

Intelligent Investment

Japan rental housing:

# Investment fundamentals remain strong despite country's aging population

3 Housing prices, rents and  
investment market trends

REPORT

CBRE RESEARCH  
MARCH 2026



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

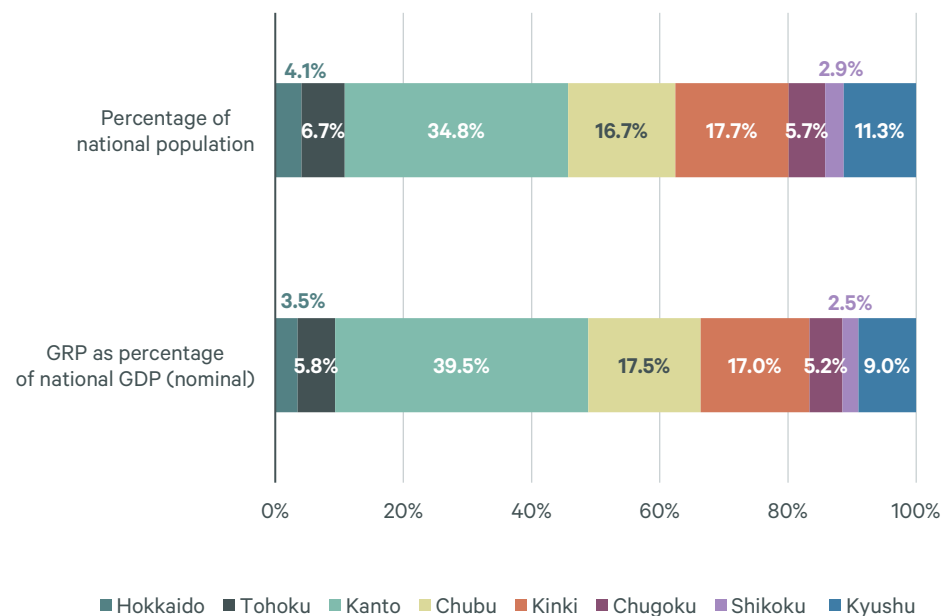
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## Part 3: Summary

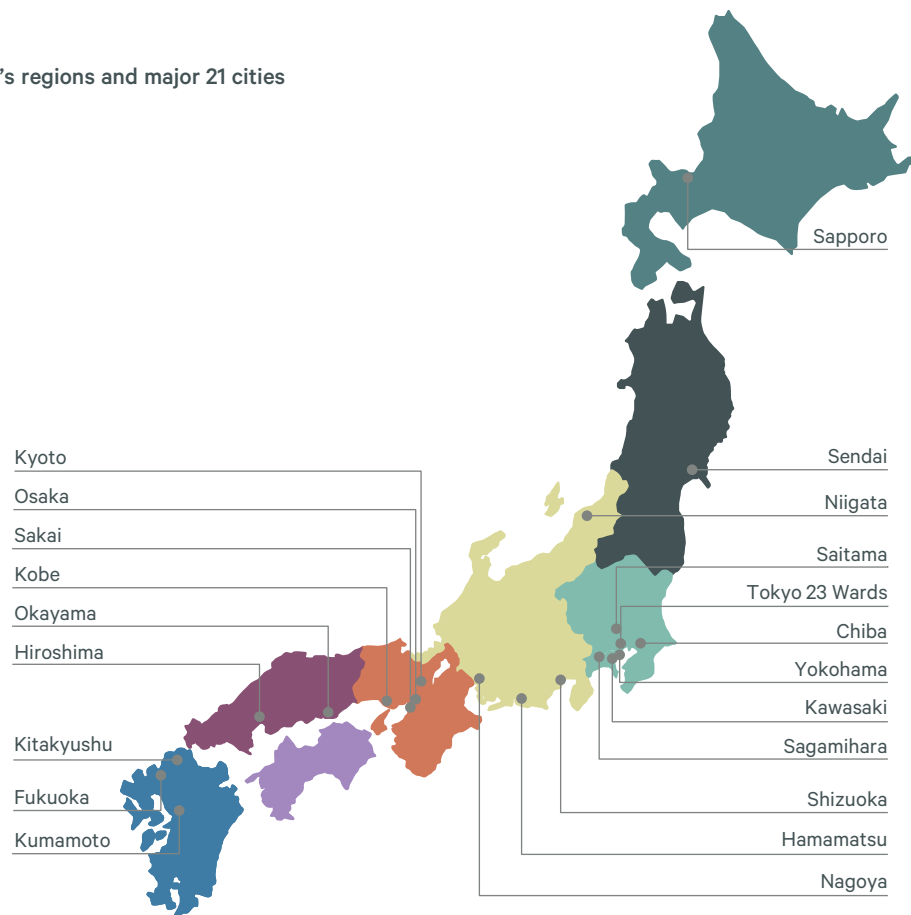
- While price surges in the Japanese residential market have been most prominent in the condominium segment, prices for detached houses and residential land have also risen rapidly since the COVID-19 pandemic. In urban areas, overall housing affordability has declined, which may lead to an increasing portion of the population opting for rental housing. The continued upward trend in interest rates should also serve as a long-term driver of rental housing demand.
- Against a backdrop of rising inflation and wages, rental growth for residential properties is accelerating across many cities, with particularly notable increases in the family-type segment. However, compared to the sharp appreciation in residential sales prices, rental growth remains relatively moderate, suggesting room for further upward adjustments.
- Rental housing remains a core asset class within Japan's commercial real estate investment market, with investment volume reaching a record-high JPY 904.3 billion in 2025. The sector continues to attract a diverse range of domestic and foreign investors, drawn by the market's scale, liquidity, income stability, and growth potential in an inflationary environment. CBRE survey data show most investors anticipate further price appreciation, while lenders maintain an accommodative financing stance toward the sector.
- Data from J-REIT transactions indicate a continued downward trend in overall transactional yields. This compression is particularly pronounced in the Greater Tokyo area and regional cities, suggesting that investor demand is shifting from high-priced central urban cores toward peripheral areas offering relatively attractive yields.

