Intelligent Investment

Japan rental housing:

Investment fundamentals remain strong despite country's aging population

2 Housing conditions and foreign population in Japan

REPORT

CBRE RESEARCH
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Contents

This report is the second in a three-part series; this issue is the bold in the Table of Contents

Part 2: Summary

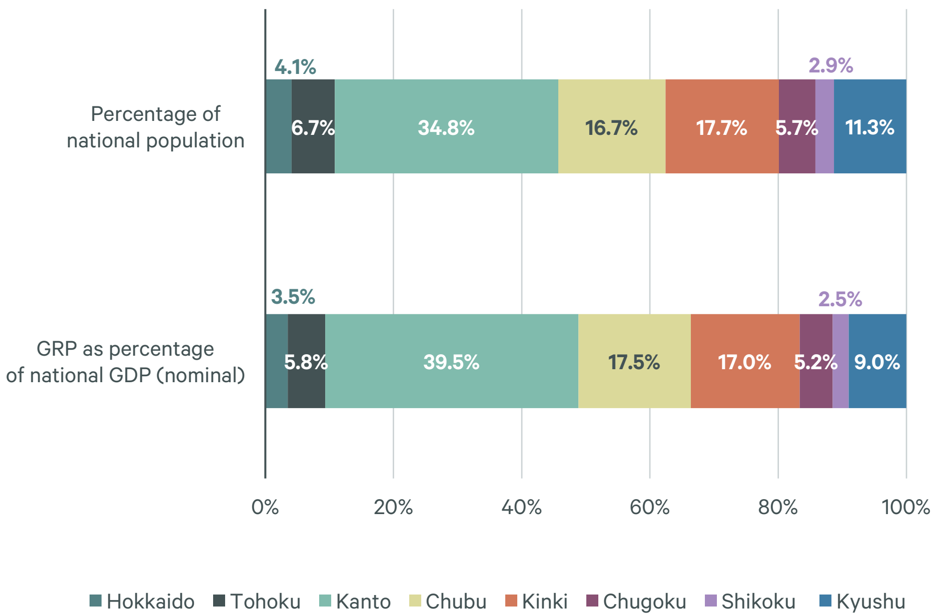
- Japan's nationwide homeownership rate is 60.9%, below that of neighboring advanced nations. In many of Japan's major cities, this figure is even further below the nationwide average, remaining at just under 50% in Tokyo 23 wards, Osaka, and Fukuoka. The homeownership rate is also on a downward trend in most of these cities; a trend due to the increasing number of young single-person households resulting from the continued inflow of students and the working generation into urban areas. Other contributing factors to this phenomenon include the increasing number of households being unable to purchase homes due to the recent spike in urban property prices. As interest rate hikes become more prominent, the hurdles for home ownership have risen further, suggesting that more households are selecting rental housing.

- A comparison of the growth rates in the number of households versus housing units suggests that housing supply in urban areas is lagging household growth. Additionally, vacancy rates in rental accommodation in cities within Greater Tokyo and Fukuoka remain low compared to other regions. Among occupied rental housing, small studio-type units can be estimated to account for approximately 30% of the total, meaning that the majority of units are small. Consequently, the supply of high-quality rental housing with spacious layouts appears insufficient to meet the needs of dual-income family households and active seniors seeking better living environments.

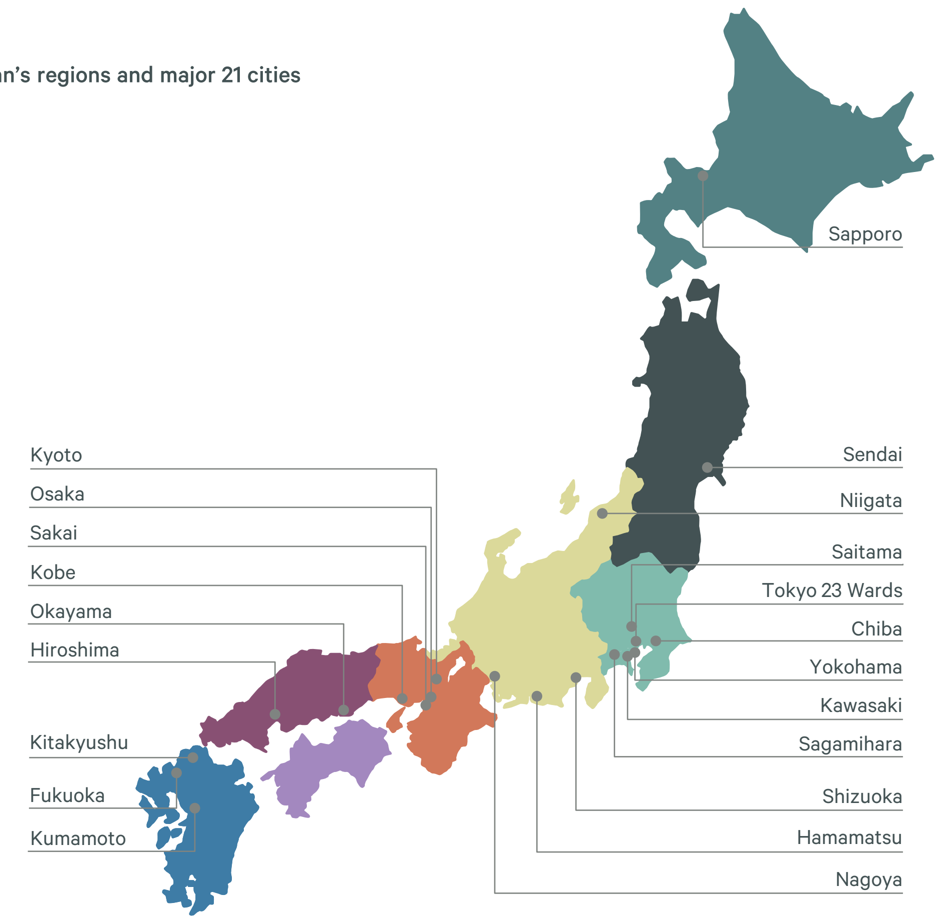
- Foreign inflows to Japan rose during the three consecutive years starting in 2022, reaching 660,000 in 2024. Approximately 40% of these individuals moved into the major 21 cities, with a particularly high concentration in cities hosting universities and corporations. About 60% of foreign residents in Japan are aged 15 to 39. Since many arrive for periods of several years for education or skill acquisition, their renter rate is high, exceeding 50%. Even under the Takaichi administration that advocates "realizing an orderly, multicultural society," Japan's general policy to attract more foreign talent should remain intact on the back of the serious labor shortage. With more skilled foreign individuals expected to stay in Japan on a long-term basis, rental housing demand from foreign resident households should continue to expand.

Reference

Breakdown of GDP and population by region



Japan's regions and major 21 cities



Note: Regional divisions are based on those established by the Japan Agency for Local Authority Information Systems.
Source: CAO "Prefectural Accounts (FY2022)", December 2025.

