

JAPAN PROPERTY MARKET



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DIRECTOR*

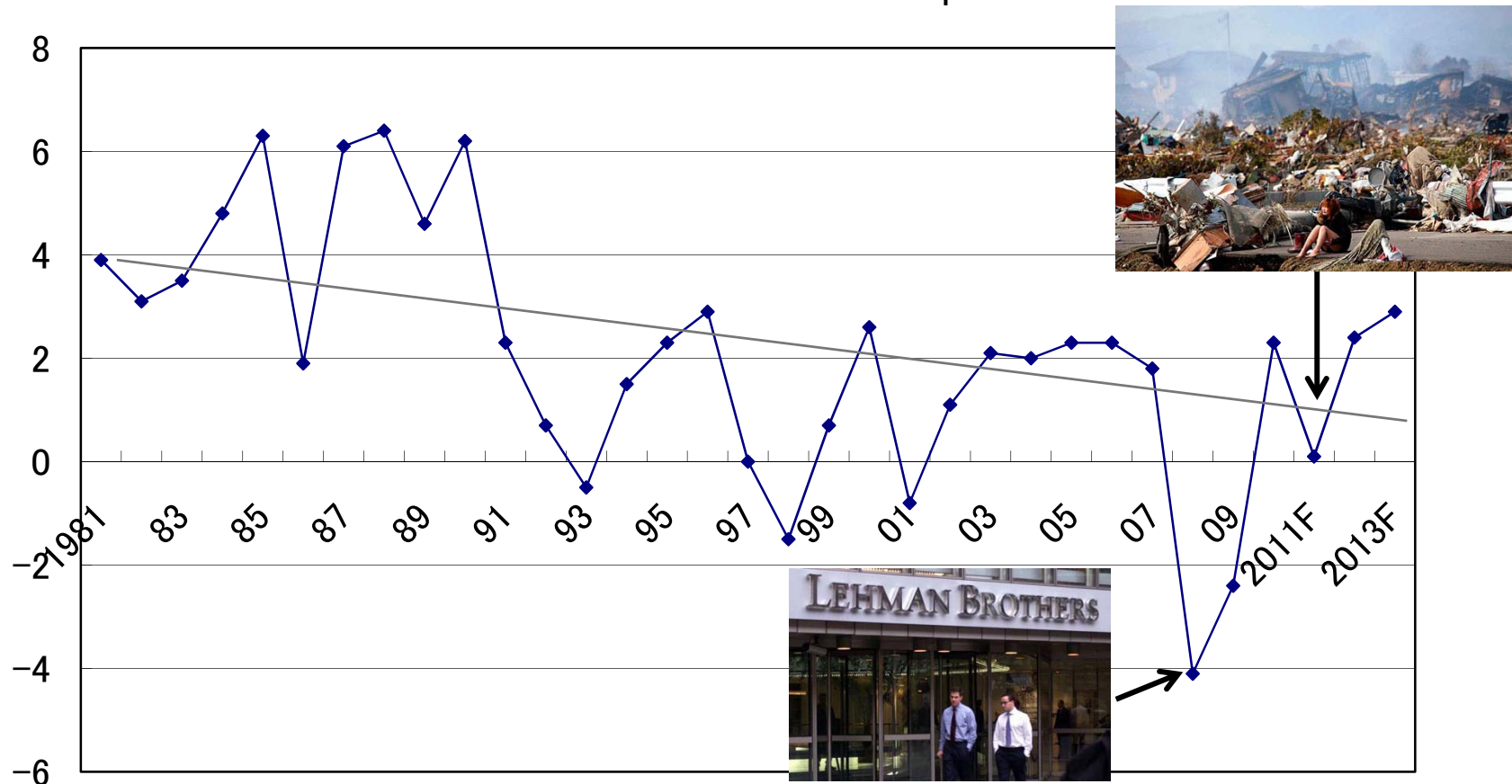
GLOBAL REAL ESTATE CONSULTING CO., LTD

17TH ASEAN VALUERS ASSOCIATION PRE-CONGRESS