# 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.

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# Housing prices and rents

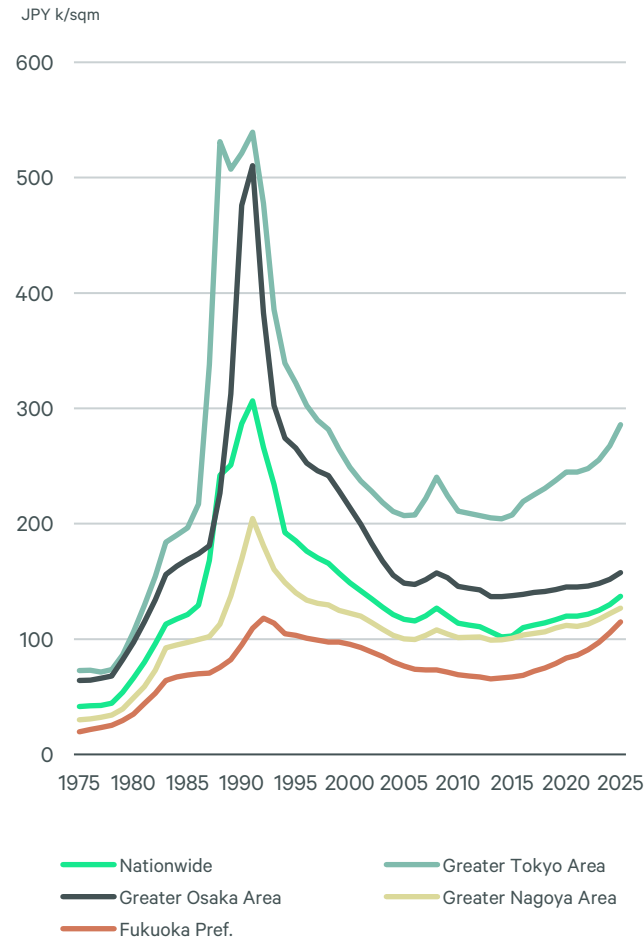
## Residential land price: Nationwide prices rise by more than 30% in past 10 years

According to the Land Market Value Publication released every year in March by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), residential land prices have maintained an upward trend across Japan since 2015 (Figure 5.1). In 2025, the nationwide publicly assessed land price for residential land stood at JPY 137,100 per sqm, up 33.6% from 2015.