03

Housing conditions

Homeownership rate: Declining trend with drops primarily seen in major cities

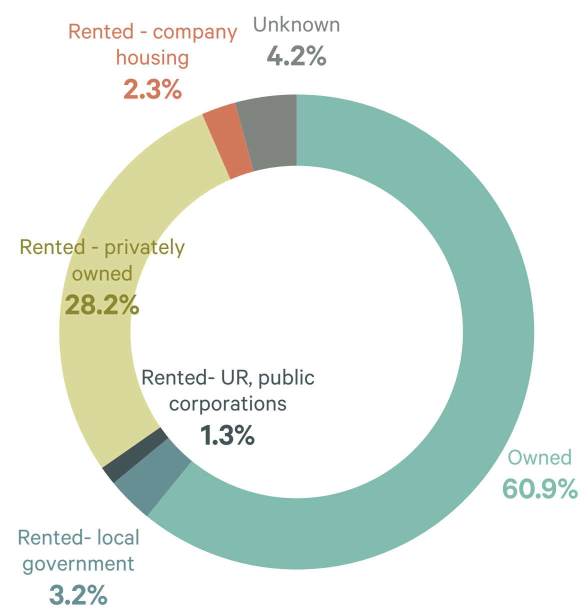
Japan's 2023 Housing and Land Survey found that there were 55.67 million registered dwellings with residing households nationwide, with a homeownership rate of 60.9% (Figure 3.1). This level is lower than those of other advanced nations in Asia Pacific, such as Singapore (91%), Australia (67%), and New Zealand (66%).

Given that Japan's homeownership rate in the previous survey conducted in 2018 stood at 61.2% (with 53.62 million dwellings), these results indicate that growth in the number of rental units has exceeded that of owned homes over the past five years. Privately-owned rental accommodation (excluding housing owned by local government, housing owned by UR or public corporations and company housing) made up 28.2% of all occupied dwellings.

In most of the major 21 cities, homeownership rates fall below the nationwide average, standing at 41.0% in Tokyo 23 wards, 40.1% in Osaka, and 37.4% in Fukuoka, the lowest of any city (Figure 3.2). In addition to the prevalence of students and other single-person households in these locations, renting is a preferred choice in major metropolitan cities due to high housing prices and low affordability.

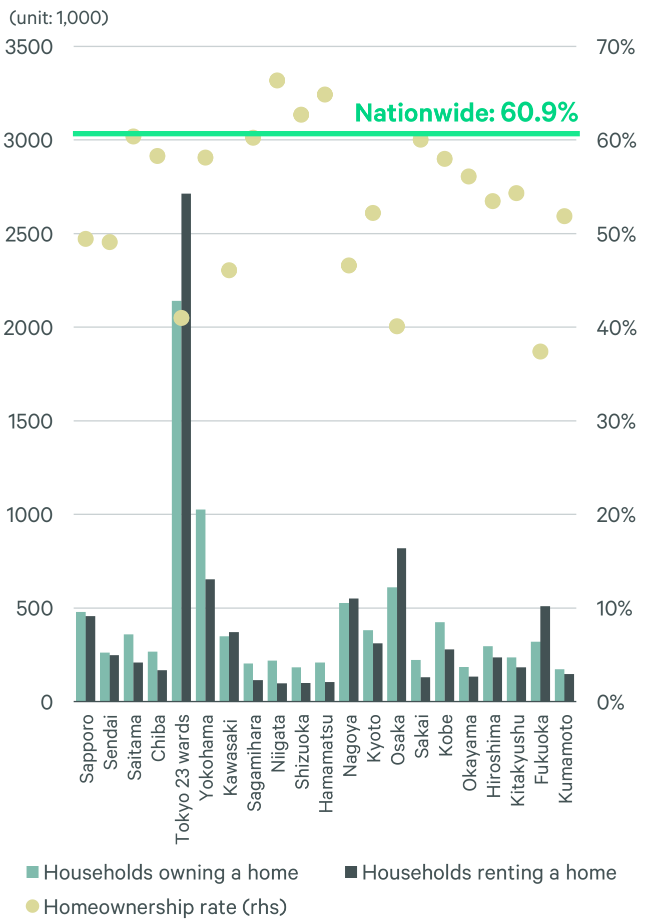
Compared to the previous survey, homeownership rates declined not only in Tokyo 23 wards, Osaka, and Fukuoka, but also in surrounding cities such as Chiba, Yokohama, Kawasaki, Kyoto, Kobe, and Kitakyushu. Many of these cities continue to record net inward-migration of working-age population (ages 15-64). Since the homeownership rate among senior households increased slightly from the previous survey, newly moved-in working-age households that preferred rental housing can be considered as a possible factor driving the overall decline in homeownership rates.

Figure 3.1: Breakdown of dwellings by ownership type



Source: MLIT "Housing and Land Survey 2023".

Figure 3.2: Homeownership rate - major 21 cities



Source: MLIT "Housing and Land Survey 2023".

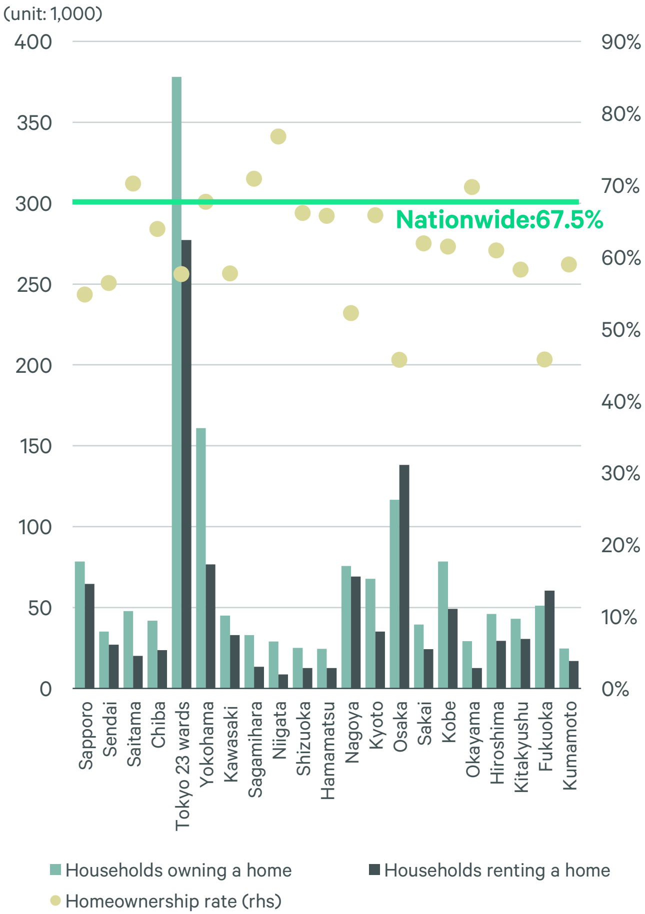
Single senior households' homeownership: Lower rate indicates strong rental demand in major cities

As of October 2023, there were 7.62 million dwellings nationwide occupied by households comprised of a single senior citizen aged 65 or over, with a homeownership rate of 67.5%. In contrast, the homeownership rate for senior couple households consisting of a husband aged 65 or over and a wife aged 60 or over, stood at 88.2%. This suggests that among senior households, demand for rental housing is particularly high among single senior households.

Looking at homeownership rates of single senior households in the major 21 cities, most are below the nationwide average (Figure 3.3). Those for Osaka and Fukuoka are in the 40% range, similar to the overall homeownership rates in these cities and far lower than the nationwide average. However, in the cities in the Greater Tokyo area, the homeownership rates among single senior households are relatively higher than those of all households. Higher average incomes relative to other regions may be the reason for more households purchasing a home during their working years.

