

Should you buy or rent in Japan?
by Andrew Alderman
OPINIONS MAR. 09, 2016 - 05:53AM JST (7:10)
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TOKYO — Conventional wisdom asserts that buying a house or apartment is always better than renting, a popular reason being that "rent is just wasting money - at least with a mortgage I'm building equity." While the statement technically is correct, it has a laundry list of implied assumptions. It may be far less risky, and cheaper, to rent.

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Monthly Mortgage: ~160,000 yen
From the initial 160,000 yen payment, ~40,000 yen is interest and 120,000 yen settles the mortgage. This builds approximately 1.4 million in equity each year, appearing to bring you back to even in about 3 years (4.2 / 1.4 = 3).

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As expected, there is no one simple answer to "should I buy or rent?" There are also tax deductions involved with home ownership, but their impact depends on the property and

Autism Information
ANDREW ALDERMAN
Autism Information
Andrew Alderman is an American living in Tokyo, and is a Partner at Tyson Capital Advisors.
Website: http://www.tyisoncapital.com/

33 Comments (LOGIN TO COMMENT)
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Ay Restom MAR. 09, 2016 - 08:21AM JST
Very good article. Thanks for the info. I was sure I wanted to buy a house here, but now I'm thinking twice. But very informative anyhow.

MarXx MAR. 09, 2016 - 08:33AM JST
Do not buy in Japan! Houses only depreciate here, and you will never recover your initial cost. Unless you are very lucky and the value of your land increases, you will always lose money. I am living in a house we built 16 years ago at a cost of ¥25,000,000, and according to my real estate friend, if we were to sell today, I would be lucky to get a third of what we paid, even though we have worked very hard with the upkeep and added extras to the house and repainted. I would have never built if I had known that 16 years ago!

plastomconkey MAR. 09, 2016 - 11:14AM JST
Informative article, but...
We've just bought a house, and I'm glad. For the past 10 years we've paid ¥20,000,000 in rent and renewal money. All down the toilet. You'll pay more for a house and land, and even though you won't get back everything, you'll get back something. Something is better than nothing.

Scroto MAR. 09, 2016 - 11:18AM JST
We rented for many years, but bought a place a couple of years ago. There were a couple of main reasons for buying:
1) Cash flow. We paid cash, using money that was sitting in the bank earning very little interest. Even moving the money overseas wouldn't have gained much more interest. Much of the money we were paying in rent (¥155,000 per month) can be redirected to other expenses (school fees etc.)
2) Abenomics. The government seems determined to print large quantities of money, driving up asset prices. I have noticed that the price of new apartments in Sendai has increased by about 50% over the past few years. When the government are on a mission to make the Yen worthless there's little point keeping money in the bank.

We bought a place in the city centre where the underlying land value is high. Similar apartments in the same building are renting for ¥180,000 per month, so it could be rented out to gain some income if we move somewhere else.
Maybe if interest rates were still at 5-6% our decision would have been different, and there is no chance I would ever sign up to a 35 year mortgage. But given that we need to live somewhere and I don't fancy gambling on stocks, buying a place seemed to be the better option for us.

Maybe 30 years ago! Get with the times and get educated. Anyone who has spent 5 minutes trying to educate themselves about money, finance, and home ownership should know in the USA, unless you plan to live someone where for at least 5 years, buying a home is money lost. When it comes to interest, fees, tax, maintenance, etc. etc it works out that you not gaining any equity until about 5 years of ownership so if you do not know if you going to stay somewhere, then it's a money gamble. Of course it does not always come down to equity. Maybe you have a family and pets and just want a big house. But today people do not stay put like they used. People change jobs much more often and people are leaving their job much more often now in Japan. I do not think I would ever buy a house. I have had so many friends buy a house with a million mortgage only to get a job half way across the prefecture. I know one guy who drives nearly 1 hour to and from work and is powerless to see his house. He hates his job and his commute and all because he built a house to basically "beat himself" a prison. There are no other jobs in the prefecture to take and selling his house would be money down the drain. My other friend luckily loves his job but still drives about 40 minutes to work.

