Overview on Housing Situations in Japan
Trends in Housing Situations
Number of housing constructions (bar chart) and long-term interest rates (line chart)

Trends in number of housing starts and long-term interest rates

(10 thousand units)

Number of housing starts
Long-term interest rates

Interest rates for 10-year government bonds:
Final rate for 1975–1988
Annual average for 1989 and on


First issue of deficit-covering government bonds
Second oil crisis
Plaza Accord
Initial introduction of consumption tax (3%)
Consumption tax hike to 5%
Law revision on building certification following the revelation of structural calculation forgery
Lehman Shock
Widening of the interest-rate reduction for Flat 35S, special exemption of gift tax for money for acquisition of dwelling house
◆ Housing market conditions

- Although housing loan tax exemptions and benefit schemes were enhanced to mitigate the last minute demand surge before the consumption tax hike and the following reactionary downturn, an unexpected level of downturn has struck the custom home market since last October. This fall in demand has prolonged in the built-for-sale and for-rent housing markets as well.

- It is important to quickly recover housing investments which have major impact on the overall and local economies and set the growth strategy on the right track.

![Custom home orders (average of top 8 builders)](chart1)

![Number of housing constructions](chart2)

- Seasonally adjusted annual rate of 880 thousand units/year
[Custom-built housing]
Refers to houses that are designed according to the owner’s requests and constructed based on a contract with the constructor, in contrast to houses built for sale with the layout and specifications already predetermined by the seller. In custom-built housing, not only the floor layout but also the building materials and facilities can be chosen according to the owner’s preference and lifestyle. The ratio of custom-built housing is larger than that of built-for-sale housing in the Japanese market.

[Trends in the custom-built housing market]
There are several construction companies in Japan that annually build around ten thousand custom-built homes described above. These major constructors, many of which are members of Judanren, announce the number of orders they received each month.

持家 (Mochiya) = Owner – occupied housing (2013.1–12 TOTAL) 354,772 units
In the housing starts data, housing which the owner has constructed for himself to live in

貸家 (Kashiya) = Houses for rent (2013.1–12 TOTAL) 356,263 units
In the housing starts data, housing which the owner has constructed for someone other than the owner lives

分譲 (Bunjyou) = Houses for sale (2013.1–12 TOTAL) 263,931 units
In the housing starts data, housing which the owner has constructed to be sold
Request for revision of housing-related tax systems and budgets

I. Reduced consumption tax rate
II. Request for revision of tax system and FY 2015 budget
III. Emergency economy package

General Incorporated Association
Japan Federation of Housing Organizations (Judanren)
Consumption taxation or VAT in developed Western countries

- Most Western countries adopting consumption taxation or VAT apply reduced tax rates for the consumption of housing as well as for food, newspapers and books. Tax exemption for housing has become a world standard.

(Figure 13) Consumption tax rates in developed Western countries (as of December 2012)

- 46 out of 50 states adopt sales tax in the U.S. and housing is tax free in all states
- Annual income limit for social housing, etc. in France is 67,000 Euro for a household of four in Paris (as of 2012)
- Consumption tax paid for building materials is included in the sales cost in Germany
- Refund system is available in other provinces of Canada
- Most countries apply higher rates (standard rates) for specific food consumption (such as dining in a restaurant, etc.)
1. Expansion and extension of exemption of gift tax for money for acquisition of dwelling house

- Promote purchase of housing with modest burden by expanding and extending the current exemption of gift tax for money for acquisition of dwelling house
  - Average annual income is declining in the 30-39 age group which comprises the main proportion of housing purchasers. Therefore the relative housing cost in relation to annual income is stuck at a high level.
  - The gap between the affordable cost level for purchasers (housing loan + personal funds) and the actual housing cost is as wide as 28 to 30 million yen in the Tokyo Metropolitan area.

Trends in annual income of the 30-39 age group

- Effects of money acquired as gift
  - Enabled purchase of housing
  - Made repayment of loan easier
  - Was able to purchase earlier than expected
  - Was able to add facilities and upgrade specifications
  - Enabled purchase of a larger housing
  - Others
  - Undeclared

- Composition of housing funding for age group of 30–39 in the Tokyo Metropolitan area
  - Consumption tax: 2.5 million yen
  - Registration costs, etc.: 1 million yen
  - Shortage: 28–30 million yen
  - Housing purchase cost (Average in the Tokyo area): 48 million yen (including land cost)
  - Personal savings: 2 million yen
  - Housing loans: 19–22 million yen

- Ratio of purchasers using gift money
  - With
  - Without
  - 0% 20% 40% 60% 80% 100%

- *2013 survey on actual conditions of custom housing purchasers (by Judanren)
- Mitigating the burden of child rearing and elderly care and vitalizing local economy through the promotion of three generations living together under one roof or in the same neighborhood
  - Multiple generations living together or in the same neighborhood will contribute to strengthening ties between generations and is expected to have positive impact on curbing social security costs associated with elderly care and improving childbirth and child-rearing environment
  - Encouraging the children generation to live with parents in their hometown will contribute to vitalizing local economy

*Awareness survey on preparing for old age by the Cabinet Office, 2014

*The 14th Japanese National Fertility Survey by the National Institute of Population and Social Security Research

### Preferred housing at old age
- Self-owned housing: 77%
- Public housing: 5%
- Private nursing home: 4%
- Elderly housing with supportive services: 9%
- Leased housing: 4%
- Other: 1%

### Living with parents (including parents of one’s spouse)
- Wish to live together: 18%
- Wish to live separately: 12%
- Don’t mind living separately: 27%
- Wish to live together in the future: 23%

### Wife’s employment status before and after first childbirth (Year of first childbirth 2005–09)
- Continued work (maternity leave): 17%
- Continued work (without maternity leave): 10%
- Resignation for childbirth: 44%
- Unemployed since before pregnancy: 24%
- Unclear: 5%

### Request
- Housing with enhanced energy saving and aseismic performance: 30 million yen
- Ordinary housing: 25 million yen
1. Interest-rate reduction by 1% for Flat 35S

- The significant reduction of interest rate for Flat 35S implemented after the Lehman Shock prompted 250 thousand loan applications in 19 months, demonstrating the immediate effectivity of interest-rate reduction in boosting economy.

- Weakening of housing purchase ability due to decrease in income, etc.
  - Decrease in income: 500–800 thousand yen/year
  - Decrease in disposable income*: 300 thousand yen/year
  - Decrease in total income: 800–1,100 thousand yen/year
  - Decrease in repayment ability: 240–330 thousand yen/year
  - Decrease in maximum loanable amount by 6–9 million yen

*Assuming that 30% of income will be used for repayment of loan
*Estimate assumes a 35-year equal repayment plan with a fixed interest rate of 2%

*Decrease in disposable income reflects 10% consumption tax, rise in insurance costs, reduction of child benefit, etc. (for a household of 4, with a single-earner annual income of 5 million yen, estimation by Daiwa Institute of Research)