened demand by formulating economic stimulus packages

Second arrow

3. Growth strategy

Through the “Japan revitalization strategy,” the Japanese government will boost the “earnings power” of the Japanese economy to keep the positive economic cycle rotating. The following are some examples of relevant measures:

- Corporate tax reform

The effective corporate tax rate will be reduced to the twenties (%) in several years

- Stimulation of financial and capital markets

The portfolio of the Government Pension Investment Fund (GPIF) was reviewed in October 2014, adopting a new policy asset mix

- Utilizing of National Strategic Special Zones

Six areas have been designated as National Strategic Special Zones, including the base area for global business innovation with exceptional relaxation of floor area ratios and urban planning (Greater Tokyo Area) and the base area for medical innovation (Kansai Area). Thus, the growth of the Japanese economy is powerfully promoted

Bold, speedy growth strategy

Aiming not only to secure Japan’s medium to long-term growth in the global community but also to restore vigor in regional communities and allow individual citizens to feel affluent

Third arrow

Sustainable economic growth (increase of wealth)

Gross domestic product*1 : growth rate 3%*2

*1 Total amount of value added created domestically *2 Average value in the coming 10 years including the impact of price fluctuations

REFERENCE: Prime Minister of Japan and His Cabinet “Japan Revitalization Strategy”, “Abenomics is Progressing!”, and Bank of Japan

Flexible planning for national land by taking advantage of local community diversity and co-operation

Our national land vision plans to deal with issues and trends affecting Japan

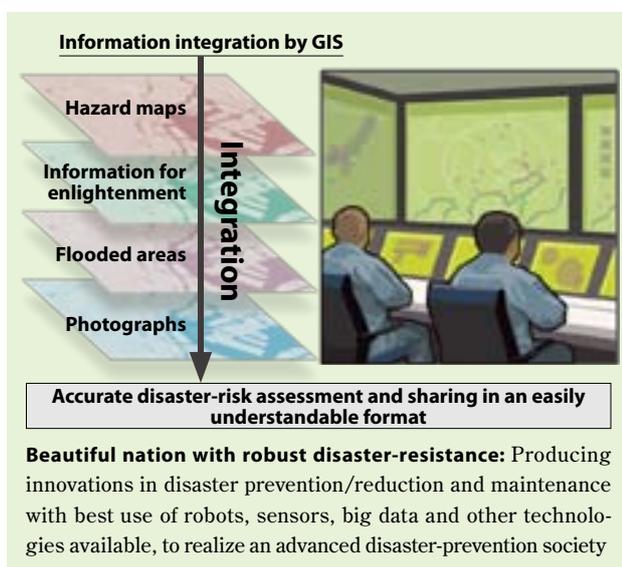
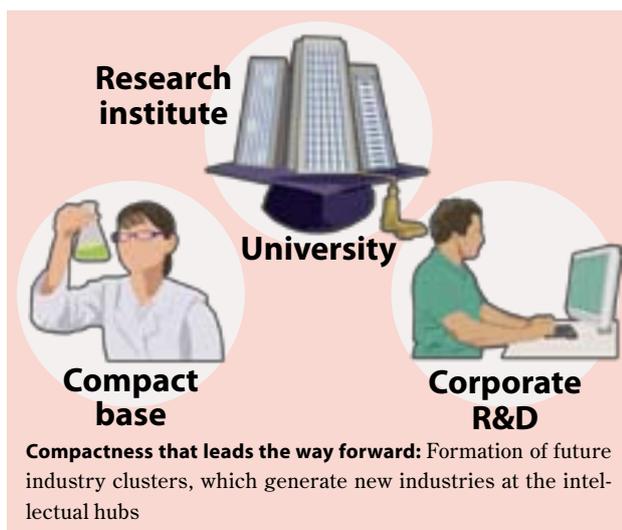
In July 2014, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) formulated the “Grand Design of National Spatial Development toward 2050.” Targeting the year 2050, the planning of national land has started under the keyword of Compact + Network.