This growth, centered primarily on major cities, was triggered by the economic recovery under the Abe administration – often referred to as “Abenomics” - that began in 2012, along with prolonged easy monetary conditions and continued population inflow to urban areas. In addition, between 2013, the year when Tokyo announced that it would host the 2020 Olympic Games, and 2021, when the Tokyo Olympic Games took place, residential land prices in the Kanto (Greater Tokyo) region rose by 2.1% on average per year. This indicates that Japan’s successful Olympic bid was a major factor behind the surge in land prices. Between 2023 and 2025, residential land prices in the region rose by 4.9% on average per year, suggesting that land price growth has intensified on the back of the inflationary environment. However, these growth rates remain moderate compared to those observed during the real estate bubble of the late 1980s, when residential land prices in the Kanto region grew by an average annual rate of 20%.

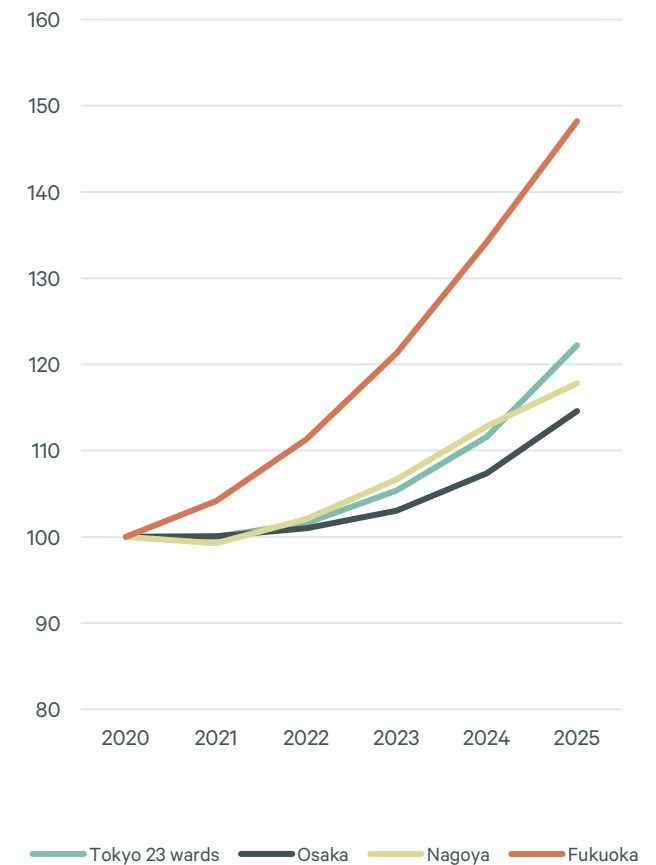
The renewed trend of urban migration following the pandemic has intensified housing development demand, which is also contributing significantly to land price inflation in major cities. Growth rates in residential land prices between 2020 and 2025 across the four major cities of Tokyo 23 wards, Osaka, Nagoya, and Fukuoka, were 22.2%, 14.6%, 17.8%, and 48.2%, respectively (Figure 5.2), with Fukuoka’s land prices up substantially from a relatively low base.

Figure 5.1: Publicly assessed land price (residential land)



Note: Average land price per square meter of standard sites as of January 1 every year.  
Source: MLIT "2025 Land Market Value Publication", March 2025.

Figure 5.2: Publicly assessed land price (residential land, January 2020=100)



Note: Average land price per square meter of standard sites as of January 1 every year.  
Source: MLIT "2025 Land Market Value Publication", March 2025.

