

Tokyo Condominium Prices Jump 60% in 2023



According to a recent article from The Japan Times, the price of new condominiums in Tokyo has risen over 60 percent since the start of 2023 (compared to the same period last year).

As of July, the average price of a unit in the central area of the city reached \$930,000 (¥129.6 million), an amount cited as “the highest since record-keeping began” by Japan’s Real Estate Economic Institute.

Rising Costs, Short Supply

Among the factors underlying the hike in condo prices are increases in the cost of materials and labor. In addition, the sale of multiple high-value units in central Tokyo has pulled up the average.

Tadashi Matsuda, a senior researcher with the Real Estate Economic Institute told The Japan Times that these units went up for sale at the start of the year, adding: “The overall trend of increasing prices will continue, though they won’t become this extreme.”

The Japan Times had previously noted that the number of condominiums coming onto the market has also decreased in recent years, a factor likely to drive prices higher.

Long-Standing Effects

The hike builds on the record-breaking price jumps Japanese multifamily saw in 2021. At that time, apartment prices smashed a ceiling that had been in place since the country’s real estate crash in the early 1990s.

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As part of its recovery efforts from those events, the Bank of Japan (BOJ) implemented a longstanding “ultra-loose” monetary policy aimed at stimulating the country’s economy. In the present economic environment, that policy is contributing to the attractiveness of Japanese real estate for both local and foreign investors.

The resulting weakness of the Japanese Yen (relative to other major currencies), and very low borrowing costs within the country both add to Japan’s appeal as a destination for real estate investors.

Balancing Act

Whether these factors continue to bolster property values in the long-term, however, remains to be seen.

In June, Reuters noted that: “Japan’s economy expanded a stronger-than-expected 2.7% in the first quarter on robust capital expenditure and solid domestic demand.”

In the same article, however, the news agency pointed out that inflation in the country is currently overshooting the Bank of Japan’s projections, with a source stating: “The BOJ must be vigilant to both the risk of an inflation overshoot, and the risk of a deep overseas slump hitting Japan’s economy.”

It’s also worth noting that recently the International Monetary Fund cautioned that Japan may need to adopt a tighter monetary policy to tame inflation in the coming months.

An Eye on Tokyo

Given this complex combination of factors, investors in Japanese property will need to keep a close eye on all the moving pieces as we head into the second half of the year.

For now, though, Tokyo’s commercial real estate market is still offering up some interesting opportunities that are well worth keeping an eye on.

