

Real Estate Analysis Report

Housing and Habitation Conditions in Japan

Based on the *2008 Housing and Land Survey (Interim Report)*

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Preface ¹

The *2008 Housing and Land Survey (Interim Report)* was released by the MIC Statistics Bureau on September 4, 2009. ² Conducted once every five years, the survey provides fundamental, significant and unique official statistics necessary to grasp the current condition of housing and habitation in Japan.

Since the last survey in 2003, securitization has progressed significantly in the residential sector. ³ While we made assumptions of its impact on housing supply and demand and habitation conditions, until now we could not confirm the changes in conditions by means of any statistics.

In addition, amid the “Fund Boom” until 2008, many owner-occupied and for-rent apartment properties were developed, prompting concerns of an oversupply in some cities. However, until now we could not address this matter with any confidence due to the lack of statistics on vacancy rates.

Below we examine the survey data and pinpoint major changes that occurred in Japan’s housing and habitation conditions in the past five years.

1. General Condition – Total Dwellings, Vacant Dwellings, and Type of Dwellings

According to the *Housing and Land Survey*, as of October 1, 2008, total dwellings in Japan amounted to 57.6 million units, an increase of 3.7 million (+6.9%) units from 2003 (Figure 1). Vacant dwellings amounted to 7.6 million, increasing by 97,000 units (+14.7%) from the previous survey in 2003, causing the vacancy rate to rise from 12.2% to 13.1%.

Dwellings with occupying households amounted to 49.6 million units, consisting of 30.4 million owner-occupied dwellings and 17.7 million rented dwellings, increasing 5.9% and 3.3% respectively since 2003 (Figure 2).

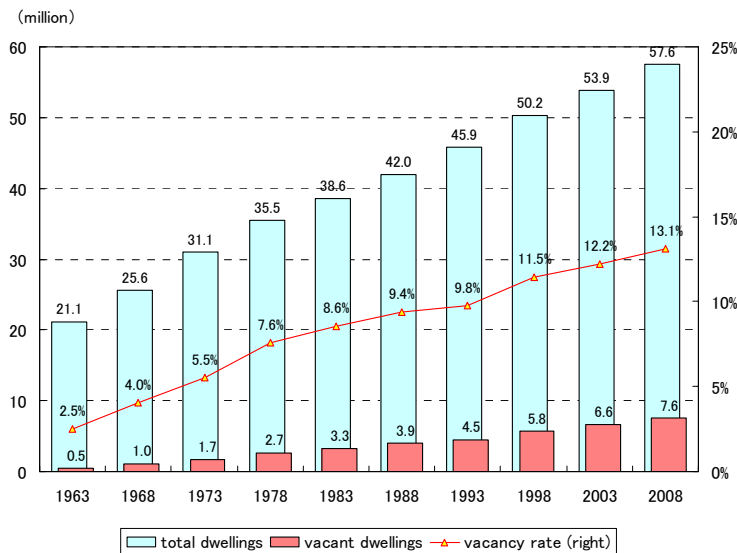
¹ This report is a condensed version of the [original Japanese report](#) released on September 4, 2009. The author thanks J. Parker for help with editing the translation.

² The *2008 Housing and Land Survey (Interim Report)* is available on the MIC Statistics Bureau website. The data is subject to revision in their final report.

³ Japan Residential REIT, established in March 2004, was the first REIT to focus on the residential sector. Numerous others have emerged since then.

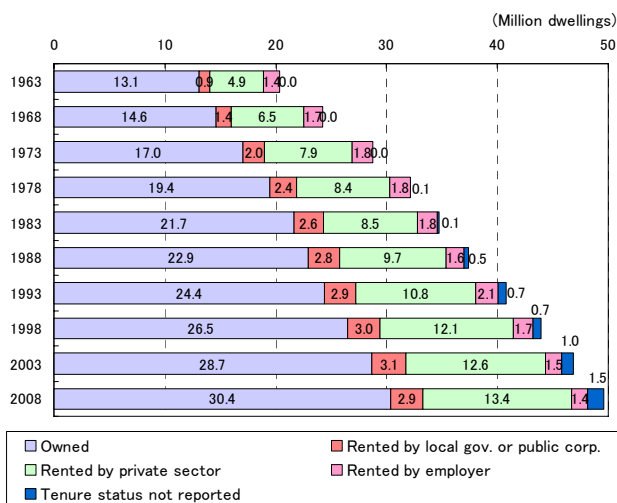
By building type, there were 27.5 million detached houses and 21 million apartments. The percentage of apartments has thus increased from 30% of dwellings in 1988 to 42% in 2008 (Figure 3). By tenure, apartments comprised 15.5% of owned dwellings, and 84.0% of rented dwellings.

