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Buying Land or a House in Japan

By
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Key Points

I've heard from too many people, even some who have lived here a few years, that foreigners can't own land in Japan. Other people have asked me, or I've been party to discussions where people wonder, what the situation is all about. Here's the scoop.

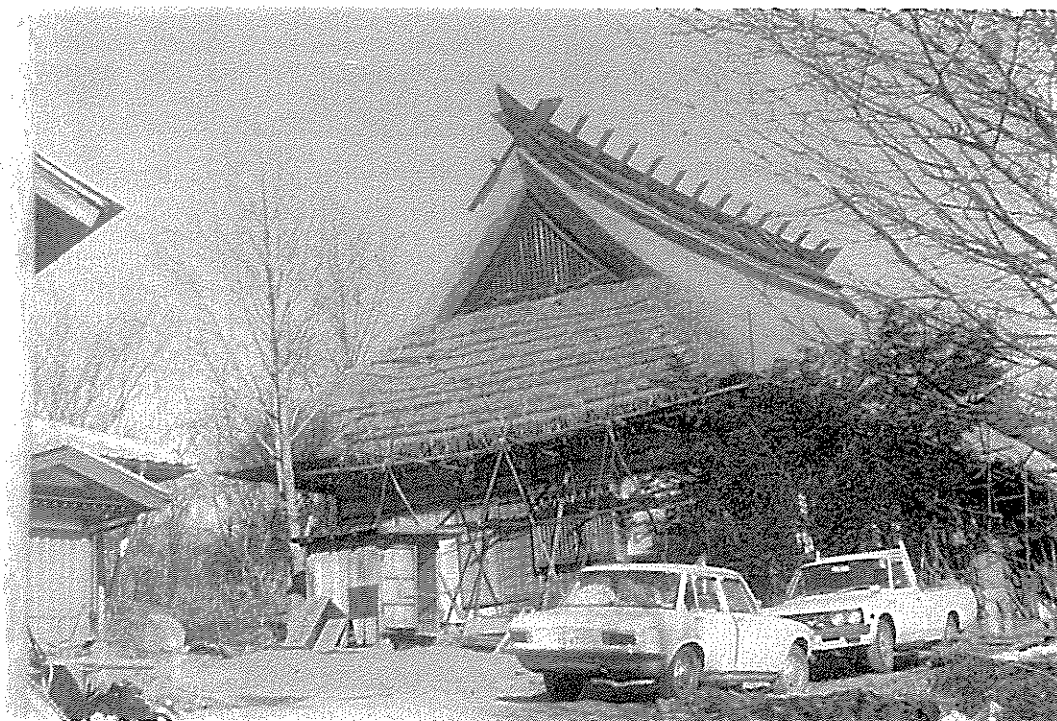
Foreigners can buy land in Japan. This includes Americans. It should be noted that there was a time when this wasn't possible, and you still may hear that there are limitations of up to 10,000 sq.m. nationwide. Some such "gyosei shido" type administrative guidance may be operative in certain areas, but you should know that there is no specific restriction in the law. It is true that foreigners and Japanese are

often restricted to owning 10,000 sq.m. (about 3,000 tsubo) in any local jurisdiction of a "homukyoku", or a local branch office of the Ministry of Justice. Of course the old land reformer, General McArthur could be expected to be fully in favor of this kind of control. If either a foreigner or Japanese has a good reason (cattle ranch, factory), he may buy more land after applying and getting approval.

When you buy land, the legal aspects are the same for you and the Japanese, the only exception being that instead of having a "juminhyo" or resident card, you will have to provide a "shomeisho" or certificate of your "gaijin toroku shomeisho", or alien registration card. You may also need a certificate from the embassy stating that

COMPLETE WITH LEAKING THATCH ROOF, the author's summer retreat was in need of repairs when first purchased.