1-1 ECONOMY / GDP DECREASING

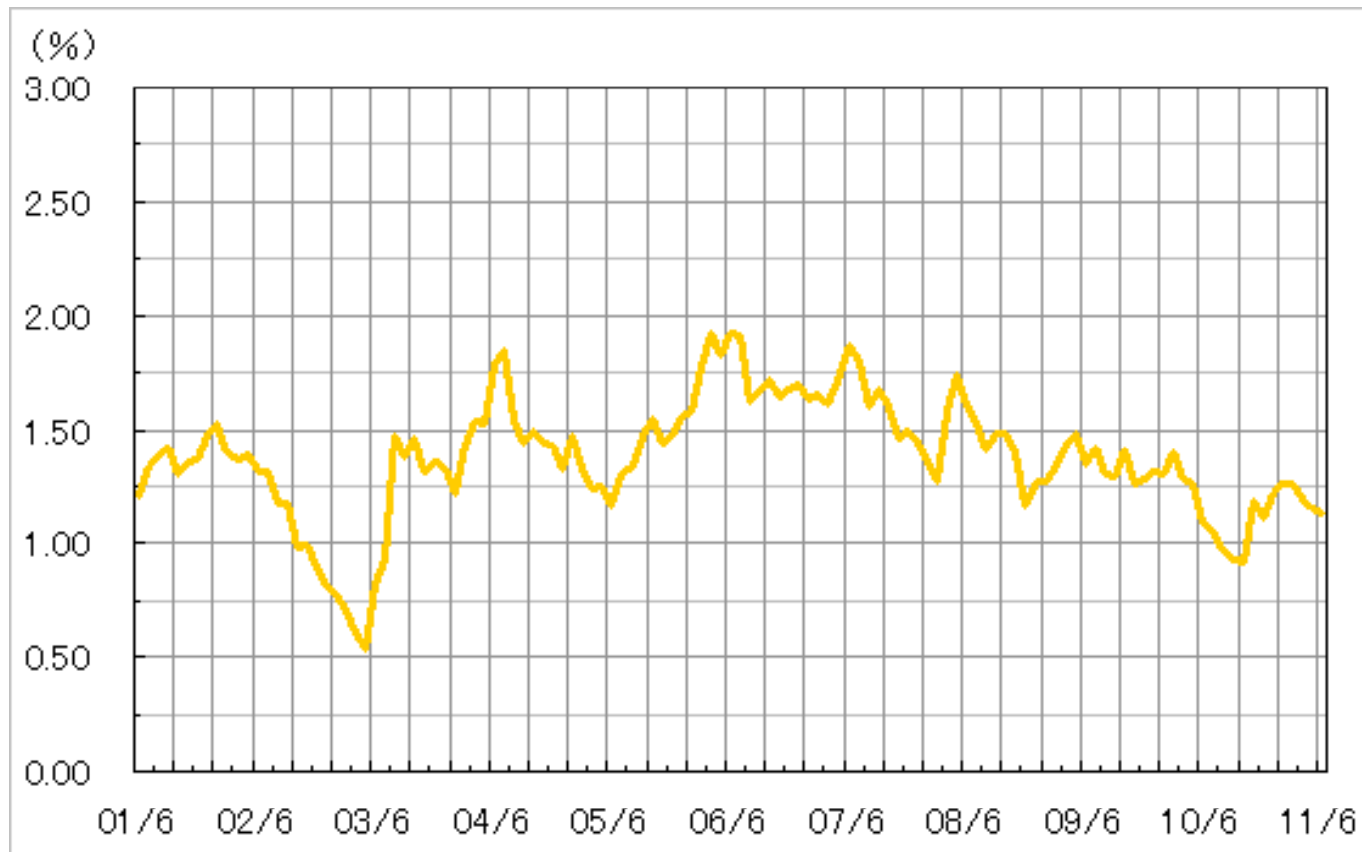
- **Slow growth rate**
- **Earthquake in March would slash GDP to 0.1% in 2011**
- **Earthquake recovery demand would plus 0.5% in 2012 - 13**