*MLIT is the ministry responsible for the comprehensive and systematic utilization, exploitation and conservation of national land, consistent maintenance of infrastructure for these regards, promotion of transport policy, development of meteorological services, and maritime safety and security.

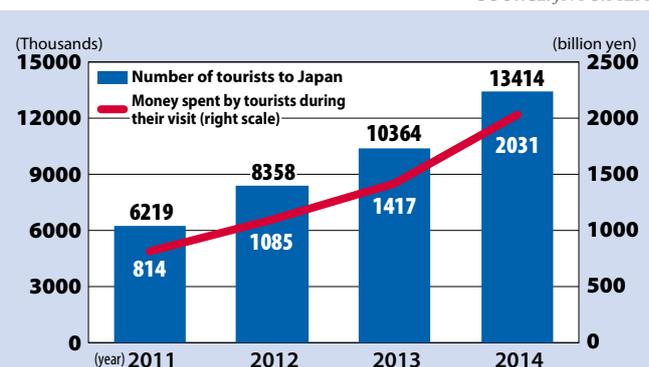
Keyword is <Compact + Network>

- Concentration of the functions necessary for everyday life in a specific area to realize efficiency (= attainment of compactness)
 - Regional cooperation beyond municipal boundaries to provide urban services (functions) of higher level (= creation of network)
 - Realization of high-density interaction between people, goods and information to bring about innovations
- Through <Compact + Network>, **creation of national land with enhanced “productivity” of the country as a whole**

An example of basic strategies



SOURCE: JNTO/MLIT



Building a tourism nation allowing visitors to experience Japan’s appeal: Local communities vitalized by discovering and cherishing their own treasures proudly and lovingly, based on thinking about what is tourism

Both the number of foreign tourists to Japan and their spending during their visits hit record highs!

- A total of **13,414,000** foreign tourists to Japan in 2014, a **year-on-year increase of 29.4%**
- A total of **¥2,031 billion** worth of spending (estimate) by foreign tourists to Japan in 2014, a **year-on-year increase of 43.3%**

SOURCE: Japan Tourism Agency

The following are prioritized measures to create local tourist attractions comparable not only with Tokyo but also any other places in the world, which can lead to a marked increase in the number of inbound tourists:

- ✓ Construct a welcoming environment for foreign tourists
- ✓ Encourage to attract/host MICE and give foreign entrepreneurs a chance to see business potential
- ✓ Promote ubiquitous use of multiple languages in road signs, tourist information guides/centers or the like

REFERENCE: MLIT “Grand Design of National Spatial Development toward 2050”