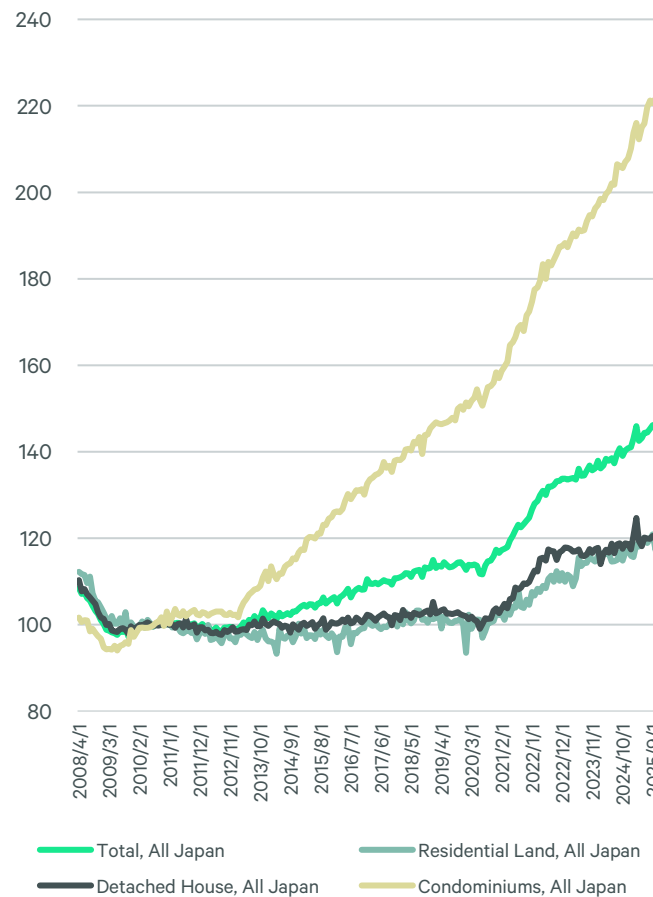
## Residential housing price: Condominium prices roughly double in 10 years

According to MLIT's Residential Property Price Index based on residential property transaction prices, residential property prices in Japan have been on an upward trend since 2013 (Figure 5.3). The rise in condominium prices has been particularly steep, with the latest figures released in November 2025 showing prices having reached 2.2x the average level of 2010.

Price increases have further accelerated since 2020, with even detached houses, for which prices had been relatively stagnant, witnessing increments. Demand for residences with more space and better living environments was triggered by the onset of the pandemic. The weaker yen and subsequent rise in demand from foreign buyers also pushed up condominium prices in core areas such as central Tokyo. Other factors behind the sustained increases in residential prices include rising construction costs, which have continued to climb post-pandemic and were a result of higher material costs due to the weak yen; and higher labor costs due to rising wages and a shortage of skilled workers.

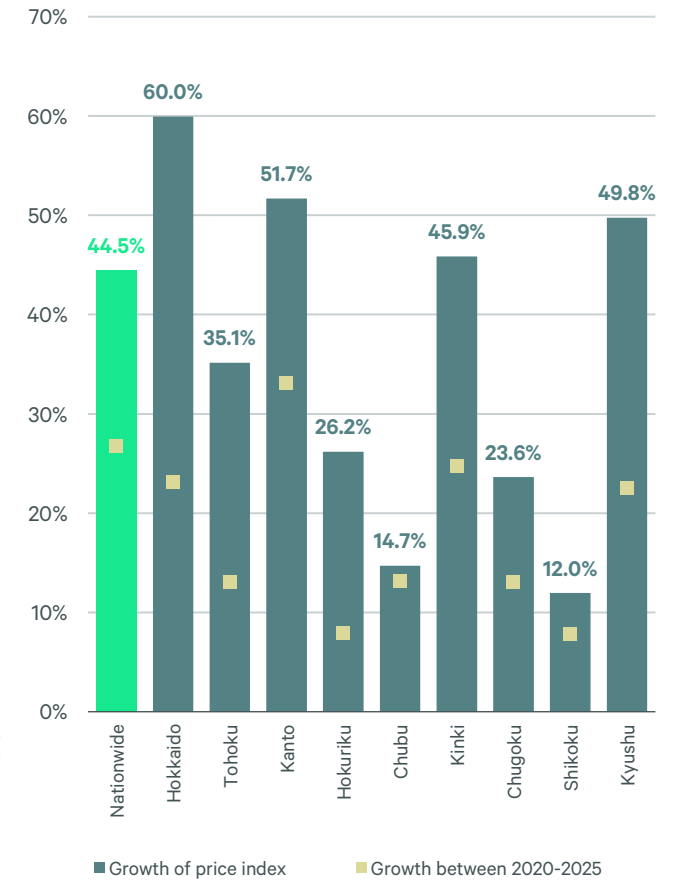
Japan's nationwide residential property price index increased by a total of 44.5% between 2010 and 2025. By region, Hokkaido and Kanto saw an increase of over 50%, while Kinki and Kyushu reported rises of more than 40% (Figure 5.4). Comparing post-pandemic growth rates between 2020 and 2025, the nationwide increase in prices was 26.8%, with Kanto recording the highest gain at 33.2%.

