

Japan Country Report

3-12at Cambodia

- The big earthquake and tsunami in east Japan

	Magnitude	Damage	Death toll(thousand)	Destroyed Houses	National Debt (Against GDP)	Character of Area
East Japan (March 2011)	9.0	16-26 trillion yen(3-5% GDP)	20-30	250thousands	197%	Wide Area, Production Area
Koube (Jan 1995)	7.3	10trillion yen(2% GDP)	6.4	250thousands	86%	Big City, Consumption Area

Damage by the earth quake

- Infrastructure and housing along seashore were destroyed by mostly by tunami. A lot of fishing ships were lost.
- Factories in inland area were damaged over their product system. This has caused big trouble to automakers because of the lack of the parts supply.
- Buildings in Sendai (biggest city in Tohoku district) were damaged a little . Almost all of buildings were not collapsed .
- Still a lot of destroyed materials can not be removed from the suffered site.

Damage on Nuclear Power Plant in Fukushima by Earthquake & Tsunami

- Fukushima Daiichi Nuclear Power Plant
6 boiling water reactors Total Power Generation 4.7MWe
4 reactors were disabled and leaked radiation
Fukushima Daini Nuclear Power Plant
4boiling water reactors Total Power Generation 4.4MWe
Disabled but no radiation leak
Both are located 260km from Tokyo
- It will take several months or more to cool down and to dispose reactors not to leak radioactive permanently
- Radioactive, Iodine 131,caesium 137 were released mostly within a week after the disaster and still are leaking bit by bit at present
The area within 20km radius from are prohibited to enter without the permission of the government Other area are mostly regarded as safe
- Tokyo Electric Power lost about 20% of the electric power capacity
Residents in Kanto Area are requested to save the electricity
Operation of factories ,shops were affected substantially
- Some of agricultural products in Fukushima area are prohibited to be sold, afraid of contamination of radioactive
- Hamaoka Nuclear Power Plant of Chubu Electric was decided to be closed afraid of the earthquake in the future.
- The source of energy for electricity will be diversified and the cost will be higher
- Whether to stop electricity generation by nuclear or not is discussed seriously
- Most of nuclear power plant are under investigation on safety

Monthly Report(Feb.12) by Japanese Government

- In general economy is recovering slowly .
- Private consumption has leveled off.
- Public consumption is stable.
- Export is declining. Import is increasing
Trade balance in the red.
- Production is recovering slowly.
- Forecast of economic recovery is improving.
- Profit of corporations is declining.
- Employment is improving slightly.
- Housing construction is leveled off.
- Price between corporations is stable.
- Price for consumers is falling slightly.

Economic forecast after the earthquake

- Huge investment for recovery.
- The first budget 4 trillion yen for the earthquake was approved. The second budget 18trillion yen will be invested during next 5years Private sectors will make investment. A lot of housing constructions are expected
- Because of the delay of the city planning the budget will not be executed quickly

Production line has recovered ,however the flood in Thailand caused delay of production

- Shortage of electric power is so far managed
In order to finance those budgets ,government bonds will be issued and tax rate will be raised. These financial constraint may harm the recovery of economy.
- Manufactures will further transfer factories to developing countries and diversify their sources of supply of goods in foreign countries
- Some real estate companies and wealthy individuals are investing in foreign countries

OECD Estimate of Japanese Economy

Percentage Change of adjusted inflation

	2008	2009	2010	2011	2012
GDP	-1.2	-6.3	4.0	-0.5	2.2
Consumption					
Private	-0.7	-1.9	1.8	-1.3	1.6
Public	0.5	3.0	2.3	2.6	-0.4
Total Fixed Investment	-3.6	-11.7	-0.2	0.0	6.5
Domestic Demand	-1.2	-3.3	1.5	-0.3	2.2
Stock buildings	-0.2	-1.5	0.6	-0.4	0.0
Total Domestic Demand	-1.4	-4.8	2.1	-0.6	2.2
Export of goods & Services	1.6	-23.9	24.0	3.2	8.2
Import of goods & Services	0.4	-15.3	9.8	5.2	8.7
Net Export	0.2	-1.5	1.8	-0.2	-0.1

Investment Parameters

Location	Expected Cap Rate(%)	Market Cap Rate(%)
Marunouchi,Ootemachi	4.5	4.2
Nihonbashi	5.0	4.8
Toranomon	5.0	4.8
Akasaka	5.0	4.8
Roppongi	5.0	4.9
Njshi Shinjyuku	5.3	5.1
Shibuya	5.2	5.0
Nagoya	6.4	6.2
Osaka	6.0	5.9

Cap Rate of Residential Property

Location	Studio(%)	Multifamily(%)
Southern Tokyo	5.8	5.9
Eastern Tokyo	6.0	6.2
Sapporo	7.7	7.8
Yokohama	6.6	6.8
Nagoya	7.0	7.0
Osaka	7.0	7.0
Hiroshima	7.7	7.7
Fukuoka	7.1	7.2

Office Vacancy & Rent

Office Vacancy Rates Decline in Major 11 regional cities except Tokyo 23 wards.

