

## Monetary Easing and Weak Yen Push Up Land Price

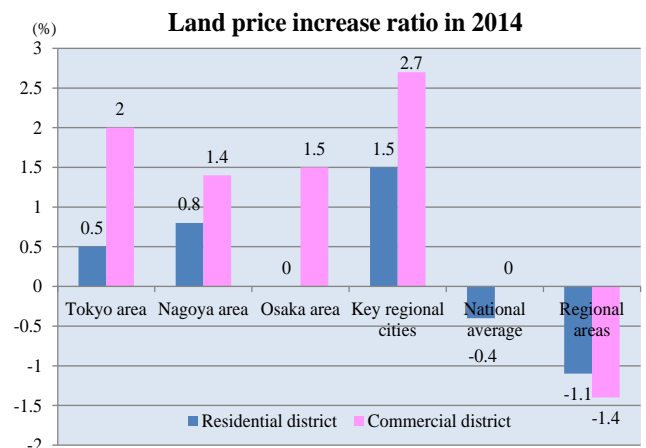
The “Land Market Value Publication” is the official land price data of Japan as of January 1 released by Ministry of Land, Infrastructure, Transportation and Tourism (MLIT) in March every year. The data is used as the market value index for ordinary land transactions and an indication of standard site values to calculate purchase price of the land for public facilities. Another official land price research is “Roadside Land Prices” released by National Tax Agency (NTA), which is used as an appraisal standard to calculate the inheritance and gift tax. In addition to the yearly publication, MLIT releases quarterly research about land prices as “Land Value LOOK Report.”

### Point 1

#### Commercial land hit the bottom nationwide after 7 straight year decline

#### High demand for urban convenient Condos spurred by low interest rates

- On March 18, MLIT posted the “Land Market Value Publication” as of January 1, 2015, which shows the nationwide land price of commercial district remained flat from the previous year but has hit the bottom for the first time in seven years mainly due to higher demand in office buildings supported by favorable corporate earnings. On the other hand, the land price in residential district fell 0.4% y-o-y, but has been steadily narrowing its decline range for five consecutive years.
- According to the “Land Value LOOK Report (October 1, 2014 – January 1, 2015)” posted on February 27, no major residential district decreased the land price as the previous report did. The ministry’s research analysed that the land value in many of the major residential districts is rising on the back of the increase in property investment under low interest rates and high demand for urban convenient condominiums.



(Note) As of 1 January 2015

(Source) SMAM, based on Ministry of Land, Infrastructure, Transport and Tourism data.

### Point 2

#### New Shinkansen (bullet train) line stimulates property investment However 70% of land price in local regions still keep declining

- The “Land Market Value Publication” shows the Hokuriku-Shinkansen effect that the commercial land at Kanazawa station surged by +17.1% as the highest gain in the country, while the new-line of bullet train opened to traffic on March 14 reaching Kanazawa.
- However, 70% of the land price in regional area (all purpose use) still remains going down from the last year.

## Large cities lead rising, regional areas expected to follow as “Revitalisation Strategy of Regional Economy” starts to work

### ■ More investment from overseas investors expected

The property investment is expected to accelerate to increase in Tokyo Metropolitan Area to build facilities and social infrastructure to host the “Tokyo Olympic Games” scheduled in 2020. Additionally, the land price in large cities is likely to continue rising due to high expectation for expanding investment by real estate investment trusts (REITs) and overseas investors helped by weak JPY.

### ■ “Revitalization strategy of regional economy” is expected to help rise regional area’s land price

In contrast, the land price and property investment seem slow in most of the regional area except for cities such as Kanazawa that benefited from the Shinkansen effect. Abe government has come up with “Revitalization strategy of regional economy” as one of the key measures. Going forward, deregulation and appropriate measures including invitation of enterprise might enhance the property demand and result in land price recovery in the area.

### ■ Disclaimer

#### Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter “SMAM”), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM’s judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM’s authorization, or from disclosing this material to a third party.

Registered Number: Kanto Local Finance Bureau (KINSHO) No.399  
 Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and  
 Type II Financial Instruments Firms Association  
 © Sumitomo Mitsui Asset Management Company, Limited

