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CBRE releases "In and Out Japan 2018"

2018 Japan Inbound Real Estate Investment Declines 61% y-o-y; Outbound Investment Declines 29% y-o-y

CBRE today released "In and Out Japan 2018", a report summarizing investment by overseas investors in Japanese real estate and Japanese investors' investment in overseas real estate.

◇ Inbound real estate investment in Japan

Inbound investment by overseas investors declines

Real estate investment in Japan by overseas investors declined 61% y-o-y to US\$ 4.9 billion in 2018, mainly due to fewer number of large transactions.

Investment expands into regional cities

Regional cities saw investment by overseas investors increase 109% y-o-y in 2018, led by Osaka, which recorded a 131% y-o-y rise. As a percentage of total inbound investment, regional cities, including Osaka and Nagoya, increased dramatically from 8% in 2017 to 41% in 2018.

Office accounts for 60% of total

By asset type, investment in offices declined 32% y-o-y, but still accounted for 58% of the total. Investment in logistics facilities increased 145% y-o-y, with this sector's share of overall inbound investment rising from 2% in 2017 to 13%.

◇ Outbound real estate investment from Japan

Outbound real estate investment falls for second consecutive year

Outbound real estate investment from Japan declined 29% y-o-y to US\$ 1.9 billion in 2018. This followed a rise in currency hedging costs due to the growing gap between Japanese and U.S. interest rates. Another factor behind the slowdown is seen to be due to the worsening global economic outlook amid the U.S.-China trade conflict.

Investment into North America dropped 51% y-o-y to US\$1.15 billion, although this still accounted for the largest share at approximately 60% of total outbound investment. Investment in Asia Pacific totaled US\$ 530 million, the highest total since 2005.

Outbound real estate investment driven by real estate companies and trading companies

Real estate companies and trading companies continued to drive the outbound investment in 2018, accounting for 53% of transaction volume. However, their share of the total declined by 20 percentage points y-o-y. Conversely, share of industrial companies and funds increased, implying that the range of outbound real estate investors is gradually broadening.

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