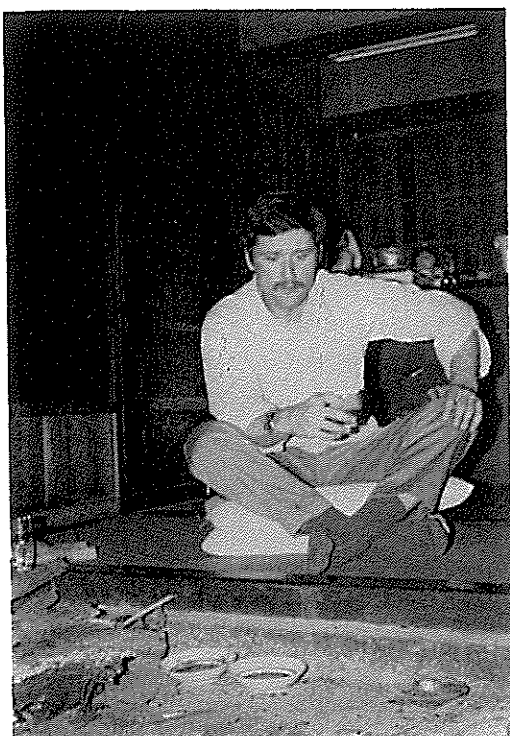




TILES MIGHT BE THE LAW IN TOKYO, but in the country districts you can rethatch, provided you can find the workers able to do this properly in the old manner.

EXTERIOR OF THE HOUSE WAS spruced up along with rethatching the roof. The house now appears almost new.





THE MASTER CONTEMPLATES HIS DREAM HOUSE while posed atop two zabuton, alongside the irori with ocha in hand.

your signature is in fact yours. It is more likely that this latter will be asked of you when selling, rather than when you purchase land.

If you have the real estate agent or a "shihoshoshi" (a judicial scrivener according to the dictionary, who actually ranks somewhere between a law clerk and a lawyer) handle the "toki" or registration for you, you will have to sign an "ininjo" (a kind of warranty of attorney) to authorize him to represent you. It should be mentioned that the common American practice of having a lawyer handle a closing will ring no bells here. The real estate agent is usually sufficient for this. If you have an official "jitsuin" (a registered legal "hanko" or name seal), you can use that too, but it isn't necessary when buying and they will probably want your signature anyway. When the registration is complete, you'll get a "kenrishi" (a title deed). Hang on to this for dear life. If a shift Japanese can get his hands on the "kenrishi" and the "hanko" used, he's well on his way to stealing away the land.

When it comes time to sell, that "kenrishi", another copy of the proof or certificate

of your certificate of alien registration and a "hyoka shomeisho" (certificate of real estate appraisal) will be needed. When selling, Japanese must use their official "jitsuin" and provide a copy of their "inkan shomeisho" (certificate of one's legal registered seal impression). Even as a foreigner it will be helpful to have a "jitsuin" when selling and may even be required by some authorities. A foreigner, not living in Japan and thus not having a certificate of alien registration, will not need a "hanko", name stamp. It will be sufficient to merely sign. For those of us living in Japan, an "ininjo" with your "jitsuin" on it will be needed, if you don't handle all the details yourself.

As for real estate commissions they range from 3% to 5% depending on real estate value (2 million yen - 5%, 4 million - 4%, over 6 million - 3%). These commissions must be paid by both the buyer and seller. Of course there are extremely honest and trustworthy "fudosanya", but there must be some reason why their overall reputation and status in the Japanese community is somewhat akin to that of used car dealers in America.

Problems Encountered

If you're ever turned down, the way we were once (only once) when we were trying to buy a small condominium ("mansion"!!) here in the city, don't get your nose too far out of joint. Let's face it, we are very much of a minority that stick out like a sore toe against a bright green "geta", and some of the things that may be said about us are true. We do tend to have noisy home parties, etc. We were told that the "atmosphere would change", and for better or worse it no doubt would have.

On this point I don't think the country is any worse than the city and probably better than places other than Aoyama, Azabu, Hiroo, etc. When I was a bachelor a few years ago I went around with an old buddy from my college Japanese class. We simply got off trains, or hitch-hiked, hitting some 25 or so towns from Tohoku to Nagano, popping in on real estate agents and found most of them receptive, often showing us houses right on the spot.

But the real obstacle to get over is financing. Unless you're really established here with other land to put in for collateral, you will have problems getting a mortgage and loan. You can get around this, however.

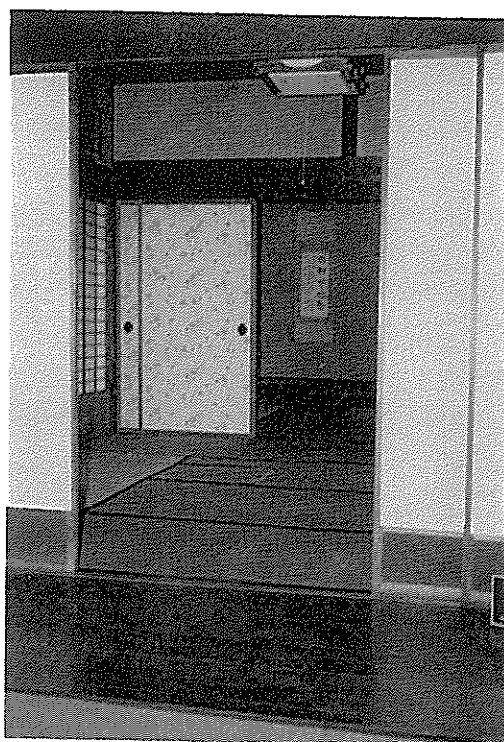
First of all if you have a Japanese friend you can completely trust, and he can trust you to make the mortgage payments, you may have to have all the land initially registered in his name until you pay off the loan. Banks feel much better having a Japanese as mortgage holder, and you can't really not blame them! They're afraid we're going to fly home.

