INVESTMENT POTENTIAL OF JAPANESE HOMES

Overseas Investment Playbook

KEY REASONS WHY INVESTING IN JAPAN REMAINS A HOTSPOT FOR RESIDENTIAL PROPERTY INVESTMENT

1. STRONG HOUSING DEMAND TO CONTINUE

Rising wages are expected to drive continued strong housing demand.

2. FURTHER PRICE APPRECIATION EXPECTED

Strong housing demand, driven by an expected rise in wages, is likely to support healthy appreciation in Japanese home prices in the coming years.

3. SUSTAINED ATTRACTIVE RENTAL RETURNS

The availability of employment and educational opportunities in Japan is expected to sustain rental housing demand, ensuring robust rental returns.

4. FAVOURABLE INVESTMENT CONDITIONS

Japan's low-interest rate policy and weak currency are likely to maintain the attractiveness of property investments, potentially encouraging greater participation from foreign investors

5. LONG-TERM PLANS TO REVITALISE RESIDENTIAL AREAS WILL REDUCE INVESTMENT RISKS

Long-term government plans to revitalise Tokyo into a financial hub and create sustainable urban development improves the value of properties there.

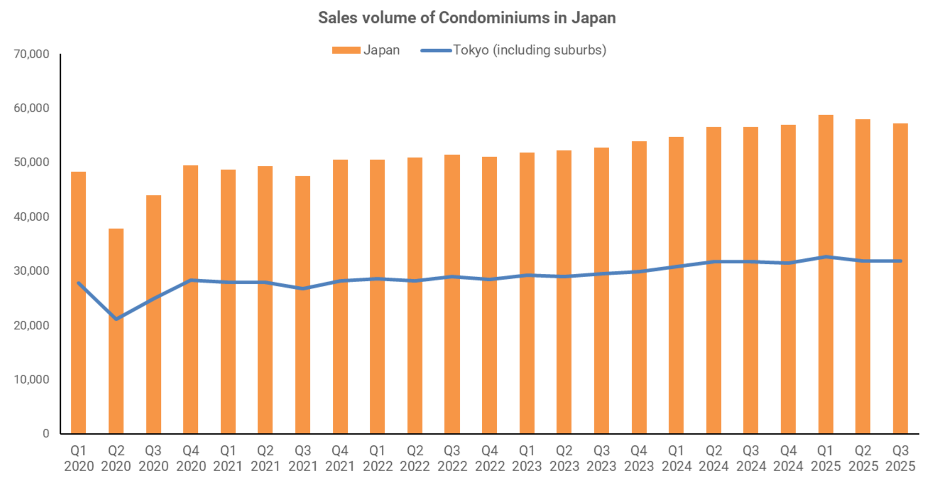
1. STRONG HOUSING DEMAND TO CONTINUE

Condominiums in Japan experienced strong demand over the past decade, driven by residents' increasing purchasing power over the same period. The overall sales volume of condominiums in **Japan** rose by 20.5% to 57,260 in Q3 2025 from 47,532 in Q3 2021.

The volume of condominium sales in **Tokyo (including suburbs)** saw a similar growth of 19.1% over the same period.

The strong demand was likely due to Japan's low-interest rate policy and weakened currency over recent years, that significantly boosted foreign investors' purchasing power.

With purchasing power expected to rise further due to potential wage increases, the demand for Japanese homes is projected to remain strong.