GDP Growth Rate Japan



1-2 LOW INTEREST RATE

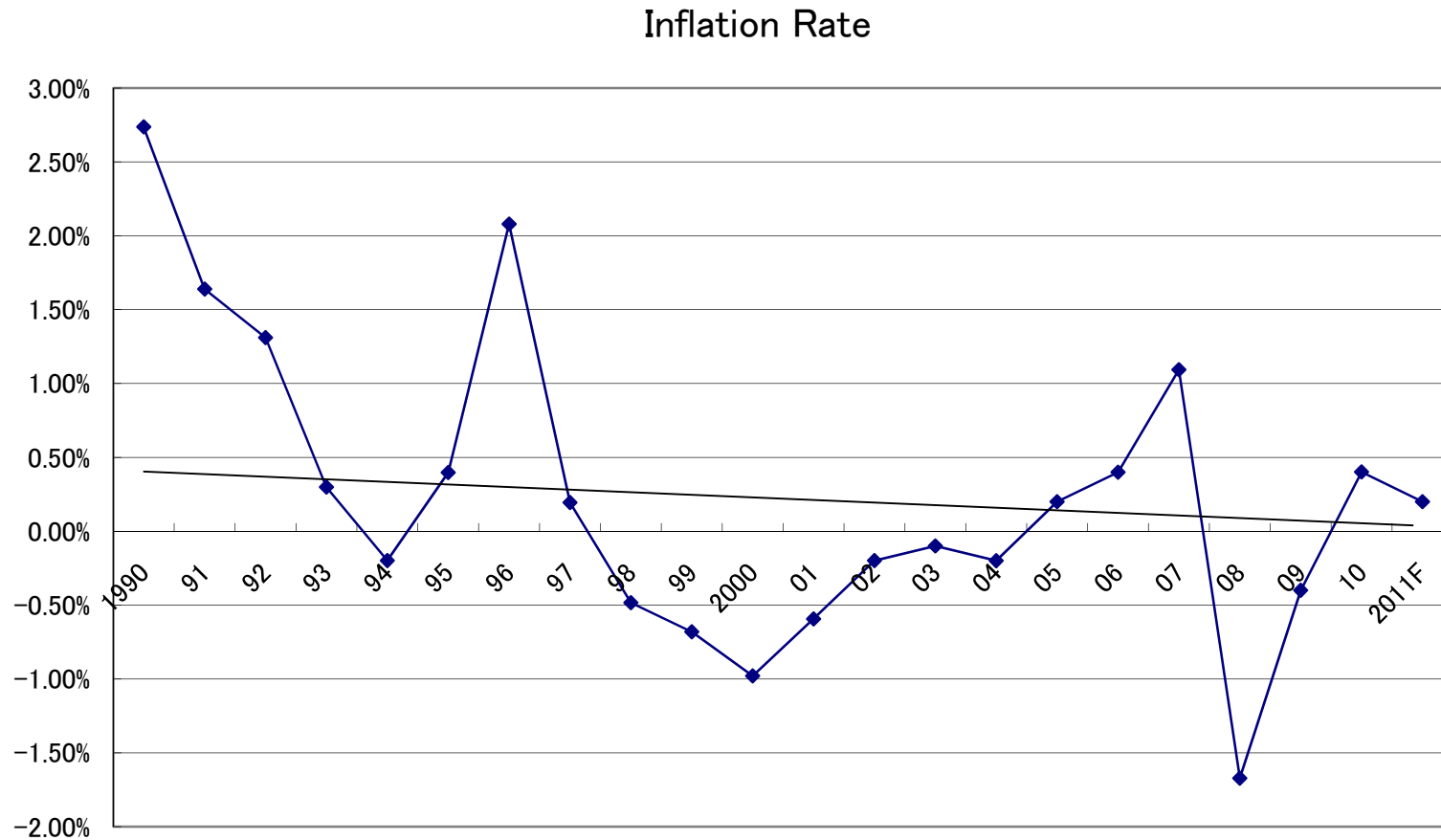
- **Japanese Government Bond, 10 Years Maturity**
- **Keep low interest rate between 0.5% and 2.0% for ten years**