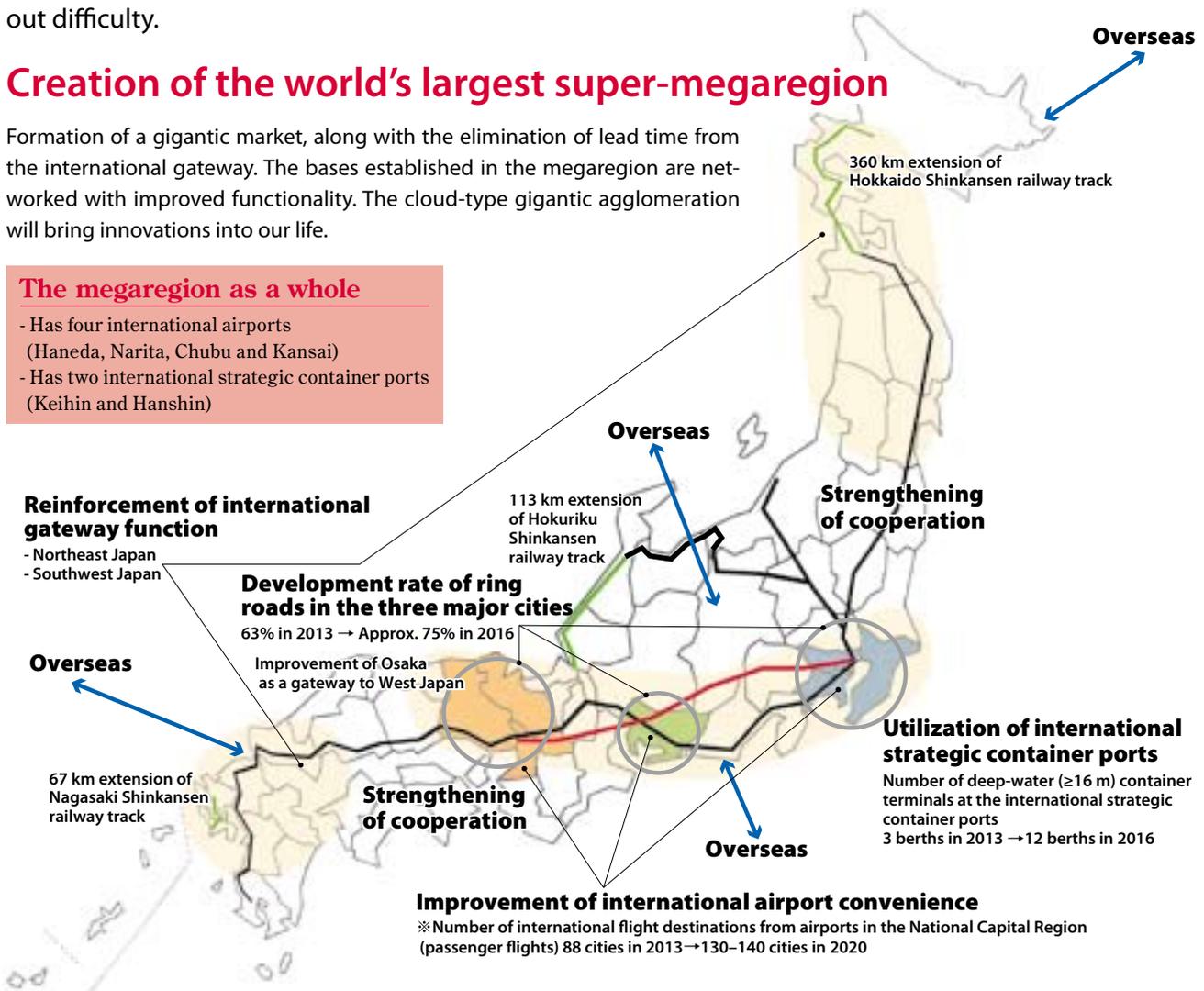
Construction of global business cities open to the world

Formation of super-megaregion

The three major cities in Japan (Tokyo, Nagoya and Osaka) will be interconnected by the Linear Chuo Shinkansen, forming the world's largest super-megaregion with 67,600,000 inhabitants. This urban agglomeration, as the "setting" in which people and goods of domestic or foreign origin come and meet, will bring innovations into our life. More people, goods, money and information from all over the world will head to this region, further propelling the engine of the Japanese economy. Global competitiveness will be strengthened by enabling the smooth international flow of people and goods (facilitation of gateway function) and creating an environment in which foreign residents can live without difficulty.

Creation of the world's largest super-megaregion

Formation of a gigantic market, along with the elimination of lead time from the international gateway. The bases established in the megaregion are networked with improved functionality. The cloud-type gigantic agglomeration will bring innovations into our life.