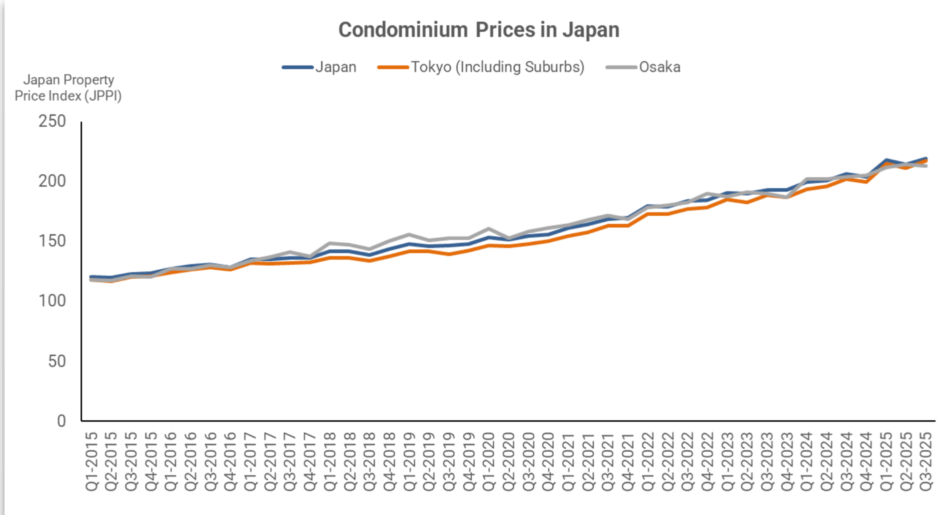
Source: Ministry of Land, Infrastructure, Transport and Tourism, Realion (OrangeTee & ETC) Research

2. FURTHER PRICE APPRECIATION EXPECTED

HEALTHY PRICE GROWTH IN THE PAST DECADE

- Prices of Japanese condominiums have been growing over the past decade. Based on Japan Property Price Index (JPPI),prices of condominiums in **Japan** grew by 31.3% from 169.3 in Q3 2021 to 222.2 in Q3 2025.

- Price growth in major cities in Japan such as Tokyo and Osaka similarly grew by 33.5% and 26.3% over the same period.



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLIT), CEIC Data, Realion (OrangeTee & ETC) Research

2. FURTHER HOME PRICE APPRECIATION EXPECTED

HOME PRICES TO APPRECIATE FURTHER AMID GROWING WAGES

- The price growth of Japanese condominiums was likely due to the growing purchasing power of residents over the past few years, as observed by the consistent real wage index in Japan from January 2020 to November 2025 (as of latest data).

- With the latest stimulus package introduced by the Japanese government in 2024 to achieve an economy that is driven by wage growth and investments, as well as to keep inflation steady, it is anticipated that real wages will continue to grow, boosting the purchasing power of residents even further. This would translate to sustained or even greater demand for home purchases, pushing prices up.

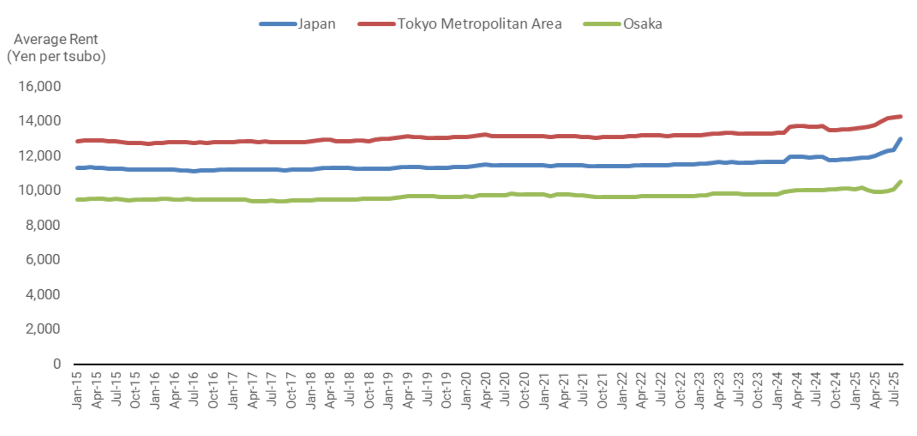
Source: Ministry of Health, Labour and Welfare of Japan, CEIC, Realion (OrangeTee & ETC) Research

3. SUSTAINED ATTRACTIVE RENTAL RETURNS

HEALTHY RENTAL GROWTH IN THE PAST DECADE

Rents have remained consistently high over the past ten years. Based on data from The Association for Real Estate Securitization (ARES), the average rents of residential properties in **Japan** rose by 13.0% from ¥11,181 per tsubo in August 2016 to ¥12,633 per tsubo in August 2025.