Do not get me wrong. When the time and place is right we will buy or build a house, but have seen so many people buy one only because it seemed the next thing to do on the checklist of life only to get trapped in a less than ideal situation.

scap MAR. 09, 2016 - 12:04PM JST
I imported and had a house built in Kyushu 20 years ago at the age of 47; fortunately, no loan was needed. I have been living in it happily and will continue to do so until I die. Best thing I ever did. Pride of ownership still has meaning.

debitoo MAR. 09, 2016 - 12:23PM JST
Purchase Price: 60,000,000 yen <- wow, is it 5LDK or is this house in Ginza?
You forgot to write about "Mitsuda or Matsuda"? There is a huge difference specially talking about its cost. But reading your post I suppose you're talking about Mitsuda, which I don't recommend at all, it's really expensive and it doesn't include "after service" plan, etc.
You also forgot to write about 確定申告: if you buy a house, government return you some tax money you paid in my case, more than 300,000 yen/year for 10 years.

kibousha MAR. 09, 2016 - 12:33PM JST
If I have to decide between renting or buying a 60 million yen property, I choose renting and going on vacations, not buying and scrimping to make mortgage payment. 60 million is more than the average Japanese can afford.

Stephen Skinner MAR. 09, 2016 - 01:02PM JST
Debito can you explain more about 確定申告? Is there any information about.

Reckless MAR. 09, 2016 - 01:36PM JST
To the pents, also keep in mind two points: 1) the loan is non-recourse, so even if you get sick or bankrupt you still have to pay the loan even if the home is collateral (i.e., you can't just walk away from the loan); and 2) if you get divorced which you have a 50% chance of doing, the wife will get the house, you will be thrown on the street even if there is a false allegation of domestic violence, even yelling in a loud voice, and you will still have to pay the mortgage. (Ghost House Remains Silent)

We didn't opt to build a new house, because that really is a money-losing proposition in Japan. Instead we renovated the old existing house and made it as comfortable as a new house, more unique than the cookie cutter new houses you see everywhere. And that's the cost.

I think land values will hold their own here, and possibly increase greatly (especially if inflation eventually kicks in, which I think it will).

Pride in ownership is really something as well. It's nice to own the land you live on.
If you are prone to moving often due to a career, it might not be a good idea to buy. Likewise, going overboard on the building itself is not going to be a profitable move.
But if you want a place to live, get a good price on actual land (not structures), and choose an area with the likelihood of strong growth, there are many far worse investments than buying a house.

GW MAR. 09, 2016 - 01:40PM JST
If you buy in Japan you can't expect to get SOME \$\$\$ back if you sell, you will almost NEVER make money, especially if you have to pay a mortgage.

Strangerland MAR. 09, 2016 - 01:48PM JST
If you get divorced which you have a 50% chance of doing
Speak for yourself.

IT'S ME MAR. 09, 2016 - 01:48PM JST
Really depends. How long you want to stay here, if you want to retire here it might be worse.
I did a LOT of research into my area and my apartment went up to 1.5 in value to my purchase price, simply because the area was being renewed and all properties increased in value.
Planning is your key. Said that housing and property taxes do hurt annually.

SenseiNotSoCarmen MAR. 09, 2016 - 02:00PM JST
Location, Location, Location. Buy a mansion in a popular size/formal near a station with no elevator. The latter can be a killer for maintenance costs.
Be wary of depreciation, though, and financial advisors who fail to mention this and other pitfalls.

debitoo MAR. 09, 2016 - 02:49PM JST
[Debito can you explain more about 確定申告? Is there any information about.
I don't know if there is any information in English but here you are someone in Japanese. I had to do my best searching information in internet about it and asking in tax office. >-<
http://www.fra-ohno.com/blog/1870/http://allabout.co.jp/all/special/sp_kauteishinhokoku/contents/10059/390313/
1) the loan is non-recourse, so even if you get sick or bankrupt you still have to pay the loan even if the home is collateral
it depends but if you have a good insurance your loan will become 0 yen in some cases.
2) if you get divorced which you have a 50% chance of doing, the wife will get the house....

Scap, I hear y'all I am thinking of buying a condo here, not as an investment, but as a "forever home." I've had so much experience of living in Japan - moved 10 times since I came here! - that I now know exactly what works for me, and what doesn't, when it comes to lifestyle and environment. And I can think of few things more satisfying than being beholden to no-one (such as a husband or a landlord), and never having to live in fear of being kicked out onto the streets.

kokakobebe MAR. 09, 2016 - 08:17PM JST
Zero interest rates and capital capitalism mean that it's ven hard for an ordinary person to make money from savings. If you're in Japan, there is big fore risk for any investments you make overseas to by and get some return on your money.
So one thing you can do with savings in Japan is buy a place and live in them. You won't get all of your money back, at least not unless it's really easy to find a good rate, but that's just the way of the world now. A nice place to live in is much bigger boost to quality of life than little numbers going up or down on a bank statement. In some parts of Japan, there is nowhere decent to rent and buying is the only way to get somewhere good. All the more so if you have a family.

