

## **Real Estate Investment by Individuals**

Yoshiyuki Iwata

The results of the “Survey on Securities Investment” conducted by the Cabinet Office were announced in newspapers. The poll of 3,000 adult men and women in the nation was made in May, and about 71.7% or 2100 plus persons responded. According to the results, only a little less than 10% of the respondents are making securities investment and more than 80% do not intend to invest in securities in the future. Obviously, individuals seem to disintermediate securities investment.

On the other hand, it seems that some individuals have shown renewed interest in real estate investment for the past few years. Our company started last year a residential fund that invests in select residences over a certain size. In the course of the acquisition of rental units for the fund, we have found aggressive investment attitudes on the part of wealthy individuals. Many of them used to invest in real estate but lay low for a while after the collapse of the bubble. Recently, however, such people have become keen in real estate investment. They generally invest in properties priced at 500 million yen or less (small-to-medium sized rental apartments), but some of them expand the scope and invest even in 700 to 800 million yen properties. In fact, some of them are our competitors in biddings.

Some wealthy peoples are keen in real estate investment, because the prolonged low-interest rate policy has prevented surplus funds from going anywhere else. They seem to find real estate to be one of few relatively stable long-term investment media, because of the establishment of earnings discount investment appraisal methods, by which return on investment is estimated on the basis of monthly cash flows instead of appreciation. Also, relatively attractive returns on real estate investment due to the sluggishness of the securities market may have boosted their original preference for real estate.

However, these wealthy individual investors often find it very burdensome to manage real properties they have purchased as investment. Also, risk diversification is almost impossible if you invest in a single property. On the other hand, however, investing several hundreds of million yen in J-REITs seems hardly viable. (If J-REITs satisfied individual investors’ requirements, they would have already made considerable investment in them.) If we could offer investment products that address such real estate management and risk diversification problems and respond to these individual investors’ needs, they would attract them and attain substantial success.