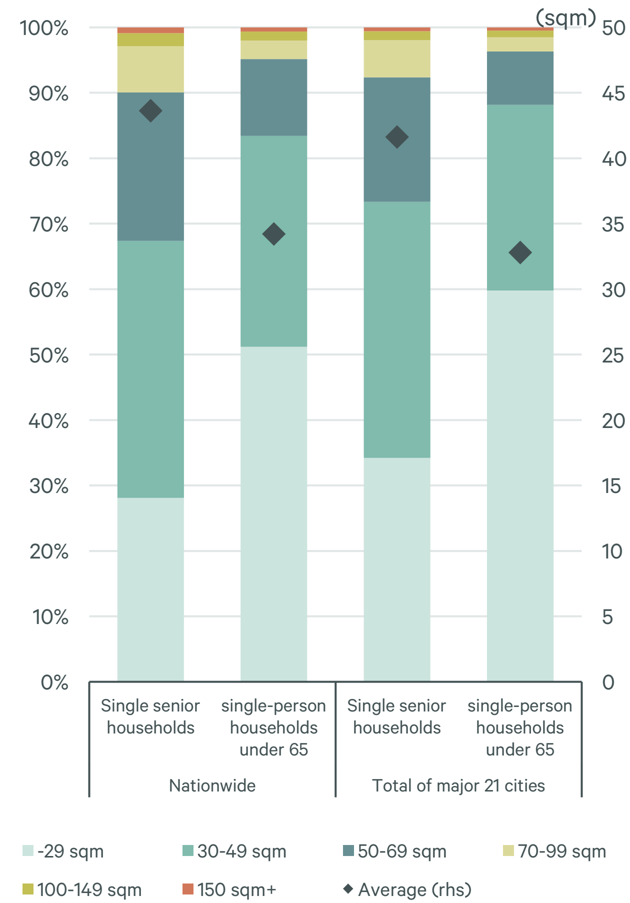
An analysis of rented units occupied by single-person households by floor area reveals that a larger proportion of single senior households live in larger units compared to those under the age of 65, and in both cases, the average floor space per unit for single senior households exceeded that for single households under age 65 by nearly 10 sqm (Figure 3.4). This suggests that senior citizens tend to prefer relatively spacious rental units as they seek to maintain their current living standards after retirement.

Figure 3.3: Single senior households' homeownership rate - major 21 cities



Note: Number of dwellings owned or rented by single senior households.
Source: MLIT "Housing and Land Survey 2023".

Figure 3.4: Breakdown of rental housing occupied by single-person households by floor area - nationwide and major 21 cities



Source: MLIT "Housing and Land Survey 2023".

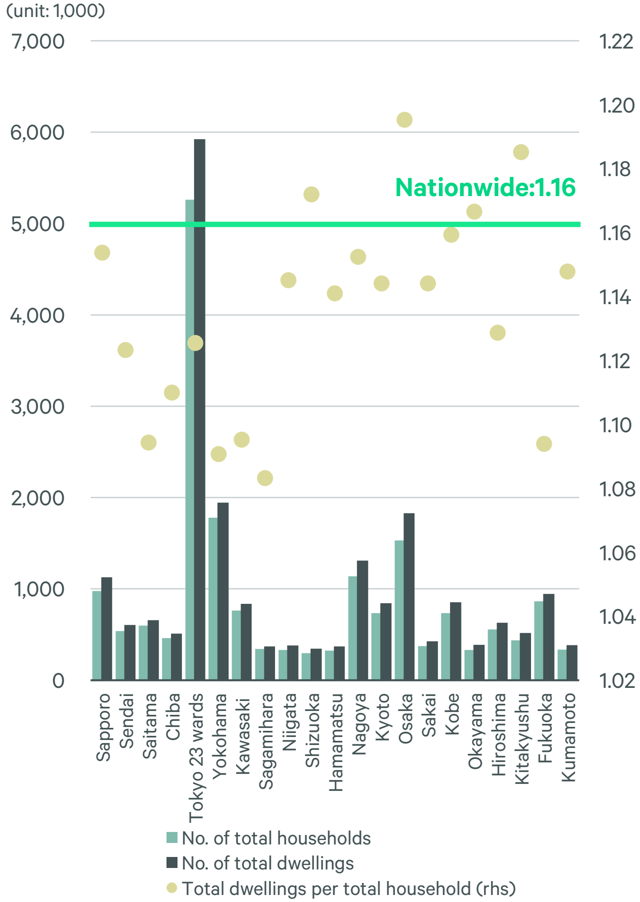
Housing stock: Household growth outpaces dwelling growth in major cities

According to the 2023 survey, the ratio of total dwellings (the sum of occupied dwellings and vacant or under construction dwellings) to total households (the sum of principal households, shared households and households living in buildings other than dwelling) nationwide was 1.16, remaining flat from the previous survey. In 17 out of the major 21 cities, this ratio fell below the nationwide average (Figure 3.5).

Both total households and dwellings nationwide increased compared to the previous survey (Figure 3.6). The growth rates for the total of the major 21 cities exceed the nationwide rates, indicating the concentration of both the population and housing supply in Japan's major cities.

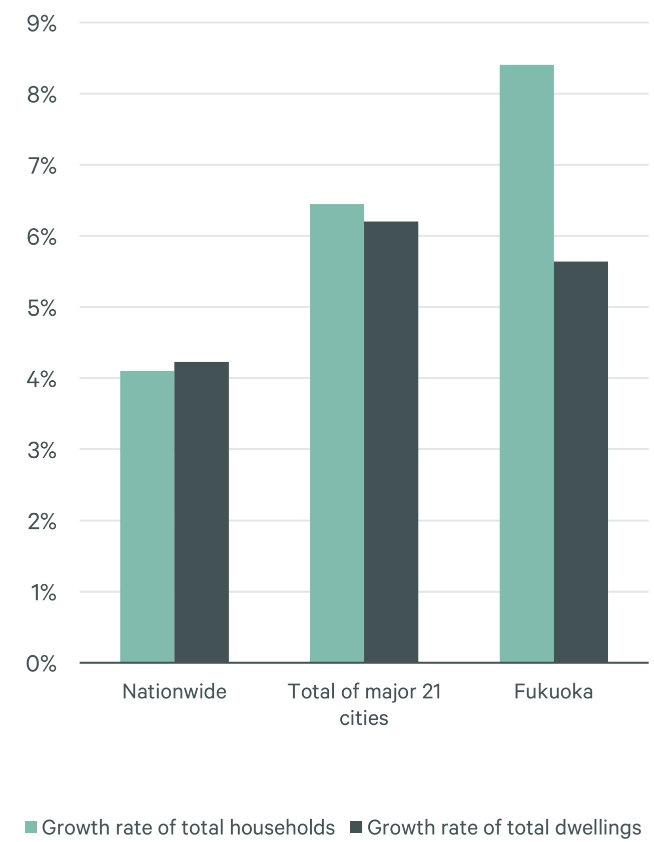
For the total of the major 21 cities, the growth rate of total households has outpaced that of total dwellings, suggesting that the pace of housing supply is lagging the increase in households. The gap in the growth rates was particularly large in Fukuoka. Overall, there appears to be potential for more supply in large cities where housing stock relative to the number of households is comparatively low.