- Tokyo 23 wards

		Q4,10	Q1,11	Q2,11	Q3,11	Q4,11
Asking rent (yen/tsubo)		13,950	13,670	13,640	13,210	13,050
Vacancy rate		7.4%	7.5%	7.6%	7.7%	7.3%

- Tokyo central 5wards

		Q4,10	Q1,11	Q2,11	Q3,11	Q4,11
Asking rent (yen/tsubo)		14,490	14,150	13,920	13,650	13,470
Vacancy rate		7.4%	7.3%	7.2%	7.0%	7.2%

Office Rent & Vacancy (2)

- Tokyo Class A buildings Vacancy rate

		Q4,10	Q1,11	Q2,11	Q3,11	Q4,11
Asking rent (yen/tsubo)		30,650	30,450	29,500	29,400	29,050
Class A		4.7%	4.6%	5.5%	4.6%	5.1%

- Osaka

		Q4,10	Q1,11	Q2,11	Q3,11	Q4,11
Asking rent (yen/tsubo)		9,050	9,050	9,050	8,860	8,730
Vacancy rate		11.4%	11.0%	11.0%	11.1%	10.7%

- Nagoya

		Q4,10	Q1,11	Q2,11	Q3,11	Q4,11
Asking rent (yen/tsubo)		9,630	9,510	9,530	9,370	8,730
Vacancy rate		13.8%	13.3%	13.1%	12.9%	12.5%

Real estate transaction volume & Estimated NOI

回復が期待されるも震災でブレーキ

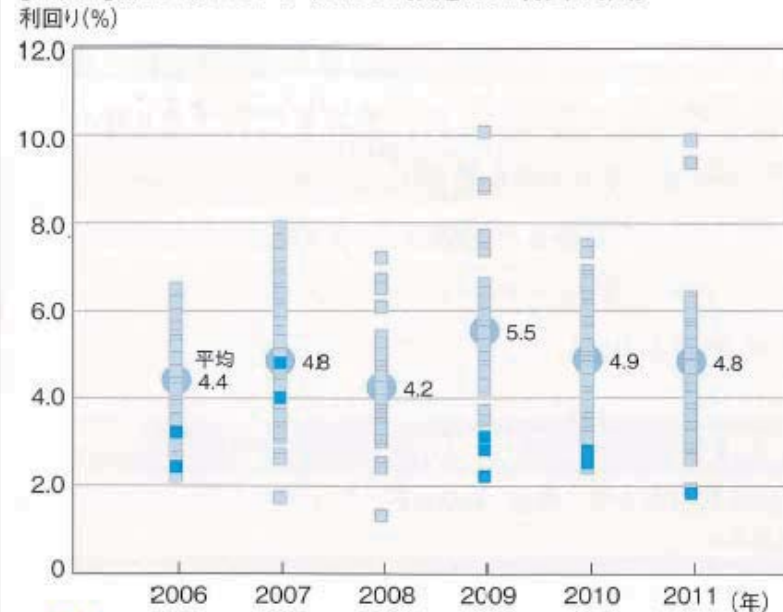
【図表1】本誌が伝えた不動産売買の件数と金額



【注】金額は価格が判明している物件のみを集計

2011年の利回りは前年並みに

【図表7】都心5区のオフィスビル推定NOI利回り推移



【注】■は丸の内・大手町地区のビル

Influence over the property market by Tohoku Earthquake & Nuclear Disaster

- Some of the foreign companies has moved the office to Osaka.
- Tenants prefer new buildings ,hopefully equipped with electric power generating facility.
- Price of condos went down last March.
- Foreign investors are not active now ,however Japanese investors are looking for properties with a proper return.
- Japanese banks restarted non-recourse lending against properties.

Japanese real estate market outlook

- A lot of infrastructure and housing will be constructed in Tohoku District.
- Diversification of offices and factories will be proceeded,
- Western Japan will be benefited.
- Tokyo still grows further albeit this move.
- Foreign investors are a little cautious , however ,bottom hunters are active.
- REITS and funds have started buying properties .Banks are positive on real estate finance. Bank of Japan has been buying Japanese REIT since last year. The price of REITS has gone up substantially.

Investment to Japanese properties by foreigners

- Japanese properties have no regulation over foreigners who can buy and hold just as same as Japanese.
- Rights of properties are quite clear and are protected by law.
- Return on investment is relatively high compared with the cost of money. By leverage ,say,60-70%borrowing ,the return on equity will nearly double over the yield of the property.

Investment to Japanese properties by foreigners (2)

- Singaporean and Hong Kong investors are active. They are buying office, residence ,logistic and hotels. A certain investor shows interest in budget hotels , expecting Asian tourists' visit to Japan.
- Chinese investors are visiting to survey ,however so far did not invest much except individual investors.
- Global Logistic Properties (Singapore) & CIC (China) have bought 15 warehouses by 123billion Yen
- IPC(Singapore) bought the budget hotel in Matuyama by around 900hundred million yen

Major Developer's foreign project(2011)

- Mitsui Fudosan : 1 Participation in housing sales in Dailian Software park 2 Two office building development project in London 3 Office purchase in Washington DC Condo project in Guanzou China
- Mitsubishi Estate: 1High rise condo project & office project with Capitaland in Singapore 2Two office ,building purchase in Washington DC , 3 Two office buildings in London 4 Commercial facilities in Shenyang & condo project in Suzho
- Mitubishi estate is going to invest 90billion yen in foreign properties from 2011 to 2013 fiscal year.
- Daiwa house : 1 Condos development Changzou
- Sekisui house :1 Housing development in Singapore with Far East & Frasers 2 Land development in Seatle & Sydney
- Sumitomo R&D is preparing to develop condos project in Dailian and in Jakarta.
- NTTUD:1Two office buildings in London 2 Land development project in Melbourne
- Daibiru :Saigon tower in Ho Chi Minh
- Marubeni: Condo & Commercial facility project in Shanghai

Some of medium size Japanese developers want to go abroad

- They mostly want to go to developing Asian countries.
- They do not know how to proceed and lack staffs for overseas business. They need local partners.
- In order to study seriously, we have to propose concrete projects
- Firstly as the minor partner, then hopefully as the major developer
- It will take time to make decision, because they do not know the market and the detailed research is necessary.
- To start with small investment(less than US\$ 10million) is easy to get approval by the management
- Some of small size realtors has bought condos as a lot and are selling them to individuals especially in Malaysia