Figure 5.3: Japan Residential Property Price Index (Average of 2010=100)



Source: MLIT "Residential Property Price Index", February 2026.

Figure 5.4: Japan Residential Property Price Index by region (% change between 2010 - 2025) - nationwide, regional blocks



Note: Calculated using annual average of price index for each region; (2025 is the average for the 11 months up to November) Okinawa is included in Kyushu. Source: MLIT "Residential Property Price Index", February 2026.

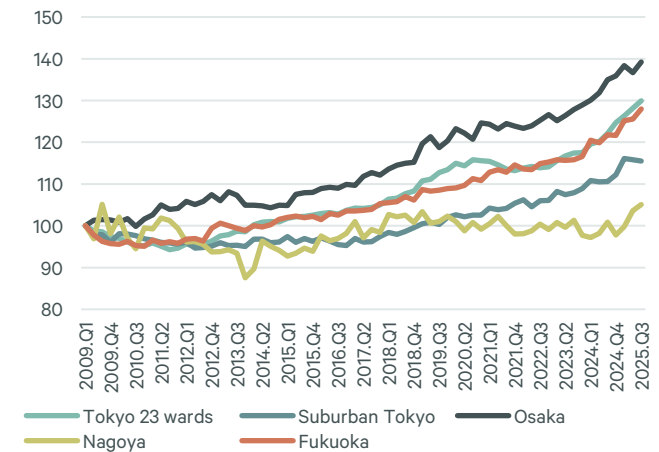
## Housing rents: Steady growth continues nationwide

According to the Residential Rent Index jointly developed by At Home Co. Ltd. and Sumitomo Mitsui Trust Research Institute Co., Ltd, rents in Tokyo 23 wards, Osaka, and Fukuoka have risen by 27.6%, 32.7%, and 25.5%, respectively, in the roughly 10 years since Q1 2015 (Figure 5.5). This trend is in line with the rises in residential property prices observed over the past decade, but more moderate compared to the growth rates seen in condominium prices.

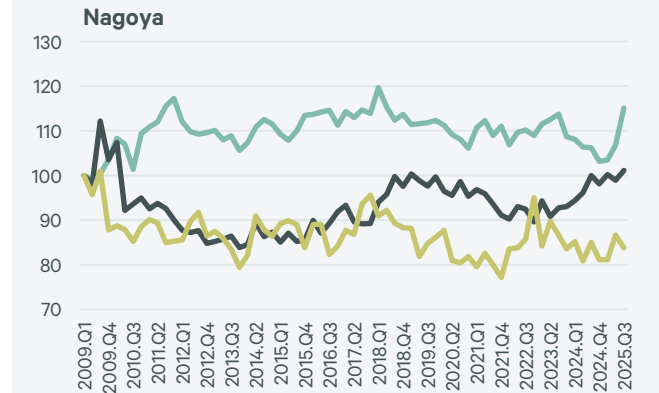
Rents by unit type reveal a divergence in patterns among the three major cities (Figure 5.6). While rental growth in Tokyo 23 wards is generally consistent across all unit types, in Osaka, rental growth for "Single" units has been moderate compared to the other two categories. This may be attributed to the relatively low growth of single-person household income in Osaka, as well as the consistently high supply volumes of for-sale and small rental units of less than 30 sqm in Osaka.

Rents in Nagoya have remained mostly flat, with the indices for "Single" and "Compact" slightly above 100, but that for "Family" remaining below 100. This may be due to the relatively high homeownership rate in Nagoya compared to other major cities such as Tokyo 23 wards, Osaka and Fukuoka. However, more recently, rents appear to be picking up even in Nagoya on the back of the inflationary environment.