Figure 3.5: Number of total households and total dwellings – major 21 cities



Source: MLIT "Housing and Land Survey 2023".

Figure 3.6: Growth rates of total households and total dwellings since 2018 – nationwide, total of major 21 cities, and Fukuoka



Source: MLIT "Housing and Land Survey 2023".

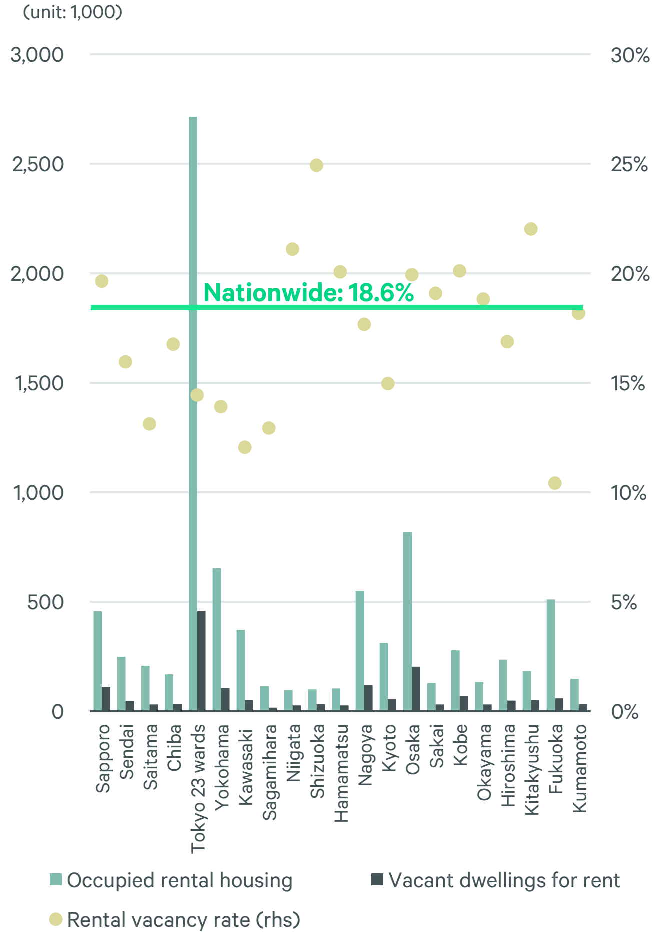
Rental housing stock: Low vacancy in Greater Tokyo and Fukuoka

The 2023 survey's analysis of rental housing stock (the sum of occupied rental housing and vacant dwellings for rent) in the major 21 cities shows that both the number of occupied and vacant rental dwellings were highest in Tokyo 23 wards (Figure 3.7). However, the rental vacancy rate (percentage of vacant dwellings in rental housing stock) in Tokyo 23 wards was 14.4%, below the nationwide average of 18.6%. The other major cities in Greater Tokyo also attracted relatively low rental vacancy rates.

The rental vacancy rate in Fukuoka was the lowest among the major 21 cities. This is likely due to the prevalence of single-person households and the relatively low homeownership rate among single senior households.

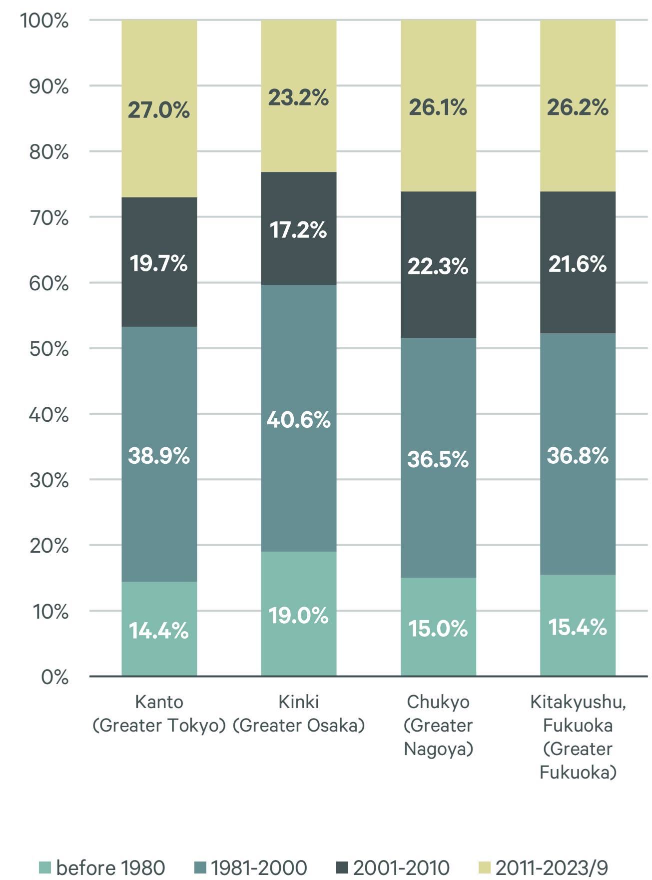
Looking at occupied rental housing by year of construction in the four major metropolitan areas, the proportion of relatively old housing built before 1980 of total stock was the highest in Kinki (Greater Osaka) at 19.0% (Figure 3.8). Comparing changes in the number of buildings since the 2018 survey, Kinki lags the other three areas in terms of the growth rate of new buildings and the reduction rate of old ones, implying a slow pace of replacement. To promote the earthquake-proofing of residences—a goal set in the Basic Plans for Housing approved by the Cabinet in March 2021, and the Fundamental Plan for National Resilience published annually—the rebuilding of old stock, particularly units built before 1980 that does not meet current earthquake resistance standards, should continue.

Figure 3.7: Rental housing stock and unoccupied dwellings for rent – major 21 cities



Source: MLIT "Housing and Land Survey 2023".

Figure 3.8: Occupied rental housing by vintage year – four major metropolitan areas



Note: Excluding vintage year is unknown.
Source: MLIT "Housing and Land Survey 2023".

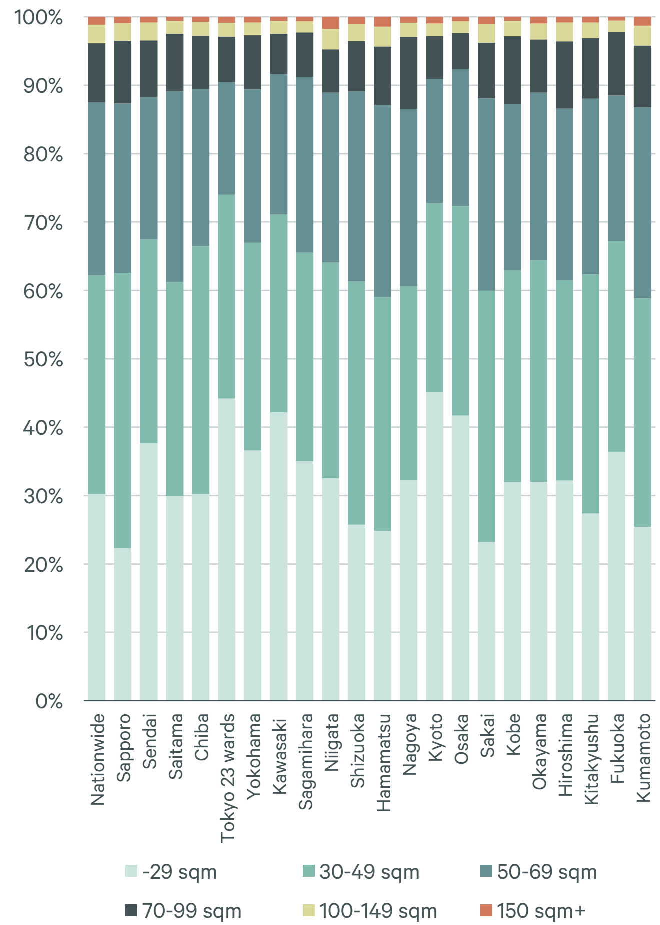
Rental housing stock by size: Studio units dominate rental housing stock in urban areas

According to the 2023 survey, by floor space and number of rooms, units of 29 sqm or smaller accounted for 30% of all occupied rental housing (+1 pp from the 2018 survey), while studio apartments (one room) accounted for 31% (+4 pp). In other words, roughly 30% of rental housing can be assumed to be small studio units; a proportion that is on an upward trend (Figures 3.9, 3.10).

