

PROPERTY INVESTING IN JAPAN - THE LAND OF THE RISING SUN

BY ZIV MAGEN



As promised, we'll now dive straight into an international investing case study, using our own company, Nippon Tradings International, as the subject. I'll try to break down the process, step by step, and to draw parallels to the same steps as detailed in the two previous articles in the series - in the hope that the path we've taken as personal investors and, later on, as a company, will strike a chord with those among you who are now considering their first overseas investment.

STEP 1: REGION

If you'll recall, the first milestone mentioned in the first article in this series was all about choosing the right country for our own personality traits. For various personal reasons, but mostly for the sake of keeping everything as straight forward, clear cut and legal as possible- particularly realtors, property managers and tenants - my options were initially narrowed down to Australia, New-Zealand, Singapore and Japan. All of these countries seemed, after some initial enquiries, to satisfy the above conditions, and also to be within

my reasonable financial and personal taste constraints. Meaning, I could reasonably expect to have legal recourse, certifiable and non-shady dealers, and the physical possibility to attend in person if something absolutely demanded my presence. Although, as mentioned, it wouldn't be something I'd want to do on a regular basis, as it kind of defeats the purpose of investing abroad.



The reasons I finally settled on Japan were two-fold:

a) I'm a firm believer in cashflow and monthly rental income as a main investment criteria. The speculative long-term commitment and uncertainty that comes with investing in the hope of achieving capital growth down the track, simply doesn't do it for me, personally. I'd much rather know that I've got a minimum of 10% net pre-tax in the bank every year, then to settle for 4-5%, struggle to keep it positive if inflation hits, and hope for capital gain to provide an additional 10-15% (or not). Not to mention the horror of having to potentially liquidate at a major loss, should personal or financial circumstances suddenly force a sale on me.

Of the four countries mentioned above, Japan was the only environment that provided that kind of potential. The only other option was to "get creative" with rebuilds, serious renovations or developments, etc. which I feel, is very difficult to manage from abroad, at least for a first time international investor like me. Or, alternatively, to go for Australian mining towns, which also provide similar cash flow, or better, but tend to sometimes "blow away" as mineral deposits dry out and local economies take a temporary or longer term downturn.

Being a scaredy cat, who's happy to settle for smaller gains in exchange for a good night's sleep, there was just no beating Japan in that playing field. And, I was willing to "sacrifice" the growth factor, which Japan has seen none of in the last two decades, in exchange for the healthiest returns any of the four countries could provide.

If capital growth ever returns to the land of the rising sun, as Goldman Sachs, TPG, Price-Waterhouse-Coopers and many more of the world's bigger players seem to be betting on since 2011, well, that would be the icing on the cake from my perspective. But, I'm perfectly content with a constant, steady and reliable 10-15% pre-tax per annum that Japan real estate investing provides, even if that growth never eventuates.

b) Affordability means versatility. Japan, as opposed to Australia, New-Zealand, and DEFINITELY as opposed to Singapore, which is one of the world's most expensive and luxurious property markets, seemed to offer tenanted or easily tenanted properties for as low as \$20,000 apiece. Compared with the minimum \$150,000 (at a serious stretch) that any of the other countries had on offer, I was looking at 7-8 units, as opposed to a single property anywhere else. Which, from my perspective, means 1/7 or 1/8 times the risk factor, since, if I lose a single tenant, I've only lost a fraction of my monthly cashflow. In fact, my portfolio would remain profitable, or at least breakeven, should even half of those 7-8 properties stand empty.



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And, if I spread those properties out geographically, which is obviously not possible when you own just one, I'm quite unlikely to have more than one or two standing empty for any prolonged period of time.

Compare that to where I'd be standing with the single, \$150,000 property. If it stands empty for longer than a month or two, my entire annual income could be in the red as a result. There would be little, to no, options of recovery if the particular (singular) area I chose to invest in suffers from any kind of economic, natural or social disorder for any prolonged period of time (see "mining towns", for instance).

Armed with all of the above information, my choice seemed clear. Japan won hands-down. And, all that was left for me to do was to pull up my sleeves and start building my own, personal "A-Team" - the people that would help make my investment dreams a reality.

If it sounds like I'm having fun, it's probably because I am. I love my job, whether I'm doing it for myself or for a client. If you've been following me so far, chances are you're a naturally born international investor too. Join me in the next issue of Real Estate Investing Wealth Magazine, as I drill-down into the various building blocks of my own personal (and oh-so-awesome) team members. As mentioned, this is never a one-man-show. Get cocky or greedy and try to do it all yourself, and you're bound to either drive yourself crazy or bankrupt (or both). But more on that next time!



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About the Author

Ziv Magen is an Australian, and has been deeply immersed in Japan's culture and business environment for the past decade. In 2003 he forsake his career as in IT corporate project manager, wishing to spend more time with his family and secure their financial future. Having made the transition to real-estate investment and successfully building his own portfolio, he subsequently established [Nippon Tradings International \(NTI\)](#) together with his Japanese partner, assisting others in capitalizing on Japan's vast and lucrative property market.