Source: Japan Bond Trading

1-3 LOW INFLATION RATE

- **Consumer Index**
- **Average of 10 years is -0.2%**



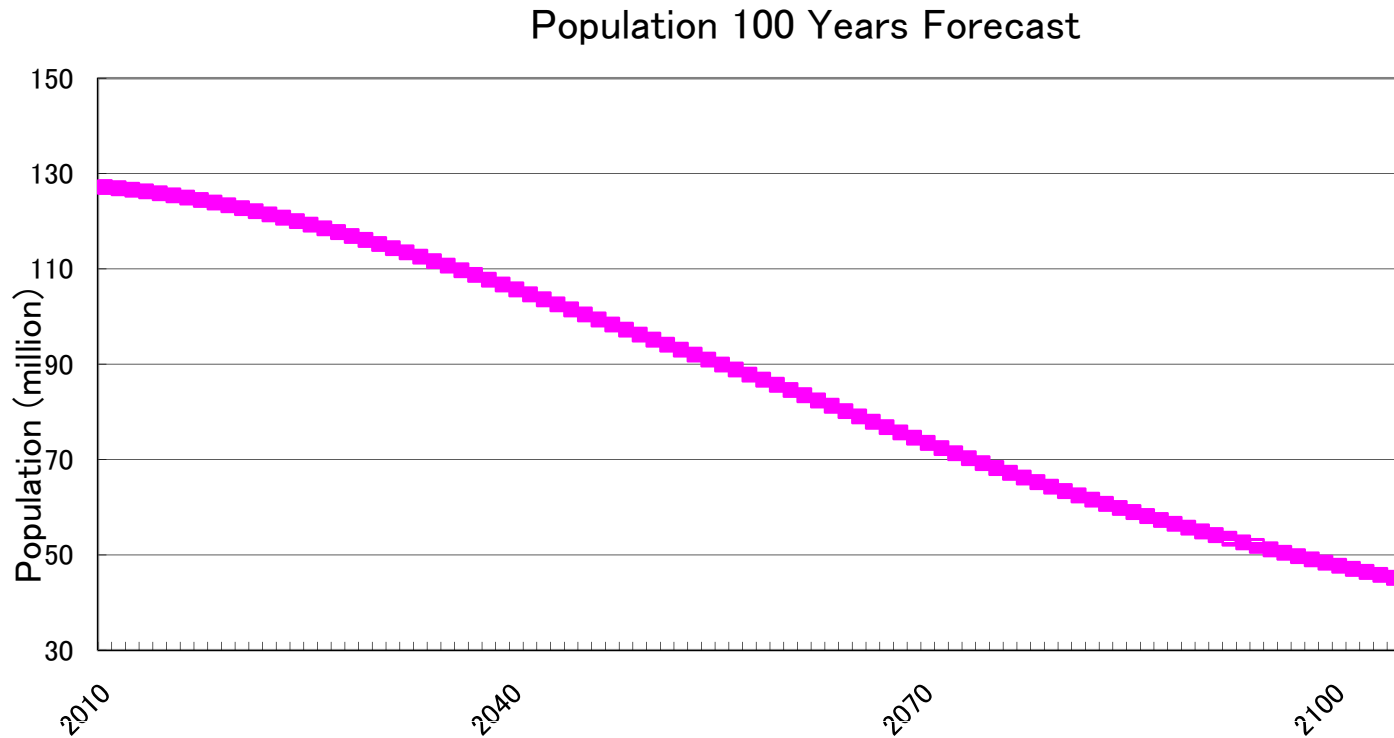
Source: Japan Statics Bureau of Japan

1-4 LATEST ECONOMIC CONDITION (MONTHLY GOV. REPORT)