Figure 1: Number of Total Dwellings and Vacant Dwellings



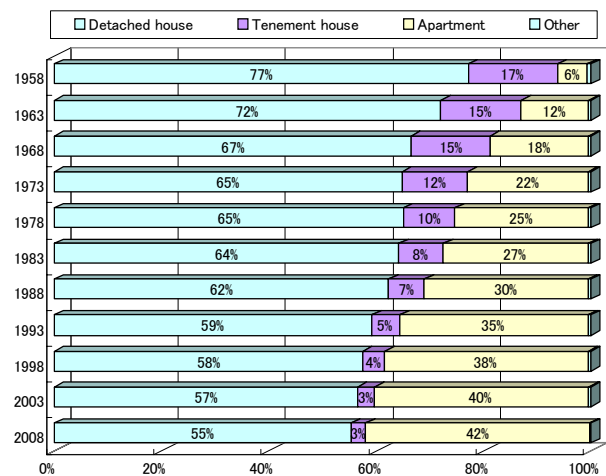
Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

Figure 2: Number of Dwellings by Tenure (1963–2008)



Note: Shows number of dwellings with occupying households
Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

Figure 3: Dwelling Composition by Building Type (1958–2008)



Note: Shows number of dwellings with occupying households
Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

2. Vacant Dwellings by Tenure

Based on the 2008 data, the vacancy rates of “owned (or for sale)” dwellings and “for rent” dwellings are estimated at 10.2% and 18.7% respectively (Figure 4).

From 2003 to 2008, owned (or for sale) vacant dwellings increased 548,000 units (+18.8%), and for-rent vacant dwellings increased 418,000 (+11.4%). On the other hand, total owned (or for sale) dwellings increased 2,247,000 units and for-rent dwellings increased 418,000 units. Thus the increase of owned (or for sale) vacant dwellings corresponds to 24% of the increase of total owned (or for sale) dwellings (548,000 / 2,247,000); likewise, the increase of vacant for-rent dwellings corresponds to 42% of the increase of total for-rent vacant dwellings (418,000 / 990,000).

Figure 4: Number of Dwellings and Vacancy Rate by Tenure

	Total dwellings (thousand)				Vacant dwellings (thousand)			Vacancy rate		
	Total	Owned (or for sale)	For rent	Other	Total	Owned (or for sale)	For rent	Total	Owned or for sale	For rent
2003	53,891	31,584	20,841	1,466	6,593	2,918	3,675	12.2%	9.2%	17.6%
2008	57,593	33,831	21,831	1,931	7,559	3,466	4,093	13.1%	10.2%	18.7%
5-year increase	3,702	2,247	990	465	966	548	418	+0.9%	+1.0%	+1.1%
Growth rate	+6.9%	+7.1%	+4.8%	+31.7%	+14.7%	+18.8%	+11.4%	–	–	–

Notes: Numbers were calculated by NLI Research Institute. (1) In total dwellings, “other” consists of “tenure status not reported,” “dwellings with temporary occupants only,” and “under construction.” (2) Total dwellings consist of “dwellings with occupying households” and “dwellings without occupying households.” (3) “Owned or for sale” consists of “vacant dwellings for sale,” “vacant dwellings as second dwelling,” and “vacant dwellings other.”

Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

The vacancy rates of owned and rental dwellings in major cities were estimated in the same way as above (Figure 5). Between 2003 and 2008, the total vacancy rate increased comparatively more in Sapporo, Sendai and Fukuoka, and decreased in Nagoya and Osaka.

The decrease of total vacancy rate in Nagoya is attributable to the decrease of vacant owned (or for sale) dwellings (from 10.5% to 9.9%), and that of Osaka to the decrease of vacant for-rent dwellings (from 22.1% to 18.9%).