The megaregion as a whole

- Has four international airports (Haneda, Narita, Chubu and Kansai)
- Has two international strategic container ports (Keihin and Hanshin)

Reinforcement of international gateway function

- Northeast Japan
- Southwest Japan

Development rate of ring roads in the three major cities

63% in 2013 → Approx. 75% in 2016

Improvement of Osaka as a gateway to West Japan

Strengthening of cooperation

Strengthening of cooperation

Utilization of international strategic container ports

Number of deep-water (≥16 m) container terminals at the international strategic container ports
3 berths in 2013 → 12 berths in 2016

Improvement of international airport convenience

※ Number of international flight destinations from airports in the National Capital Region (passenger flights) 88 cities in 2013 → 130-140 cities in 2020

Ranking of urban population (January 2015) (Unit: 10 thousands)

Tokyo · Osaka · Nagoya 6760

Compiled by MLIT based on the "Thomas Brinkhoff; Major Agglomerations of the World (<http://www.citypopulation.de/>)."

1 Tokyo	3940	...	13 Beijing	2030	...	29 Tianjin	1110
2 Guangzhou	3430		14 Osaka	1780		30 Nagoya	1040
3 Shanghai	3020		15 Los Angeles	1740		31 Kinshasa	1030

REFERENCE: MLIT "Grand Design of National Spatial Development toward 2050", and "Basic Plan on Transport Policy"

Transforming Tokyo as a Global Business City

Tokyo, as Japan's economic engine, must succeed in an increasing global competition with other cities. By effectively utilizing its National Strategic Special Zones designation, Tokyo aims to improve the global business environment and create a hub for medical/pharmaceutical innovation.

FIGURE : Major international business hub project



Global business hub coupled with enhanced transport junction capabilities

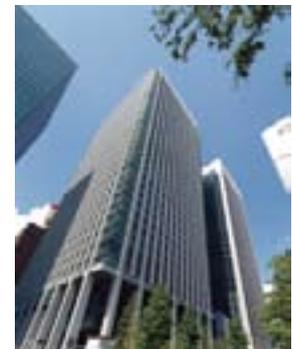
- A** Yaesu Area (Tokyo Station)
- B** Shinagawa Station
- C** Toranomon Area

Enhanced MICE capabilities that accommodate increasing number of foreign visitors

- D** Otemachi 1-chome Area
- E** Roppongi Area
- F** New Tokyo Waterfront Subcenter

Diverse business transaction hub including global financing and contents services

- G** Otemachi-Tokiwabashi Area
- H** Hibiya Area
- I** Takeshiba Area
- J** Haneda Airport Empty Lot



SOURCE: material provided by Mitsubishi Estate

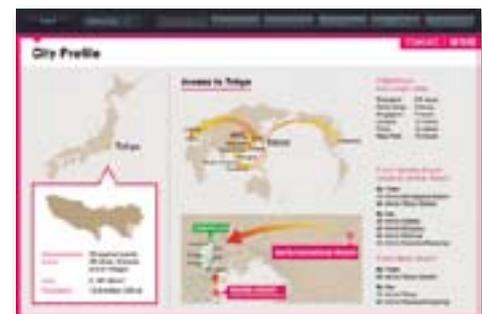
SOURCE: Tokyo Metropolitan Government / NOTE: Based on the assumption of acquiring permission by City Planning Act
MAP: Nikkei Architecture January 10 2015



SOURCE: material provided by Mori Building

One example is Toranomon Hills, a public-private skyscraper project built in the Toranomon district (C) in May 2014. Employing a multi-level road system that allows use of space both above and beneath the road, building development and the construction of Loop Road No. 2, the artery that connects Shinbashi and Toranomon districts, proceeded in concert. The completion of this project is expected to contribute significantly to the dramatic transformation of Shinbashi/Toranomon districts as a global business hub that attracts diverse corporations and talents and to the creation of a new international urban center as the first step in a series of Tokyo revitalization initiatives for the 2020 Tokyo Olympics.