- **The overall economic condition is still bad after the earthquake , however, there is a sign of upward trend.**
- **It is expected that the economy would recover because;**
 - Supply chain is getting back to normal and production activity is recovering
 - Oversea economy especially Asian countries would lift Japanese economy
- **The risks of economy are;**
 - Electricity supply limit
 - Nuclear disaster
 - Increasing oil price
 - Stronger Yen decreases Japanese company profit

1-5 LONG TERM PROBLEM - POPULATION

- **Population is decreasing**
- **130 million to 44 million, one-thirds after 100 years**



Source: National Institute of Population and Social Security Research

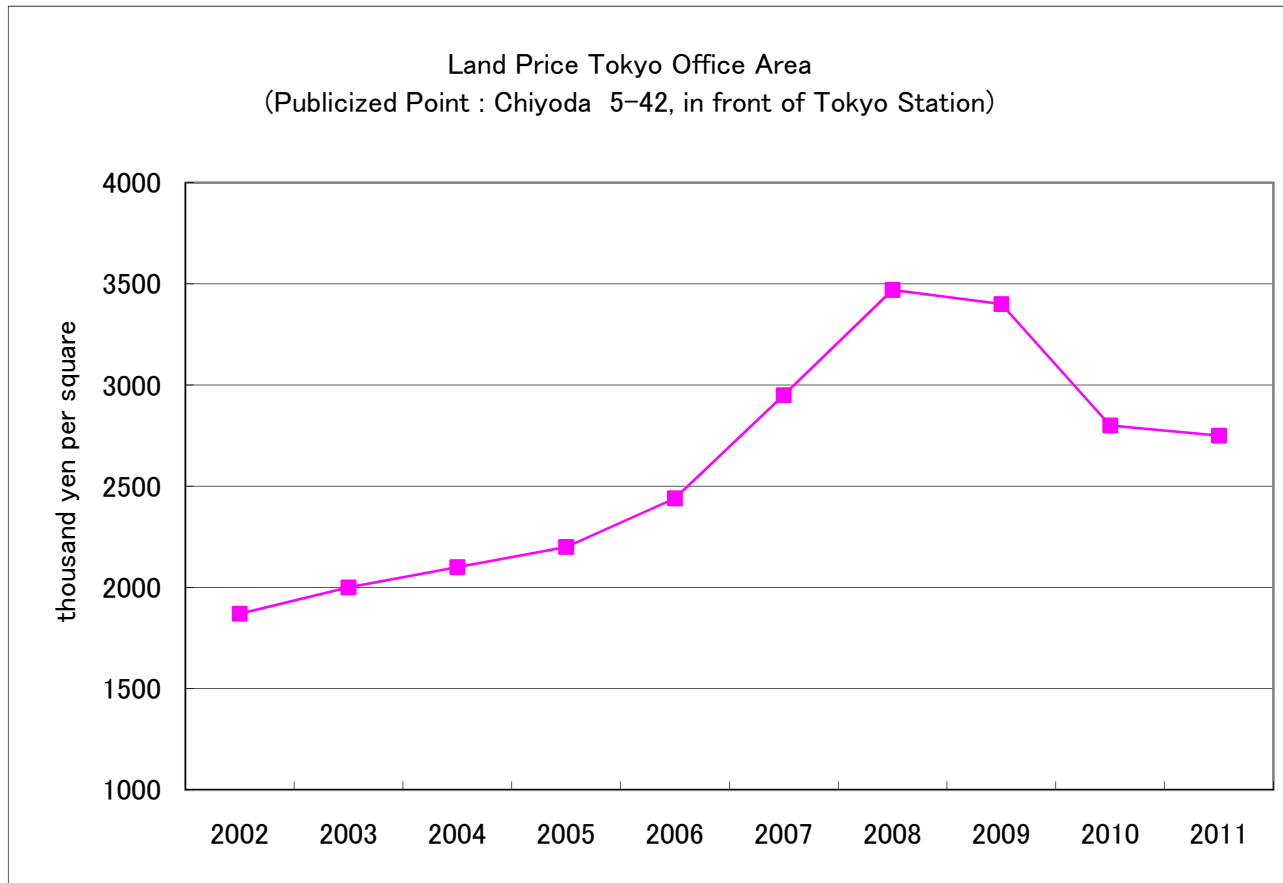
2-1 EARTHQUAKE IMPACT

- **The earthquake, tsunami and nuclear radiation problem of March 2011 caused Japanese anxiety towards future.**