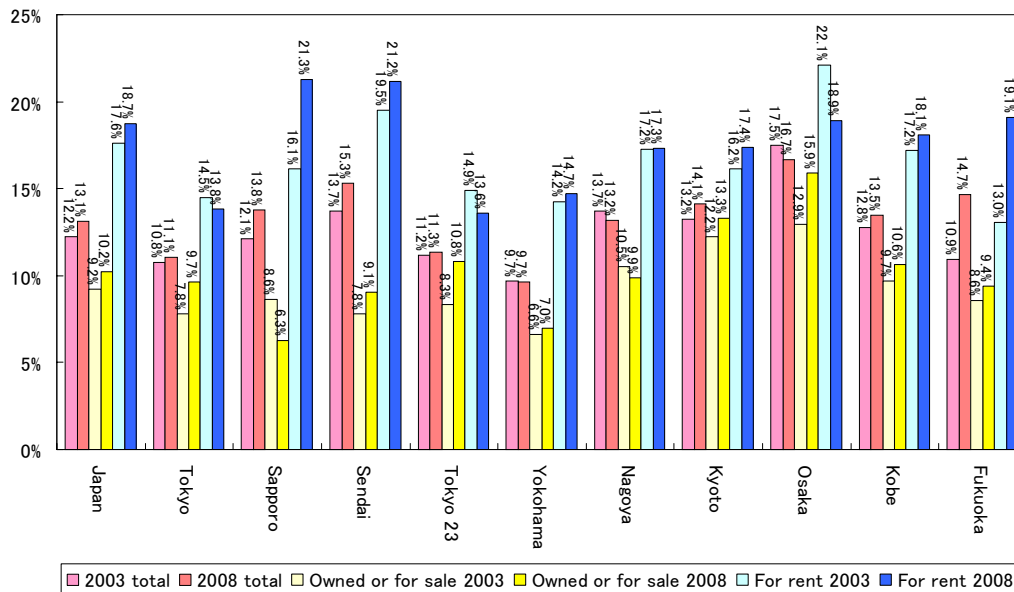
In Sapporo, the vacancy rate of owned (or for sale) dwellings decreased from 8.6% to 10.8%, but increased drastically in for-rent dwellings from 16.1% to 21.3%. In Fukuoka, the vacancy rate of for-rent dwellings also increased drastically from 13.0% to 19.1%. In these two cities, the supply of for-rent dwellings (particularly apartments) had been supposed to significantly exceed demand.

In the Tokyo 23 wards, the vacancy rate of owned (or for sale) dwellings increased from 8.3% to 10.8%, but decreased in for-rent dwellings from 14.9% to 13.6%, reflecting the same pattern as Osaka. Thus in the five-year period, the new supply of for-rent dwellings might have been

smaller than the additional demand.

In the major cities, Sapporo, Sendai and Fukuoka exhibit a significantly higher vacancy rate in for-rent dwellings compared to owned (or for sale) dwellings. In these three cities, the difference in vacancy rate between owned (or for sale) and for-rent dwellings has increased. This might suggest that the supply of dwellings has shifted toward for-rent houses/apartments between 2003 and 2008.⁴

Figure 5: Vacancy Rate by Tenure in Major Cities



Note: Calculated by NLI Research Institute.

Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

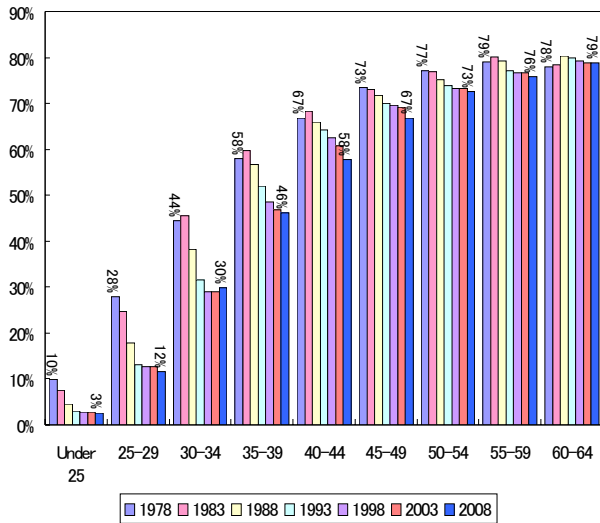
3. Home Ownership Rate by Age of Main Income Earner

The home ownership rate by age of main income earner has declined from previous surveys across all age groups under 65 (Figure 6). Among younger households, the rate has stagnated since 1993. Remarkably, the ownership rate of the 30-34 cohort increased only slightly (+1.0 point) between 2003 and 2008.

We rearranged the data in Figure 6 to show trends in home ownership rate over time by year-of-birth cohort (Figure 7). In general, the home ownership rate is lower for younger cohorts compared to elder cohorts at the same age. Notably, however, in 2008 the home ownership rates of YOB cohorts born after 1965 appear to converge with that of the cohort born around 1965 (aged 40-to-44 in 2008). This means that the declining home ownership rate may have bottomed out. From this we could forecast that: (1) the home ownership rate will decline in cohorts born up to 1965, but (2) the rate will be stagnant in cohorts born after 1965.