Bradley Fried MAR. 10, 2016 - 07:10AM JST
In general, construction quality is very low in Japan as home values depreciate to zero. Since homes are not an investment, there is very little reason to own. Save your money.

IT'S ME MAR. 10, 2016 - 10:00AM JST
Was consider buying, pay the Place and pay it off before retiring and only have to deal with Utilities after retirement.
Pensions are getting smaller and being settled with rent and loan requirement once retired don't appeal. On average in Japan loan repayments in Japan are cheaper than renting the same place.
Plans changed and I will retire to our country-house that are paid off in my Home-country.

shonabb MAR. 10, 2016 - 11:40AM JST
I paid ¥42,000,000 twenty one years ago.
Was told it'd be by to sell it, I might get ¥16,000,000
Think about it, I could have rented a huge home for all the money I spent, plus taxes, (Kansai dependent fees), replacing faucets, gas/water heater, bathroom ceiling vent fans, oven/stove unit, hood in kitchen, the list goes on and on.
How much to refinance? Heard that is a whopper too.

crackpot MAR. 10, 2016 - 11:42AM JST
Have been paid buying forever and had those brown envelopes with the word "Confidential" written on them for my dad generally meant debt which taking on a house loan means to most people. But to cut a long story short the missus and I "bought" a place 3 mins from the station at a knockdown price and will not have to continue paying ju-man = rent. It was like 1/30th good.

stomorrow MAR. 10, 2016 - 01:00PM JST

Where are you best kept living that costs 31 man and up per month to rent? At that kind of outlay I can understand buying over renting, if only to eventually stop paying so much each day.

Strangerland MAR. 10, 2016 - 03:16PM JST
Where are you people living that costs 31 man and up per month to rent?
Pretty much anywhere in Tokyo. The cheapest place I lived with my family was 14man, and that was cheap and tiny. If you have a kid or two, it's easy to spend 20 man on rent in Tokyo.

clro MAR. 10, 2016 - 03:44PM JST
I did not buy in japan. I could have rented a huge home for all the money I spent!
But even if you paid in rent would have gone into someone else's bank account. Think about it. You've paid the equivalent of a little over ¥10man in rent, had a home you can do what you like with (instead of needing permission from the landlord to knock a nail in to hang a picture), and if you sell tomorrow you have ¥16,000,000 in the bank, assuming the mortgage is paid up. And from the day the mortgage is paid up, you live rent-free.

TravelingSales MAR. 11, 2016 - 01:41PM JST
The smart thing to do is buy and rent out. You borrow at 1-2% and rent at 5-6%. Every month you are cashflow positive even after taxes, principal, etc. And prices are cheap - half of NY or Singapore, one third of HK or London.
The above applies to Tokyo. There is no Japanese real estate market just as there is no US real estate market. Detroit is not Manhattan and Kitakyushu is not Tokyo.

Strangerland MAR. 11, 2016 - 01:43PM JST
I have a friend who owns a place he rents out in Tokyo (he can't afford to actually live in it), and he says if he could go back he'd never have bought it. Between the various property taxes, the management fees, the costs for fixing things when they break and whatnot, it costs him money some years (instead of making money), and it's always a hassle.

Tony Alderman MAR. 11, 2016 - 01:54PM JST
Do not buy in japan! Houses only depreciate here, and you will never recover your initial cost. Unless you are very lucky and the value of your land increases, you will always lose money. I am living in a house we built 16 years ago at a cost of ¥25,000,000, and according to my real estate friend, if we were to sell today, I would be lucky to get a third of what we paid, even though we have worked very hard with the upkeep and added extras to the house and repainted. I would have never built if I had known that 16 years ago!
None of this matters unless you are planning to sell the house for profit. Amazed you don't find this out before buying in Japan if you intend to stay put. buying is always better than renting. If you put off your mortgage before retirement, that's a larger chunk of your pension you can keep each month.

25years in Japan MAR. 11, 2016 - 05:58PM JST
The biggest mistake I made was buying an apartment years ago. Had to sell and basically get nothing for it. The only way to buy a house or apartment is to buy someone else's masterpiece in life. (Check out the 20 years when the house was worth 200,000,000 yen. The house was worth 200,000,000 yen for 20 years.)

There, fixed it for you

TravelingSales MAR. 12, 2016 - 02:14PM JST
I bought a small apartment in Minato-ku in 2009, rented it out and made an average monthly profit of 2.7% of purchase price. Then sold it 2015 for 124% of what I paid for it.

TravelingSales MAR. 12, 2016 - 02:15PM JST
correction, average annual

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