- **The earthquake braked the liquidity of the commercial real estate market all over Japan.**
- **Many large transactions were cancelled this fiscal year end (March) but it is getting back to normal situation now.**
- **The headquarters are concentrated in Tokyo. But some large companies try to diversify its HQs to other cities such as Osaka and Fukuoka.**
- **High grade buildings (e.g. that has emergency electricity) attract companies after the earthquake.**
- **After the earthquake, Bank of Japan announced that it would invest to REIT to support Japanese economy. This helps lifting up of REIT market.**



2-2 REAL ESTATE MARKET

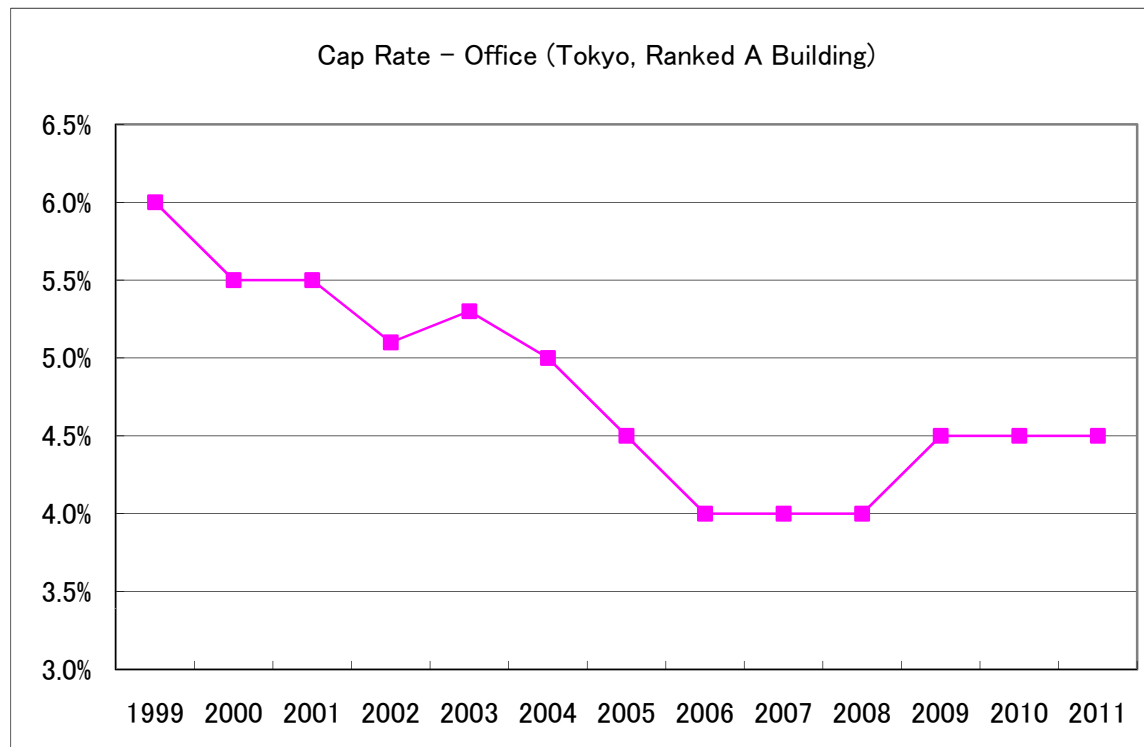
- REIT bubble had increased commercial land price in Tokyo and other major cities until the global financial crisis in 2008, then turned into downwards.