The average rents of residential properties in **Tokyo Metropolitan Area and Osaka** similarly saw an increase of 10.5% and 14.7% over the same period, reaching ¥14,136 per tsubo and ¥10,908 per tsubo in August 2025, respectively.



The Association for Real Estate Securitization (ARES), Realion (OrangeTee & ETC) Research

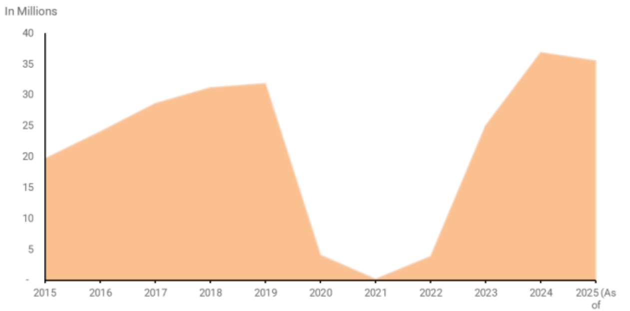
3. SUSTAINED ATTRACTIVE RENTAL RETURNS

OPPORTUNITIES FOR EXPATS TO SUSTAIN RENTAL DEMAND

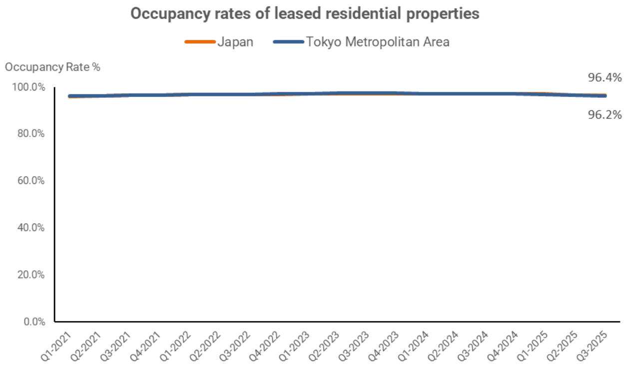
Rents likely remained high over the past decade due to strong rental demand for housing units, especially from expatriates. Data from the Japan National Tourism Organisation (JNTO) and ARES revealed a consistent increase in foreign arrivals to Japan (35.5 million in 2025 as of October) and consistently high occupancy rates of Japanese homes (with over 95% seen over the past four years).

This likely suggests that many expatriates were attracted to the various employment and educational opportunities in Japan, particularly Tokyo, and were willing to pay high rents to reside in units near business districts and educational institutions.

Government plans to revitalize business areas in the long run are likely to encourage more expatriates to come to Japan for such opportunities, which in turn would support rental housing demand. Consequently, this ensures investors of attractive rental returns.



Source: Japan National Tourism Organisation (JNTO), Realion (Orangetee & ETC) Research