These smaller units are particularly prevalent in Tokyo 23 wards, Kawasaki, Kyoto and Osaka, where units of 29 sqm or less account for over 40% of stock, and units of 49 sqm or less account for over 70% of stock. Units consisting of one or two rooms comprised approximately 60-70% of the total in these cities. With Tokyo 23 wards, Kyoto, and Osaka continuing to attract students and other younger demographic cohorts, demand remains firm for smaller units. However, there appears to be limited stock of units that are of larger size for couples and families who prefer to live in convenient and central locations.

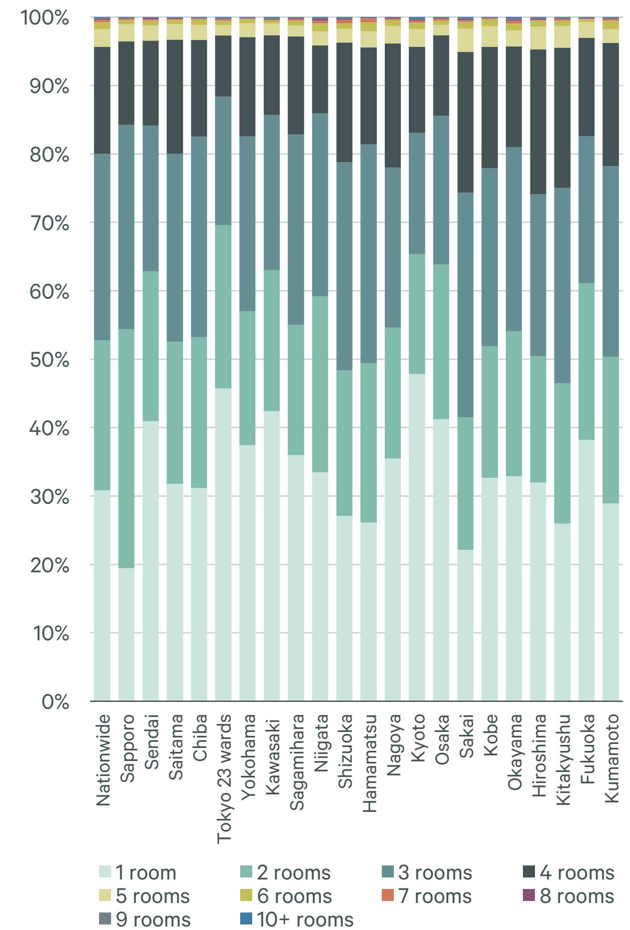
In the five years from the 2018 survey, the percentage of units of 29 sqm or less grew most significantly in Kitakyushu to 26.8% (+5.8 pp), while Kumamoto saw the highest growth in studio units at 37.8% (+7.9 pp). Considering the recent concentration of the semiconductor industry in these two cities, the supply of dwellings for single-person households may have been due to the expected rise in working population.

Figure 3.9: Occupied rental housing by floor area – major 21 cities



Source: MLIT "Housing and Land Survey 2023".

Figure 3.10: Occupied rental housing by number of rooms – major 21 cities



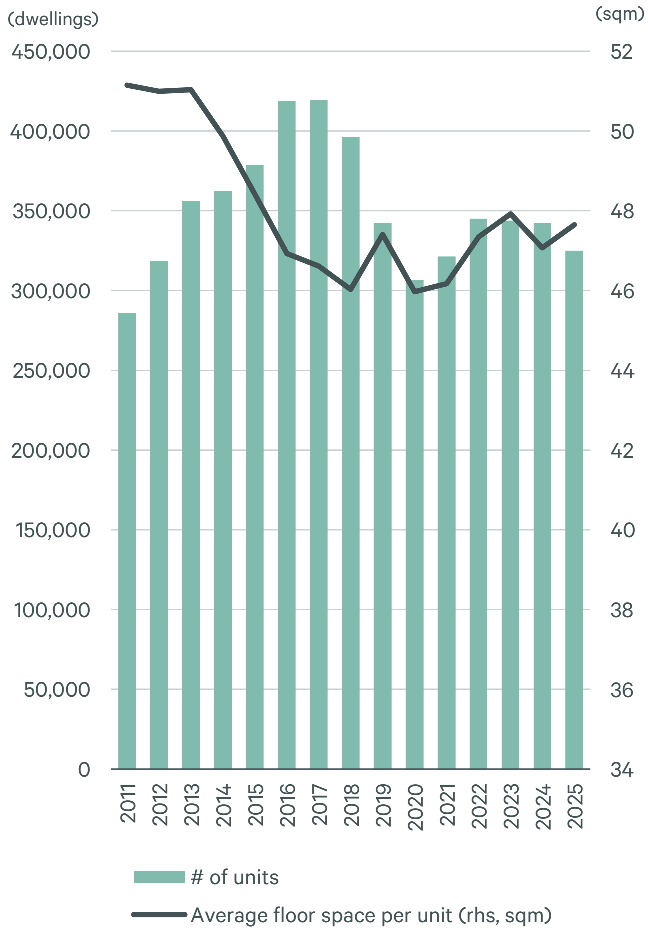
Source: MLIT "Housing and Land Survey 2023".

Rental housing starts: Decrease in housing starts, but increase in average floor space

The 10-year average up to 2025 for rental housing starts stands at 356,000 units per year nationwide and 59,000 in Tokyo 23 wards. Major factors affecting the volume of new rental housing construction include changes to the financing environment and regulatory framework. Rental housing starts increased in 2015 following changes made to Japan's inheritance tax regulations, while tighter rules around the oversight of "apartment loans" led to a fall in 2019 (Figures 3.11, 3.12). While starts increased again in the years following the pandemic, they are back on a declining trend in the past two years against the backdrop of rising financing costs due to interest rate hikes, as well as soaring land prices and construction costs. Specifically, rental housing starts nationwide decreased by 5.0% y-o-y in 2025, a second consecutive year of decrease following 2024. In Tokyo 23 wards, they were up only slightly by 0.7% y-o-y in 2025, from the lower levels seen in the previous year.