Source: Ministry of Land, Infrastructure , Transport and Tourism

2-3 OFFICE CAP RATE - TOKYO

- Huge money had been invested by newly set up Japanese REITs and global private real estate fund such as Goldman Sachs and Morgan Stanley until 2008.
- This trend had made the real estate investment market very competitive.
- Cap Rate of Tokyo lowered from 6.0% in 1999 to 4.0% in 2007.



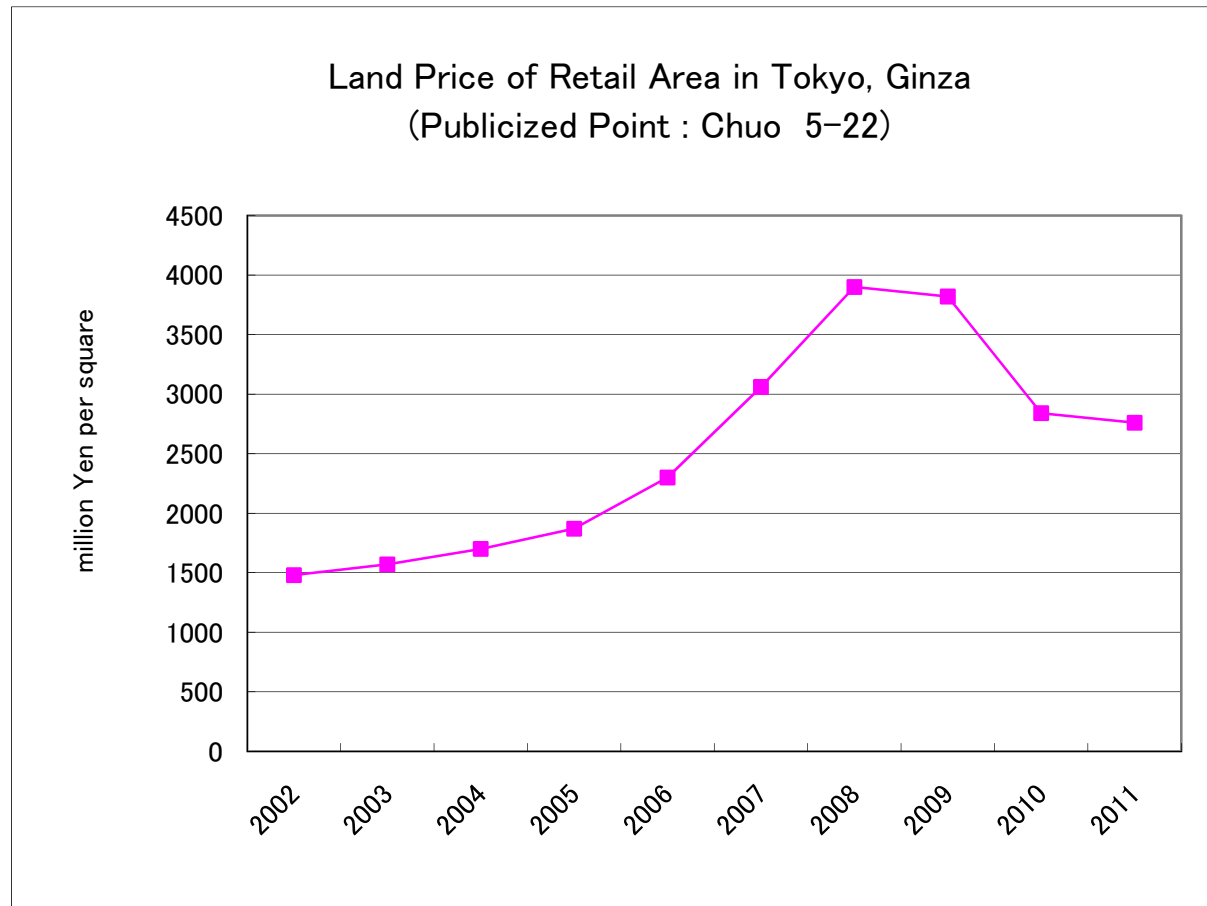
Source: JREI

2-4 OFFICE RENT / VACANCY

- **Vacancy Rate in the Tokyo 5 wards is increasing to 7.6%(2011 Q1) from the lowest 1.7% (2007 Q3)**
- **Average Asking Office Rent is 3,900 yen/sqm (US\$49/sqm) and decreased 5 % for one year.**