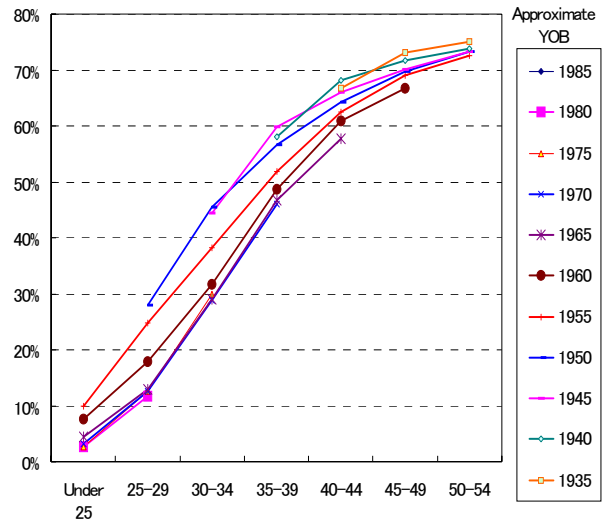
⁴ It is possible that the oversupply of for-rent dwellings might be aggravated by the lack of information on vacancy rate and vacant dwellings, which are gathered only once every five years.

Figure 6: Home Ownership Rate by Age of Main Earner



Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

Figure 7: Home Ownership Rate by Year of Birth of Main Earner



Note: Shows ownership rate for each YOB cohort at various ages. Source: MIC Statistics Bureau, 2008 Housing and Land Survey (Interim Report).

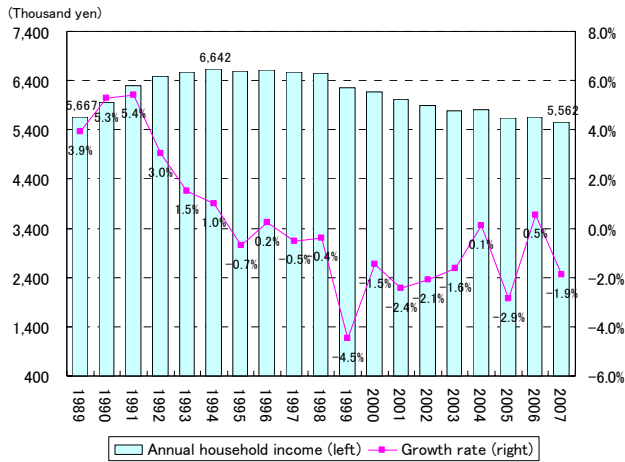
4. Households by Tenure of Dwellings and Annual Income

The average annual income of households decreased from 6,642,000 yen in 1994 to 5,562,000 yen in 2007 (a decrease of -1,080,000 yen, or -16.3%) according to the Ministry of Health, Labour and Welfare (Figure 8).

The decrease of household income is also evident in the *Housing and Land Survey* (Figure 9). Between 1998 and 2003, the number of households with income over 5 million yen decreased, while the number of low-income households (under 3 million yen) increased drastically. Moreover, the economic boom between 2003 and 2008 abated the change to the point that households with 5-to-10 million yen in income turned up, and the number of low-income households increased by less than in the previous five years.

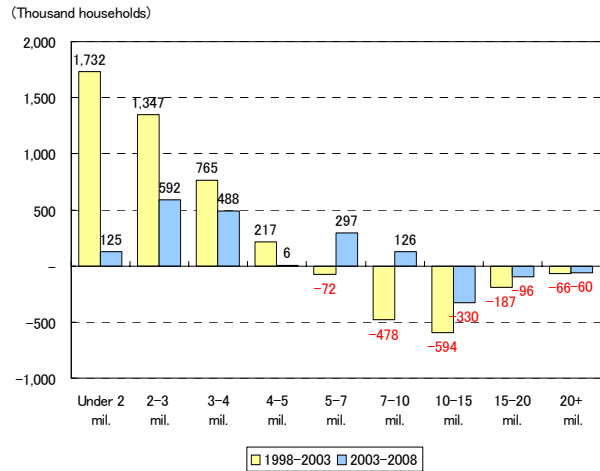
The increase of lower-income households between 2003 and 2008 was most pronounced among homeowner households (Figure 10). Presumably, the increase is due to the growth of elder households. As for renter households, the number of low-income households has decreased. This can be attributed to a decrease in the number of households who rent privately owned dwellings (wooden).