We found that the man who wanted to sell us the house in the Yatsugatake (near Kiyosato) area in Yamanashi Prefecture, was willing to take on the loan himself from the bank. He was well positioned locally and no doubt the property cost us an extra million yen or two since all this does not put you in the strongest bargaining position.

Personal Experiences

My college friend, and I found that buying land and a house after being in Japan for a couple of years, changed our perspective, gave us some roots, and made us feel a lot more at home by making the adjustment into this very different culture easier. Of course, a lot of people don't want or need that. Fair enough.

Ours was an old house built as a "besso", or summer house, by a wealthy industrialist in the paper business who went as far as being the Minister of Finance in the old days. It had a thatched roof which was even starting to leak, but we had the vision to see that with a lot of work and a few million more yen, it could be turned into a real cultural treasure. In fact there had



NEW TATAMI AND SHOJI, along with rewiring and new electrical fixtures, combine to give the house the best of the old and new.

been talk of buying it up as such by the Yamanashi Prefectural government. By changing the tatami, replastering a couple walls, changing and adding on a few "shoji" (paper sliding doors), and building a new onsen style bath and patio we fixed the place up respectfully.



EVEN IN THE SUMMER, the evenings can be cool in the mountains. Notice the firewood stacked in the roomy genkan or entranceway.

Unfortunately we haven't been able to get up there as much as we'd like, but for ¥5,000 or so, the grandma across the way airs the place out, cleans up, cuts the weeds and even plants a few flowers.

You've got to be smart about your purchase, however, especially if you're thinking investment. We knew that the "Chuo Kosoku Doro", that central expressway running from Tokyo down into Nagano or wherever, was under construction and would have a interchange just a two or three kilometer drive from our house, which is also only a ten minute walk from a station on the Koumi national railroad line, which as a matter of interest also has the highest station in elevation in Japan. Land values have already doubled, which is beginning to make our some 1/3 of an acre investment worth something.

Being in for the short term can also be good business here, especially if you can get some good information on land in areas that are developing fast such as the several acres or so which we picked up in Hokkaido. It's a bit risky and trust is required. Without the language you're also at a severe disadvantage.

Taxes

You have a ¥30 million tax deduction if you are selling your own home. Other than that the tax situation can be crippling. Roughly speaking if the land and building were purchased before December 31, 1968, income tax is 20% with a "Jumin Zei" or local tax of 6%, providing your income from the sale is less than 20 million yen. When it goes over that amount you pay ¥4 million and ¥1.2 million in tax for income and local tax respectively, plus the difference between A and B. The A = the real estate income x 3/4 + all other income x the tax rate for this combined income figure. The B = 15 million + other income x the applicable tax rate.

Japan is not kind to those getting in and out of the market quickly. Put another way, you have to pay a price for the considerable appreciation which can be possible on some smartly purchased real estate. On anything bought after December 31, 1968, the taxes essentially double with the real estate income tax becoming 40% and the local tax 12%. You may even have to pay more than this if the tax payable determined by formula is greater than the

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combined 52% tax mentioned above. The formula is $C - D \times 110\%$, computed separately for both income tax and local tax. The C = real estate income - ¥500,000 + other income x tax rate. The D = other income x tax rate.

The Brighter Side

Although most readers will understandably not be in the market for a house in Tokyo, for which the same amount of money could buy perhaps four or five times the land and house in a nice American or elsewhere suburban neighborhood, we would just like to put in a word for the sea or mountain summer-resort concept. For those couples that always wanted to redo their own New England mansion, how about trying it in Japan the way we did. A lot of work, considerable expense, but sitting around your own place with a Japanese style open pit "Irori" fire, roasting "yaki-zakana" (or marshmallows), and drinking hot sake with the October wind howling outside, is a greater memory to take back to the States or to wherever you may be returning.