

“Benchmark Land Price” of business area increased after 9 years

“Benchmark Land Price” is a land price released by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) based on research of benchmark price as of 1st July every year conducted by each prefectural and city governments. Research results will be used as a benchmark price of land transaction. There are several land prices released by public agencies other than “Benchmark Land Price” such as ; (i)“Official Land Price” to calculate property tax announced by MLIT and (ii)“Roadside Land Price” to calculate inheritance tax and gift tax released by National Tax Agency.

Point 1

Nationwide business area land prices turned positive after 9 years Land price rise of regional urban centers is outstanding

- MLIT released “Benchmark Land Price” of 2016 on 20th September 2016. According to the research this time, nationwide business area land prices rose marginally by 0.005% YoY the first time after 9 years since the 2008 financial crisis.
- Distinctive change this time was that land price increase rate of 4 Major Local Cities (Sapporo, Sendai, Hiroshima, Fukuoka) was + 6.7% YoY which was much higher than that of metropolitan area such as Tokyo, Osaka and Nagoya (around + 3.0% YoY). Even for residential area, 4 Local Major Cities’ land price rose + 2.5% YoY, higher than that of metropolitan area (0 % to + 0.5% both YoY).

Point 2

Foreign visitors are making huge contribution Negative interest rate is a tailwind, too

- It seems that land price of nationwide business area turned positive due to flow of excess funds into property market affected by negative interest rate.
- It appears that land prices of 4 Major Local Cities, and also Kyoto and Kanazawa have sharply increased due to huge contribution of increase in number of foreign visitors in addition to persistent office space demand. There seems to be a hotel construction boom in Fukuoka. Meanwhile, highest rate of residential land price increase in Japan was marked at Kutchan town of Niseko, Hokkaido which was + 27.3% YoY.

“Rate of Land Price Increase by Area and Usage” (%)

	Residential	Business	Industrial
Tokyo District	0.5	2.7	2.6
Osaka District	0.0	3.7	0.6
Nagoya District	0.5	2.5	0.3
4 Major Local Cities	2.5	6.7	2.7
Other Local Area	▲1.4	▲1.5	▲1.2
Nationwide	▲0.8	0.0	▲0.5

(Note) 1. Rate of increase is YoY as of 1st July 2016.

2. 4 Major Local Cities are Sapporo, Sendai, Hiroshima and Fukuoka.

(Source) SMAM, based on MLIT data.

Sluggish pace of land price increase in metropolitan residential areas is expected

■ Rate of land price increase in residential areas is low as the price had already gone up

The background of sluggish land price increase in residential areas compared to business areas, which is economically benefitting from increase in number of foreign visitors, seems to be growing wariness over land price hike as seen in the past. Consumers are hesitant to purchase condominiums and houses in metropolitan areas since their prices have already increased sharply.

■ The key is increase in actual demand affected by number of foreign tourists visiting Japan

It seems that some property developers are turning cautious on purchasing lands as they have experienced impairment loss during the fall of land price in the past. We believe number of foreign tourists visiting Japan and economic conditions that will affect actual demand increase, holds the key to rise in land price.

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