**Figure 5.5: Residential Rent Index (comparison by city – composite index, Q1 2009=100)**

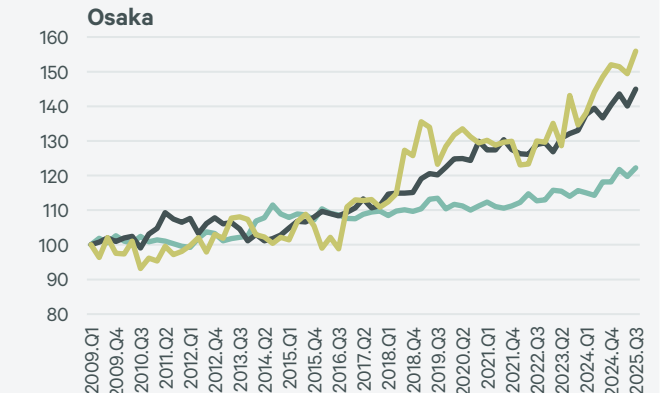
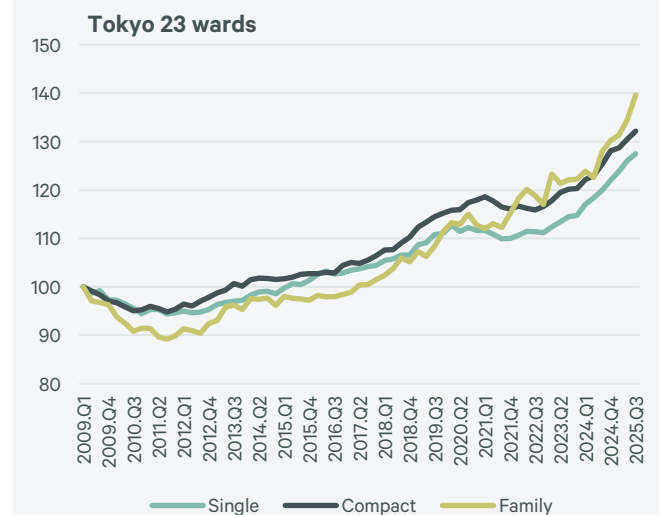


Note: Composite includes units 18 -100 sqm.  
Source: "Residential rent index (At Home Co.,Ltd., Sumitomo Mitsui Trust Research Institute Co., Ltd.)", CBRE.



Note: Single – 18-30 sqm, Compact – 30-60 sqm, Family – 60-100 sqm.  
Source: "Residential rent index (At Home Co.,Ltd., Sumitomo Mitsui Trust Research Institute Co., Ltd.)", CBRE.

**Figure 5.6: Residential Rent Index (Q1 2009=100)**



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# Investment market

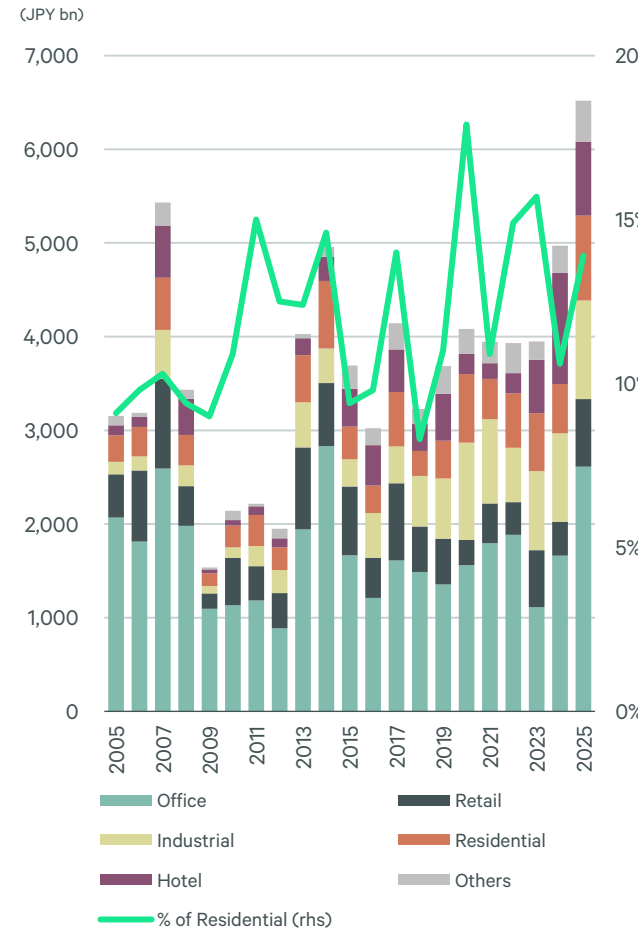
## Rental housing: Major asset class in Japan's commercial real estate investment market