Source: ARES, Realion (Orangetee & ETC) Research

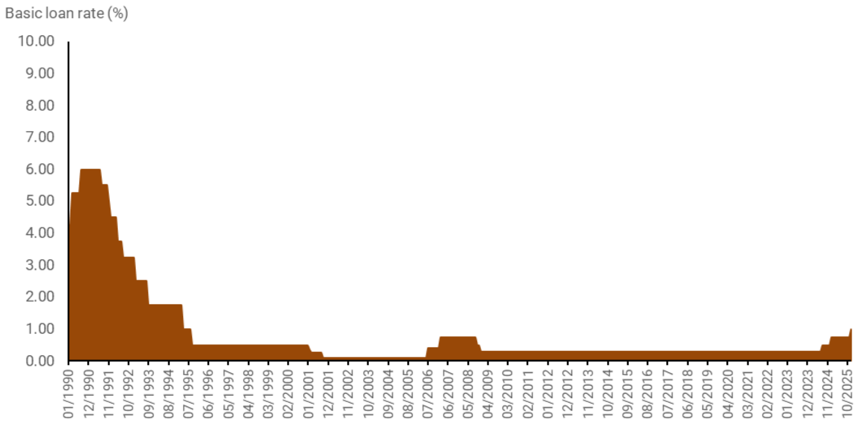
4. FAVOURABLE INVESTMENT CONDITIONS

ATTRACTIVE LENDING RATES

Japan's long-standing low-interest rate policy has influenced borrowing costs, maintaining them at low levels, including the basic loan rates offered to individuals and businesses by local banks. Data from the Bank of Japan (BOJ) showed that the basic loan rate remained low at 1.0% per annum as of December 2025. Japan's exceptionally low interest rates have indeed stand in stark contrast to the rising rates seen in many other global economies.

While the Bank of Japan has signaled its commitment to raising interest rates, the policy shift remains exceptionally gradual. Despite tactical delays in 2025 due to U.S. tariff uncertainties, the outlook for 2026 suggests that rates will stay at historically low levels. This 'accommodative' approach ensures that financing costs remain cheap and mortgages stay affordable, allowing property investors to continue leveraging low-cost capital for sustainable long-term yields.

Bank of Japan's Basic loan rate



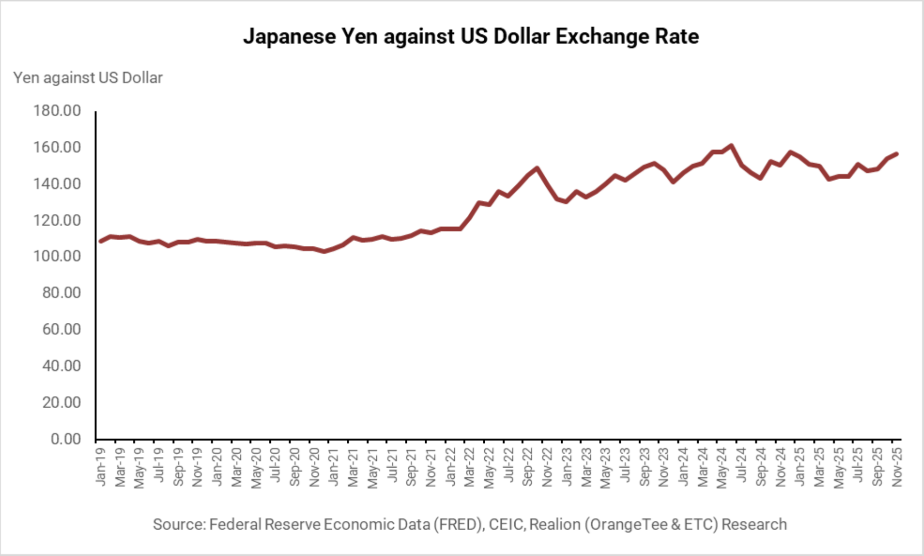
Source: Bank of Japan (BoJ), CEIC, Realion (OrangeTee & ETC) Research

4. FAVOURABLE INVESTMENT CONDITIONS

ATTRACTIVE YEN EXCHANGE RATE

Japan's long-term low-interest rate policy has also led to a drop in the Japanese Yen against the US dollar over the same period, with the exchange rate reaching 156.1 in November 2025. This saw many foreign investors taking advantage of the weakened currency by investing in Japanese properties, particularly in urbanised towns like Tokyo.

While interest rates are likely to rise in 2026 after being deferred last year due to U.S. tariff uncertainties, the tightening cycle is expected to be gradual. With this, foreign investors can continue to benefit from the competitive Yen–U.S. dollar exchange rate when acquiring Japanese property for long-term investment.



5. LONG-TERM PLANS TO REVITALISE RESIDENTIAL AREAS WILL REDUCE INVESTMENT RISKS

VALUE OF RESIDENTIAL PROPERTIES WILL IMPROVE IN THE LONG RUN

- Japan's latest long-term plan, titled *Tokyo's Sustainability Action 2023*, aims to rebuild Japan's economy and promote economic growth, following the negative impacts from the covid-19 pandemic.