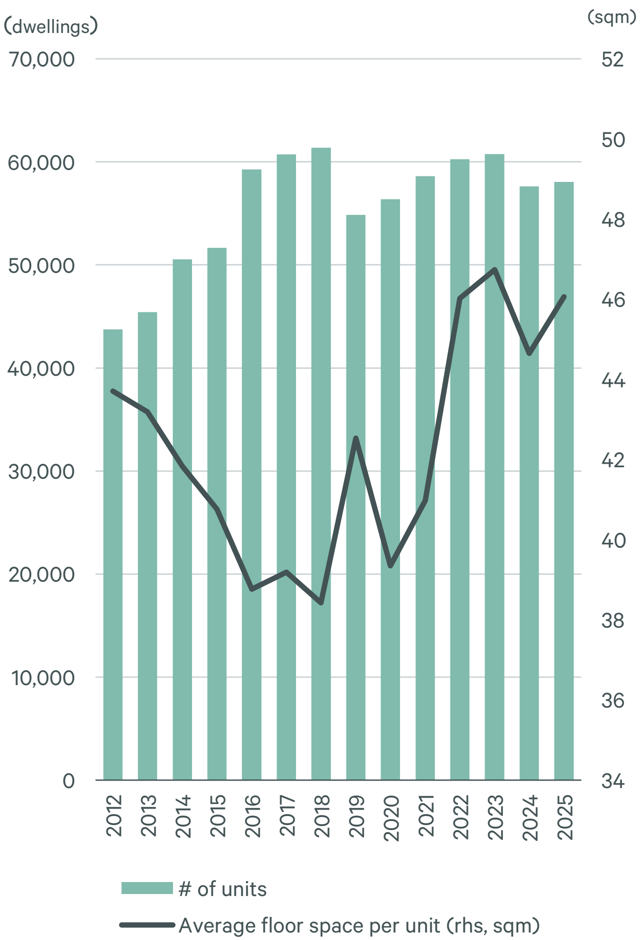
During the COVID-19 pandemic, when remote working saw widespread adoption, the need for more space at home grew. This led the average floor space of newly completed rental housing units to embark upon an upward trend. In particular, average floor space in Tokyo 23 wards remains large even compared to historical levels. This may be due to the perceived lack of rental units for families in Tokyo 23 wards and the strong rental growth observed in this segment, making it viable for developers to supply larger rental dwellings.

Figure 3.11: Rental housing starts and average floor space - nationwide



Note: Average floor space per unit = total floor space/ no. of units.
Source: MLT "Statistical Survey of Housing Starts", January 2026.

Figure 3.12: Rental housing starts and average floor space - Tokyo 23 wards



Note: Average floor space per unit = total floor space/ no. of units.
Source: MLT "Statistical Survey of Housing Starts", January 2026.

04

Foreign population and housing

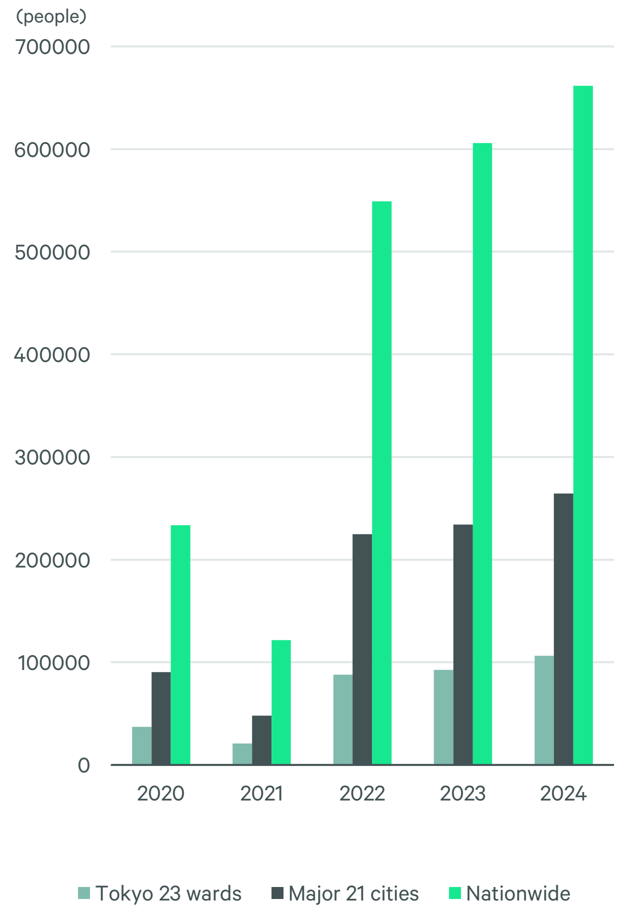
Foreign inflows: Post-pandemic growth primarily in cities surrounding Tokyo and Osaka

According to the MIC's Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration report, foreign inflows to Japan spiked in 2022 (Figure 4.1). This followed the easing of border control measures as the pandemic subsided, which included the removal of entry caps and the resumption of visa-free travel for short-term stays. This upward trend in immigration has set record highs for three consecutive years, reaching roughly 660,000 nationwide in 2024.

Regardless of the total volume, each year approximately 40% of entering foreigners migrate to the major 21 cities, where corporate offices and universities are clustered. Roughly 40% of those specifically move to Tokyo 23 wards.

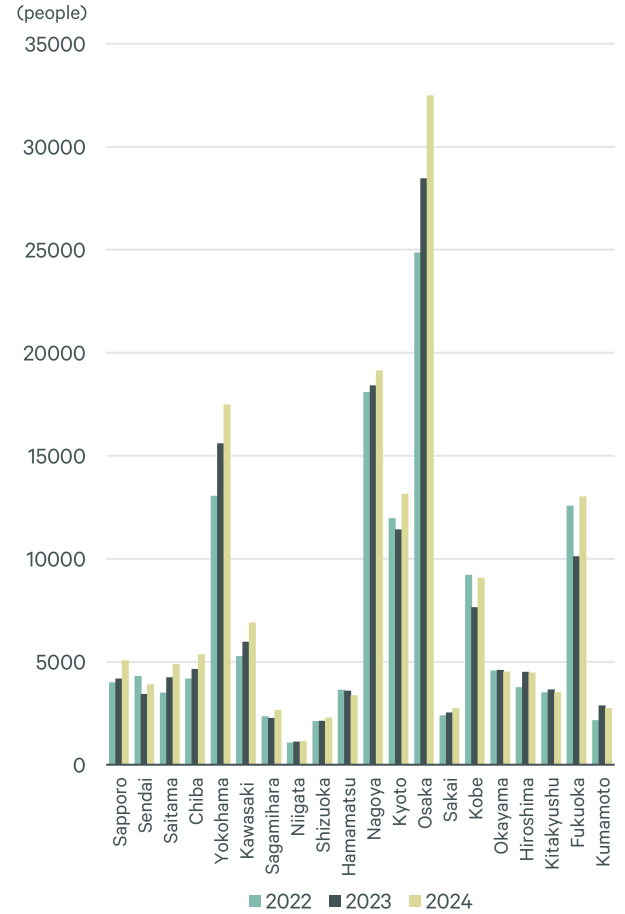
The breakdown of 2024 foreign inflows in major cities outside Tokyo 23 wards reveals that Osaka saw the highest volume, followed by Nagoya and Yokohama (Figure 4.2). Between 2022 and 2024, many other major cities in Greater Tokyo, as well as Sakai, witnessed continuous increases in foreign inflows. Considering residential rents in Tokyo 23 wards and Osaka have risen sharply in recent years, it is evident that foreign residents are increasingly opting for surrounding cities that offer good access to the city center.