Major projects for building global business bases



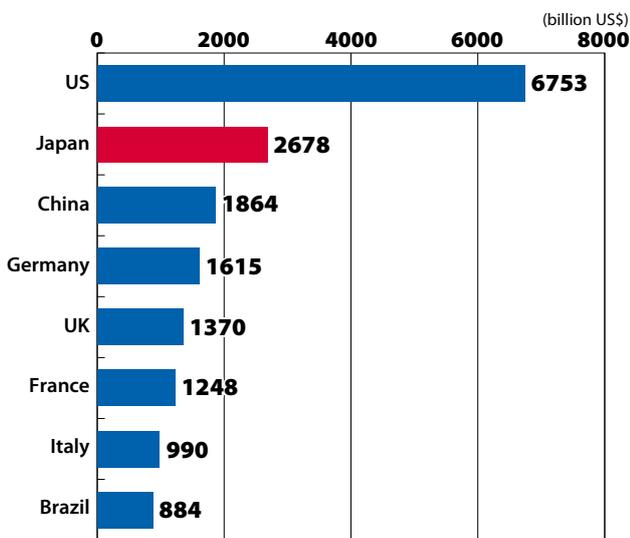
For the latest urban development projects, which are currently under way in Japan, information is also available at the following website:
<http://urban-projects.jp/>

Japanese real estate market is huge and stable

World-class investment opportunities await in Japan

The market size of Japanese real estate investment is the second biggest in the world. There is still room for further expansion of the market. Even in the market cooling period following the Great Recession, the income from Japanese real estate was steady. In addition to being politically stable, Japan has no differences in system application between domestic and overseas investors in terms of real estate transactions.

[Figure] Second-Biggest Real Estate Investment Market: Market Volume of Institutional-Grade Commercial Real Estate



SOURCE: Prudential Real Estate Investors "A Bird's Eye View of Global Real Estate Markets: 2012 Update"

[Figure] Restrictions on purchase of Japanese Real Estate

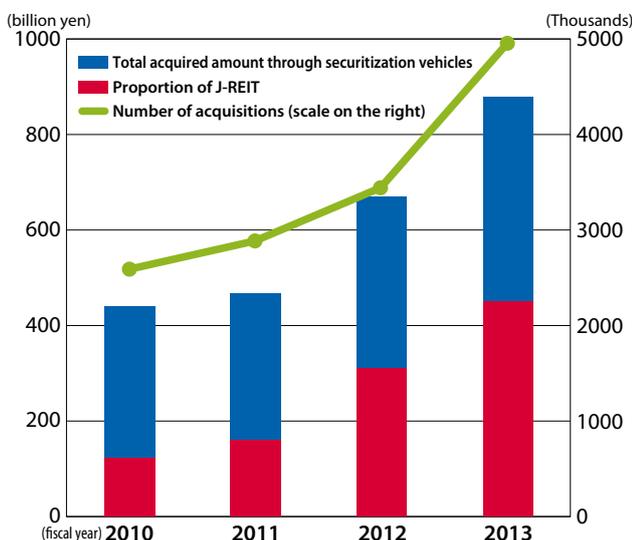
- Can foreigners/foreign companies purchase real estate?

- Can foreigners/foreign companies purchase real estate without restrictions despite the type of real estate?

- Can foreigners/foreign companies own real estate?

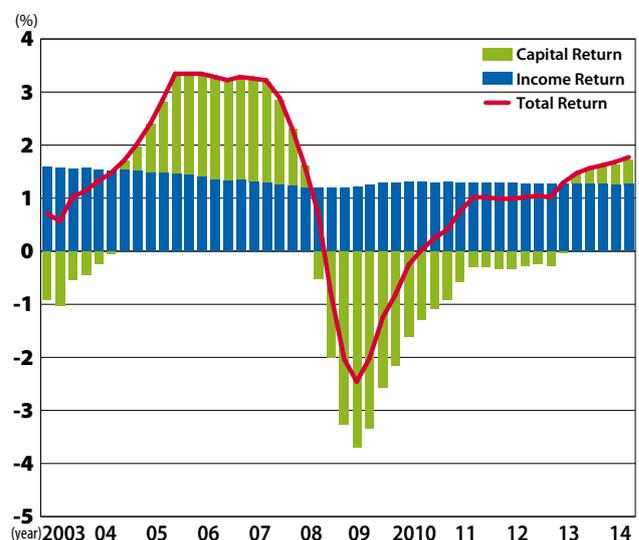
- Is it possible to trade real estate without the public notice of transactions, etc.?

