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# Japanese property market heats up among Chinese investors

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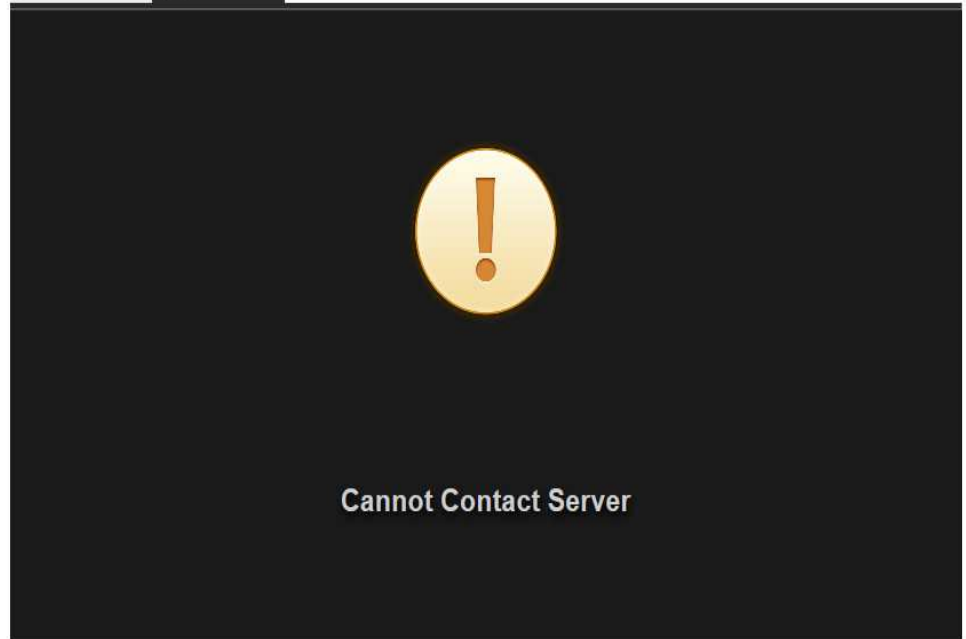
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There has been much talk about a wave of rich Chinese investors buying up luxury condos in the Tokyo Bay area, sending real estate brokers flocking to websites which target Hong Kong and mainland buyers.

PHOTOS VIDEOS



HONG KONG: The Japanese property market is heating up and foreign investors are taking note.

Real estate websites have been setting up Chinese language sites to attract buyers from Hong Kong, Taiwan and China.

There has been much talk about a wave of rich Chinese investors buying up luxury condos in the Tokyo Bay area.

It has sent real estate brokers flocking to websites like JP Housing and Soufun Japan which target Hong Kong and mainland buyers.

However, experts say all is not as it seems.

"The agents and developers think 'Oh great! There's going to be this tidal wave of cash and we'll all get rich or solvent'. But I don't think it's quite as great as the marketing machine might have you believe," said Christopher Dillon, author of "Landed, the Guide to Buying Property in Japan".

Mr Dillon lived in Tokyo in the late 80s and owns multiple properties not just in Japan, but across the region. He thinks Japan home prices are undervalued by as much 30 per cent -- compared to Hong Kong or Singapore.

Decades of stagflation have kept appreciation low but higher yields keep attracting investors.

"If you buy property here in Hong Kong, 2-3 per cent yield, you're doing quite well whereas in Japan, it's possible to get 5-10 per cent. If you're willing to get out on the edge, you can get 15 per cent," said Mr Dillon.

"Trying to find those sorts of yields makes Japan an interesting market, and not correlating with Hong Kong and Singapore is another real attraction."

Dillon urges investors to consider tiny 100 square foot apartments, which cost about five million yen or US\$50,000.

According to consultants Knight Frank, home prices in Tokyo average around US\$640 per square foot. In Hong Kong, the price is double that -- and in Singapore even more -- at US\$1,040 a square foot.

However, buying in Japan has its quirks. Foreigners are allowed to buy land and property without restrictions, but getting financing is almost impossible, because foreigners are not allowed to open bank accounts.

Thus, finding a good property agent, who will likely handle all aspects of the sale and management of the property, is important.

Abenomics and the upcoming 2020 Olympics are also boosting sentiment.

"We are seeing a lot of interest in Japan right now, in the last 18 months," said Peter Churchouse, publisher of the Asia Hard Assets Report.

"A lot of the big private equity funds focus more on commercial, office, but you're seeing quite big portfolios bought up companies like LaSalle out of the US, Morgan Stanley real estate fund."

The proof is in the numbers. More than US\$10 billion worth of deals were made in Tokyo in the first quarter, making it the world's busiest property market.

- CNA/ec