Figure 4.1: Foreign inflows - nationwide, major 21 cities, Tokyo 23 wards



Note: Foreigners entering from overseas.
Source: MIC "Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration", August 2025.

Figure 4.2: Foreign inflows - major cities (except Tokyo 23 wards)



Note: Foreigners entering from overseas.
Source: MIC "Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration", August 2025.

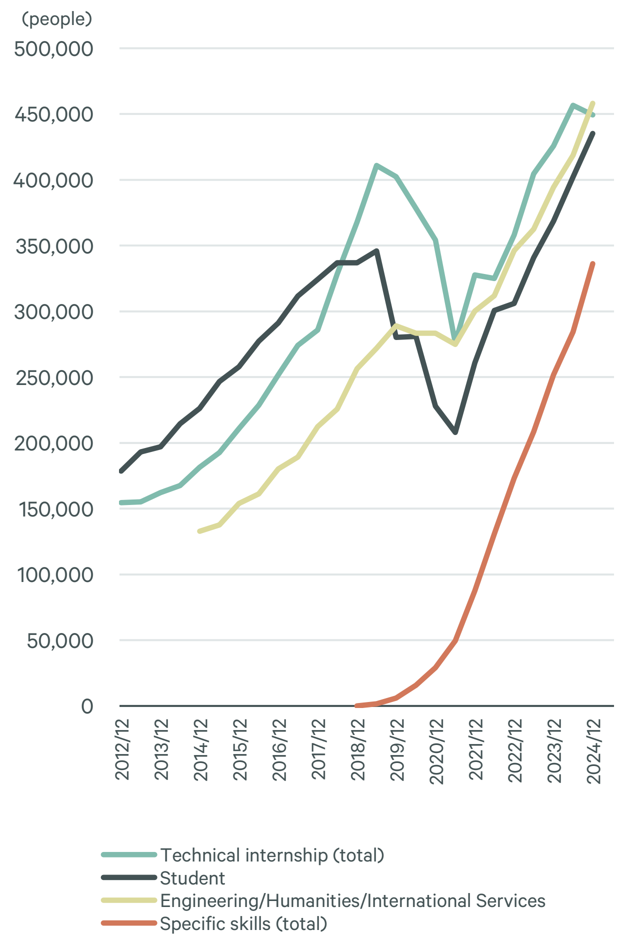
Population by status of residence: Rapid increase in foreign holders of Specific skills

As of the end of 2024, the breakdown of Japan's foreign population (excluding permanent residents) by status of residence shows that Technical internship (total of three levels) was the most prevalent, followed by Student, Engineering/Humanities/International Services, and Specific skills (total of two levels). While the number of individuals with Specific skills status remains below the levels of the other three, it has grown rapidly since its inception in April 2019 (Figure 4.3). The Specific skills framework was introduced as a measure to address acute labor shortages in specific sectors in Japan. Characterized by more advanced examinations than those for Technical internship, the system aims to attract highly skilled foreign individuals that can immediately contribute to the workforce.

These work-related statuses are subject to specific periods of stay, lasting at most five years (Figure 4.4). In practice, however, many of those status holders either renew or transition to statuses with longer periods of stay, meaning they do not necessarily return to their home countries upon the expiration of their residence period. In particular, the Specific skills status serves as a step-up pathway from Technical internship.

Following the amendment of the Immigration Control Act in 2024, a new Training and Employment system is scheduled to be introduced in 2027. The new system replaces the Technical internship system and aims to utilize human resource development to address labor shortages instead of the previous focus on international assistance. The new system is therefore expected to prolong the stay of foreign residents.

Figure 4.3: Foreign resident population by status of residence



Source: MOJ "Statistics on Foreign Nationals Residing in Japan", December 2025.

Figure 4.4: Period of stay for each status of residence

Status of residence		Period of stay
Technical/ Humanities/ International Services		Five years, three years, one year or three months
Specific skills	No. 1	A period individually designated by the Minister of Justice (not to exceed three years)
	No. 2	Three years, two years, one year or six months
Technical internship	No. 1 (a)	A period individually designated by the Minister of Justice (not to exceed one year)
	No. 1 (b)	
	No. 2 (a)	A period individually designated by the Minister of Justice (not to exceed two years)
	No. 2 (b)	
	No. 3 (a)	A period individually designated by the Minister of Justice (not to exceed two years)
	No. 3 (b)	

Source: Immigration Services Agency "List of status of residence", February 2026.

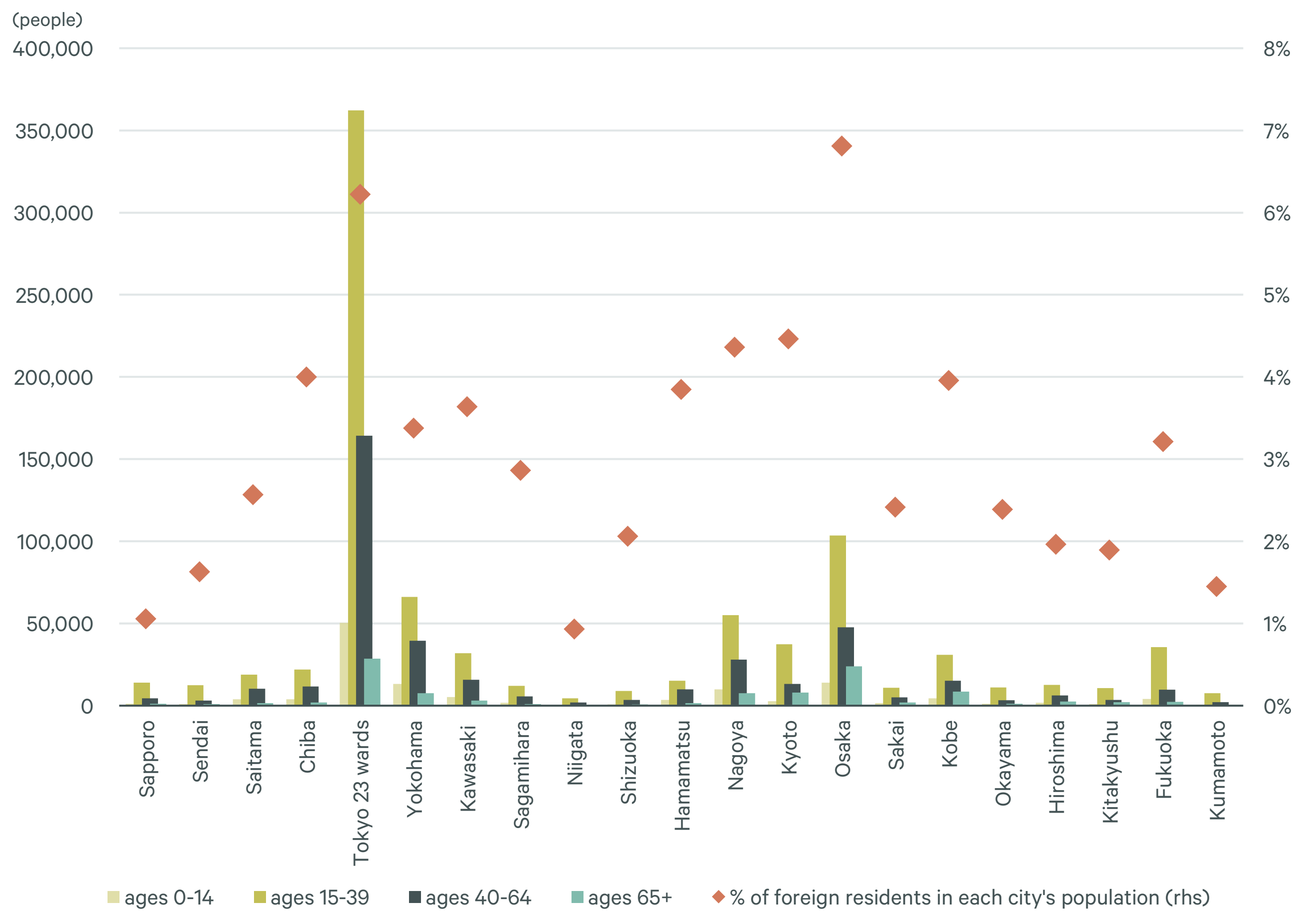
Age distribution: Younger generations account for majority of foreign residents