[Figure] Expansion of Real Estate Investment Market: Real Estate or Assets of Trust Beneficiary Right Acquired as Securitized Real Estate



SOURCE: MLIT

[Figure] Stable Income Return: Beginning Market Value-weighted Average Quarterly Return of the Properties



SOURCE: The Association for Real Estate Securitization "ARES Japan Property Index"

Continuing effort to popularize Japanese properties with excellent environmental performance

In Japan, there are an increasing number of buildings with high environmental performance regarding energy conservation and CO2 reduction, enabled by environmental technologies such as thermal insulation, highly efficient air conditioning and LED lighting. The performance indicators by rating tools to value these properties such as CASBEE and BELS are becoming very well organized, improving the data necessary for property selection. Green leases are also promoted. These measures heighten the property value and improve the quality of both new and existing buildings.



Kashiwa-no-ha Smart City, realizing energy efficiency through cooperation with communities

SOURCE: material provided by Mitsui Fudosan



Otemachi and Marunouchi business districts, with successive upgrading of the latest buildings

SOURCE: material provided by Nikkei Business Publications, Inc.

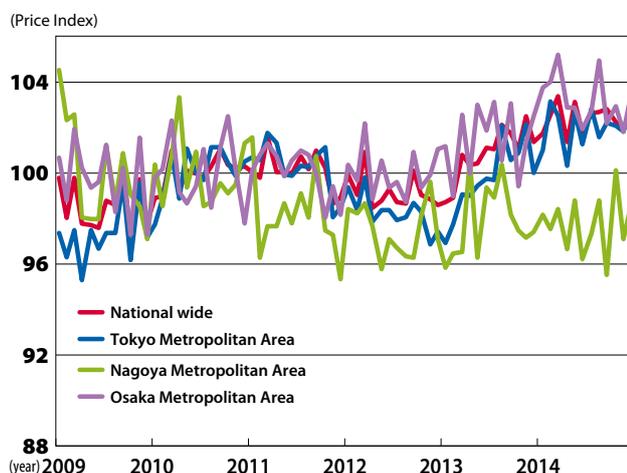
USEFUL WEBSITES [Green Building Online Portal] <http://tochi.mlit.go.jp/greenbuilding/kankyo/english/index.html>

Improvement of transparency in Japanese real estate market

Real estate price index based on international guidelines

The residential real estate price index on a transaction price basis has been made publicly available since 2012. Being based on international guidelines, it can be compared with other countries. The price index of commercial real estate such as offices is under development. Improvement in the availability of relevant data will bring greater transparency to the Japanese real estate market.

Real Estate Price Index (Residential)



SOURCE: MLIT

Other data examples, provided by public institutions

- Posted land price and municipal land price survey
- Real estate price index (residential)
- Information on real estate transaction prices
- Number of new housing starts and floor area

Data by private sector is also extensive

- Urban land price index
- House price index according to repeat sales method
- Office rents and vacancy rate in major cities
- Condominium sales and contract rate
- Changes in shop lease prices in major business areas
- Capitalization rates for investors in major real estate markets...

SOURCE: Japan Real Estate Institute, Miki Shoji, and Real Estate Economic Institute Co., Ltd., etc.

USEFUL WEBSITES [LAND AND PROPERTY IN JAPAN] <http://tochi.mlit.go.jp/english/>
[e-Stat (Portal Site of Official Statistics of Japan)] <http://www.e-stat.go.jp/SG1/estat/eStatTopPortalE.do>



Published by : Land Economy & Construction Industries Bureau
Ministry of Land, Infrastructure, Transport and Tourism

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HP: <http://www.mlit.go.jp/en/index.html>

[Matters to note regarding this material]

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Questions about measures for internationalization of real estate, please contact us.
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