Figure 8: Annual Household Income (1989-2007)



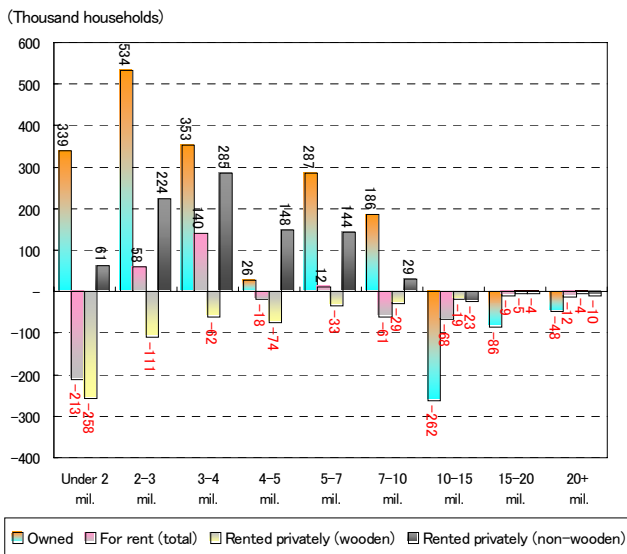
Source: Ministry of Health, Labour and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare*.

Figure 9: Change of Households by Annual Income (1998-2003 and 2003-2008)



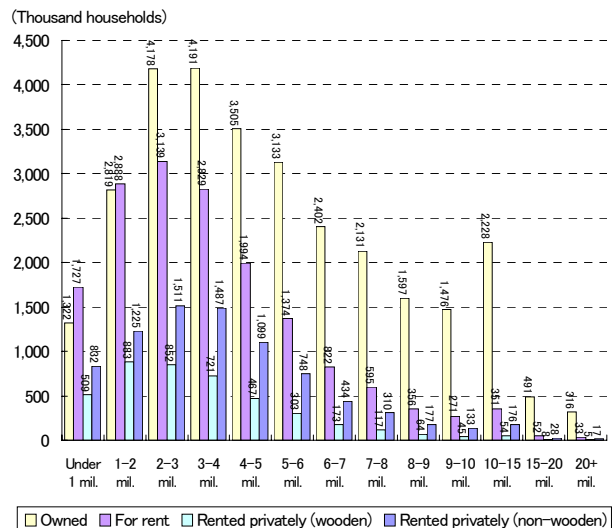
Source: MIC Statistics Bureau, *2008 Housing and Land Survey (Interim Report)*.

Figure 10: Change in Households by Tenure and Annual Income (2003-2008)



Source: MIC Statistics Bureau, *2008 Housing and Land Survey (Interim Report)*.

Figure 11: Total Households by Tenure and Annual Income (2008)



Source: MIC Statistics Bureau, *2008 Housing and Land Survey (Interim Report)*.

5. Significance of the *Housing and Land Survey*

We reviewed several important statistics of the residential sector including vacancy rates, which are available only once every five years. While the *Housing and Land Survey* is the fundamental and most significant statistical survey on the residential sector, it has not been

widely referenced by developers, home builders and others in the real estate business. The main reason for this appears to be the lack of cross tabulations that would make the data more meaningful for business and investment purposes.

Thus far, tables in the survey have been added on an ad hoc basis by demand from policymakers, and not by business users. As a result, the series of tables are not furnished in a logical or complete manner. The most useful but currently unavailable items for cross tabulation are as follows: (1) age and sex of main income earner; (2) household type; (3) tenure; (4) type of building; and (5) annual household income. In particular, cross tabulation of the first four items would immensely boost the survey's usefulness to business users.

Under the new Statistics Act that took effect in 2009, the number of tables in the *Housing and Land Survey* was reduced by the government, while a new fee-based system will supposedly enable users to request tailor-made cross tables. Hopefully, the time will soon come when business users can obtain the cross tabulations mentioned above, but at present the system does not work correctly. The additional rules do not permit business users to request tailor-made aggregations for business, and instead only accommodate educational and academic purposes. This situation runs counter to the main concept as described in the new Statistics Act.⁵

Hopefully, these rules will be changed so that significant statistics such as the *Housing and Land Survey* can be used for business purposes through tailor-made aggregation. In addition, we hope interim surveys of the *Housing and Land Survey* will be initiated in the future, because the present five-year interval is too long to wait amid the volatile economy.

⁵ [The new Statistics Act](#) that took effect in April 2009 aims “to contribute to the sound development of the national economy and enhancement of the living standards of the citizens, recognizing that official statistics are critical information for the citizens in their reasonable decision making.”