As of the end of 2024, the foreign population in Japan stood at 3.68 million. Of this total, 41.4% (1.52 million) resided in the major 21 cities, with 16.5% (610,000) living in Tokyo 23 wards (Figure 4.5), followed by Osaka, Yokohama, Nagoya, and Kyoto. Foreign nationals account for 3.0% of the total population nationwide, with Osaka having the highest ratio among the major 21 cities, at 6.8%.

An analysis of the foreign population by age group reveals that individuals aged 15 to 39—the age bracket that likely includes many Students and Technical internship trainees—accounted for more than half of the total population in all major cities. The foreign population of the 15–39 age group has grown by 38.6% since 2020, outpacing the overall 30.8% increase. As of the end of 2024, holders of the four resident statuses accounted for roughly 90% of the population aged 15 to 39. The increase in resident status holders and the introduction of the Specific skills status can therefore be considered the main drivers of foreign population growth in Japan.

Kobe had the highest proportion of foreigners aged 40 and over, at 40.2%. The same city also had the highest homeownership rate for foreigners among the major 21 cities. Areas such as Kobe, which formerly housed foreign settlements, have established foreign communities, indicating a higher tendency toward permanent or long-term residency of foreign nationals.

Figure 4.5: Foreign resident population by age and foreigner-ratio in each city – major 21 cities



Source: MIC "Surveys of Population, Population Change and the Number of Households based on the Basic Resident Registration", August 2025.

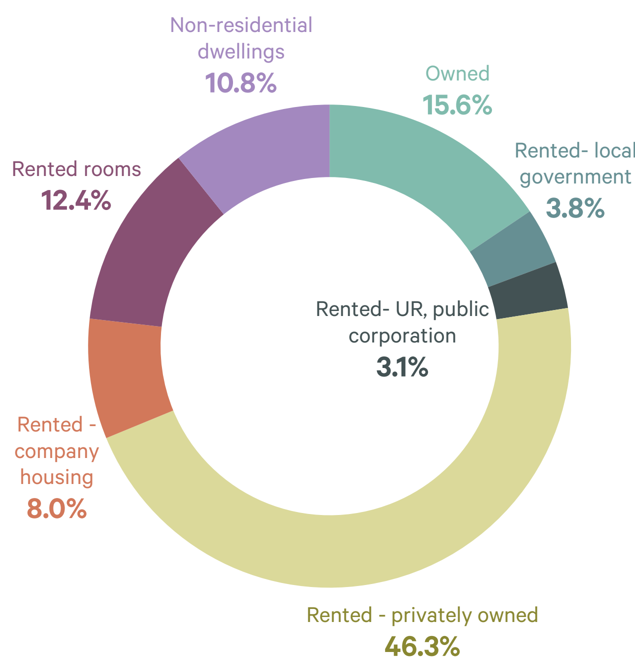
Homeownership and renter rate: High renter rate among foreign residents in major cities

According to Japan's 2020 Census, among the 1.22 million foreign resident households (comprised solely of foreign resident/s) nationwide, only 190,000 (15.6%) lived in owned homes (Figure 4.6), which is significantly lower than the nationwide homeownership rate for Japan as a whole (60.9%). As the foreign population in Japan are predominantly from younger generations, and many are workers who do not intend to settle permanently, the tendency to rent is high, at 53.2%. Furthermore, foreign residents without permanent residency have limited access to housing loans, resulting in low homeownership and high renter rates.

Foreign nationals also tend to choose alternatives to owned or rented homes, including corporate housing, room shares, or staying with host families. Foreign resident households in "company housing", "rented rooms," and "non-residential dwellings" each accounted for around 10% of the total. Such foreign residents are likely to choose rental housing as their next residence to improve their standard of living.

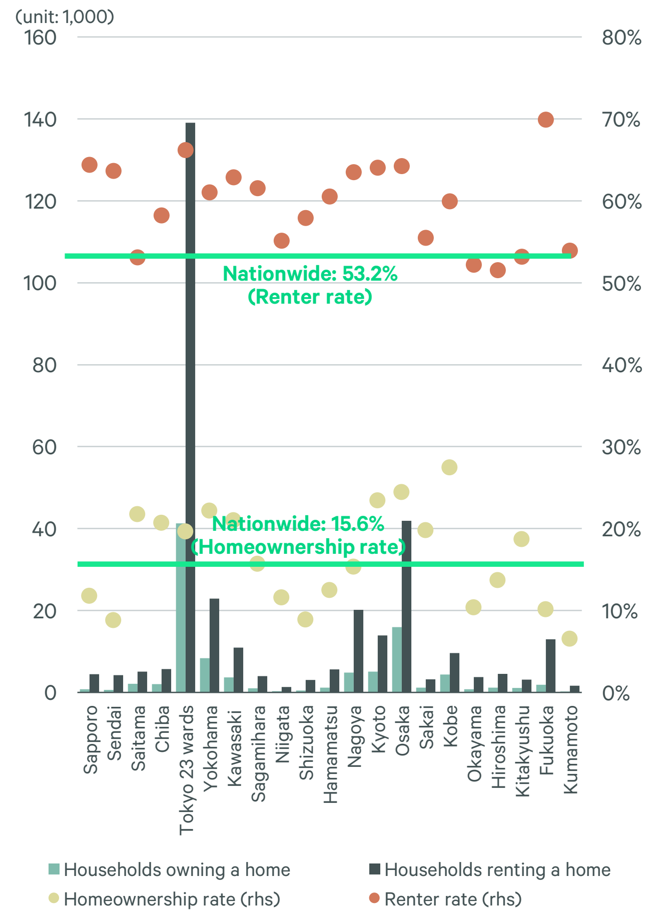
The homeownership rate of foreign nationals exceeded the nationwide average of 15.6% in approximately half of the major 21 cities (Figure 4.7). High-income foreigners tend to reside in urban areas, resulting in a concentration of foreign homeowner households in major cities.

Figure 4.6: Breakdown of foreign resident households by ownership of dwellings



Note: Households comprised solely of foreign resident/s.
Source: MIC "2020 Population Census"

Figure 4.7: Homeownership and renter rate of foreign resident households – major 21 cities



Note: Renter rate comprises foreign resident households renting "public housing", "UR, public corporation" and "privately owned".
Source: MIC "2020 Population Census"

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