2-5 RETAIL MARKET - TOKYO

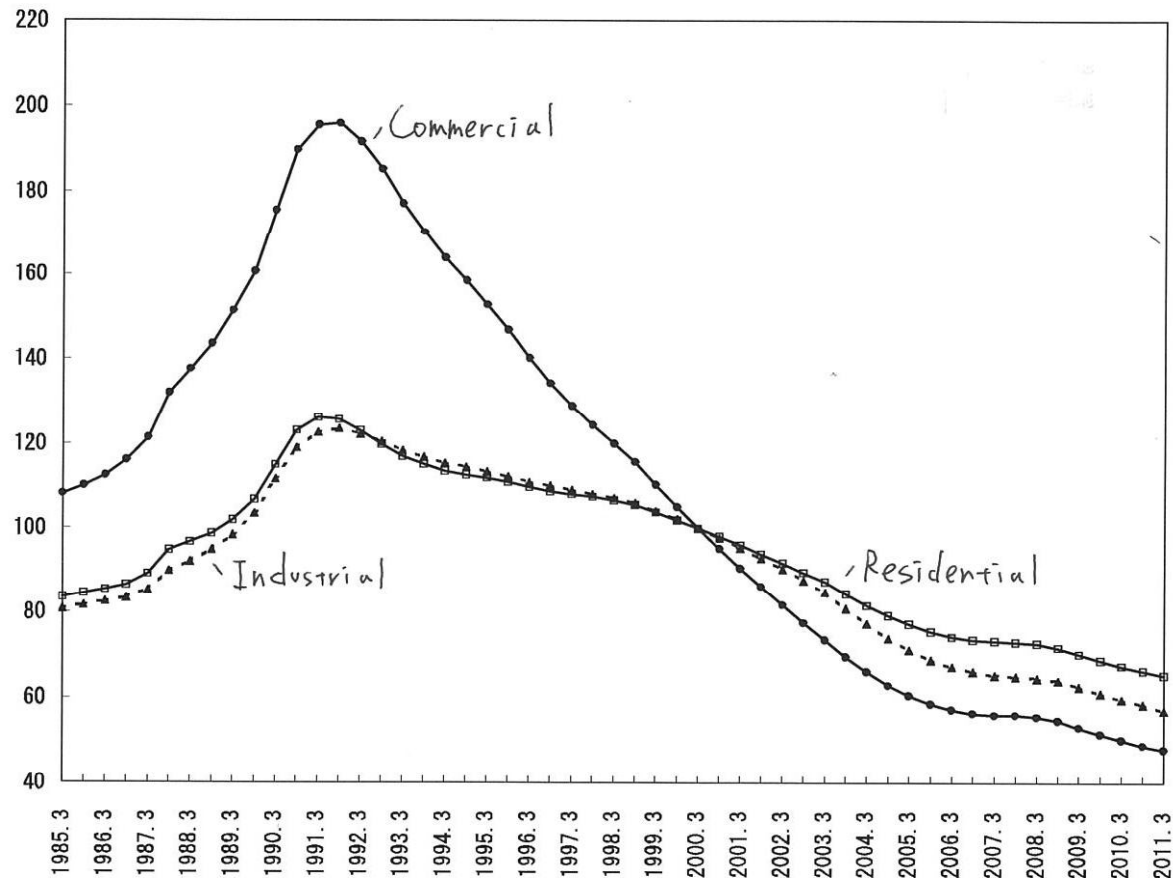
- The retail market trend is almost similar like office market.



Source: Ministry of Land, Infrastructure , Transport and Tourism

2-6 LONG TERM DOWNWARD AFTER THE BUBBLE...

- Nationwide land price, Commercial, Residential and Industrial



Source: JREI

Thank you.

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