INITIATIVE 1: TRANSFORMING TOKYO INTO A LEADING GLOBAL FINANCIAL HUB

- Encourage firms to optimize business operations through the use of green finance and enhanced financial literacy. For instance, SMEs will be offered business advice to help them strategically shift into profitable and growing business sectors.

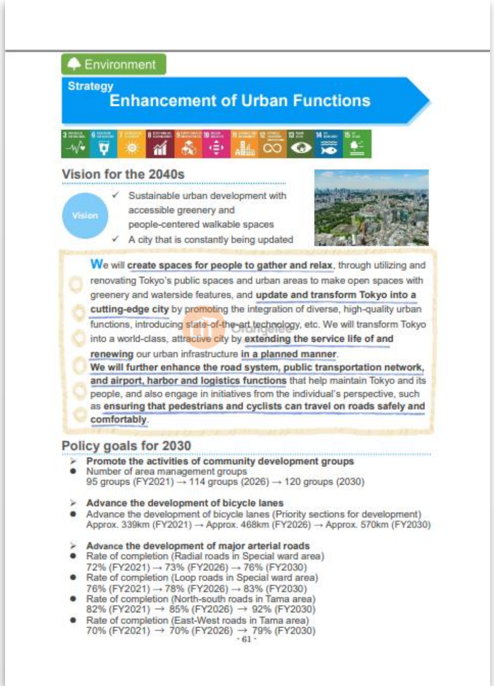
- Doing so will encourage foreign direct investments and contribute to economic growth, fuelling job creation and greater rental demand for residential properties near business districts.

5. LONG-TERM PLANS TO REVITALISE RESIDENTIAL AREAS WILL REDUCE INVESTMENT RISKS

INITIATIVE 2: MOST SUSTAINABLE URBAN DEVELOPMENT IN TOKYO

- The plan also included creating more sustainable urban developments such as making improvements to the public transport, roads and cycling networks, as well as creating new and expanded metropolitan parks and urban spaces.

- Doing so will boost the overall livability of the city as connectivity and the convenience to travel will be improved between residential and business districts. This will enhance the value of residential properties in the long run.



Environment

Strategy
Enhancement of Urban Functions

Vision for the 2040s

Vision
- ✓ Sustainable urban development with accessible greenery and people-centered walkable spaces
- ✓ A city that is constantly being updated

We will **create spaces for people to gather and relax**, through utilizing and renovating Tokyo's public spaces and urban areas to make open spaces with greenery and waterside features, and **update and transform Tokyo into a cutting-edge city** by promoting the integration of diverse, high-quality urban functions, introducing state-of-the-art technology, etc. We will transform Tokyo into a world-class, attractive city by **extending the service life of and renewing** our urban infrastructure **in a planned manner**.
We will further enhance the road system, public transportation network, and airport, harbor and logistics functions that help maintain Tokyo and its people, and also engage in initiatives from the individual's perspective, such as **ensuring that pedestrians and cyclists can travel on roads safely and comfortably**.

Policy goals for 2030

➢ **Promote the activities of community development groups**
- Number of area management groups
  95 groups (FY2021) → 114 groups (2026) → 120 groups (2030)

➢ **Advance the development of bicycle lanes**
- Advance the development of bicycle lanes (Priority sections for development)
  Approx. 339km (FY2021) → Approx. 468km (FY2026) → Approx. 570km (FY2030)

➢ **Advance the development of major arterial roads**
- Rate of completion (Radial roads in Special ward area)
  72% (FY2021) → 73% (FY2026) → 76% (FY2030)
- Rate of completion (Loop roads in Special ward area)
  76% (FY2021) → 78% (FY2026) → 83% (FY2030)
- Rate of completion (North-south roads in Tama area)
  82% (FY2021) → 85% (FY2026) → 92% (FY2030)
- Rate of completion (East-West roads in Tama area)
  70% (FY2021) → 70% (FY2026) → 79% (FY2030)

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