Rental housing is well established as a major asset type in Japan's commercial real estate investment market. Residential properties are actively traded by a broad range of domestic and foreign investors, exhibiting stable investment demand even during major economic events such as the Global Financial Crisis (GFC) and the pandemic. In addition to the sector's scale and liquidity, it possesses cash flow stability; exhibits solid potential for growth under inflationary conditions; and provides opportunities to achieve diversified investment across major cities nationwide.

Despite the sector's popularity, asset values are considerably lower than those in other commercial property sectors, with most standing in the range from the hundreds of millions to the low billions of yen. Transaction sizes are therefore smaller. The residential sector's share of total investment volume since 2005 has averaged 11.9%, compared to 47.5% for the office sector, which comprises more sizable assets (Figure 6.1).

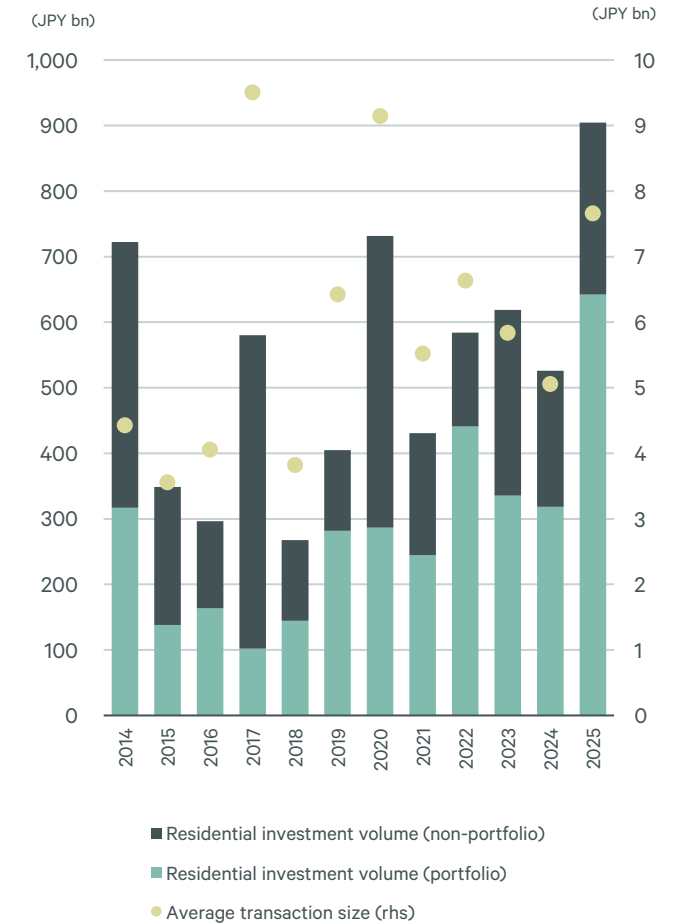
In recent years, however, residential deal sizes have increased due to a series of major portfolio transactions, which first emerged in 2014 on the back of stronger participation from foreign investors. In 2025, 71% of total residential investment volume involved portfolios, which pushed up overall residential investment volume for the year to a record-high JPY 904.3 billion (Figure 6.2).

Figure 6.1: Investment volume by asset type



Note: Includes transactions of JPY 1 billion or larger, excluding acquisitions by J-REITs at IPO.  
Source : MSCI Real Capital Analytics, CBRE, Q4 2025.

Figure 6.2: Residential investment volume by portfolio/non-portfolio transactions



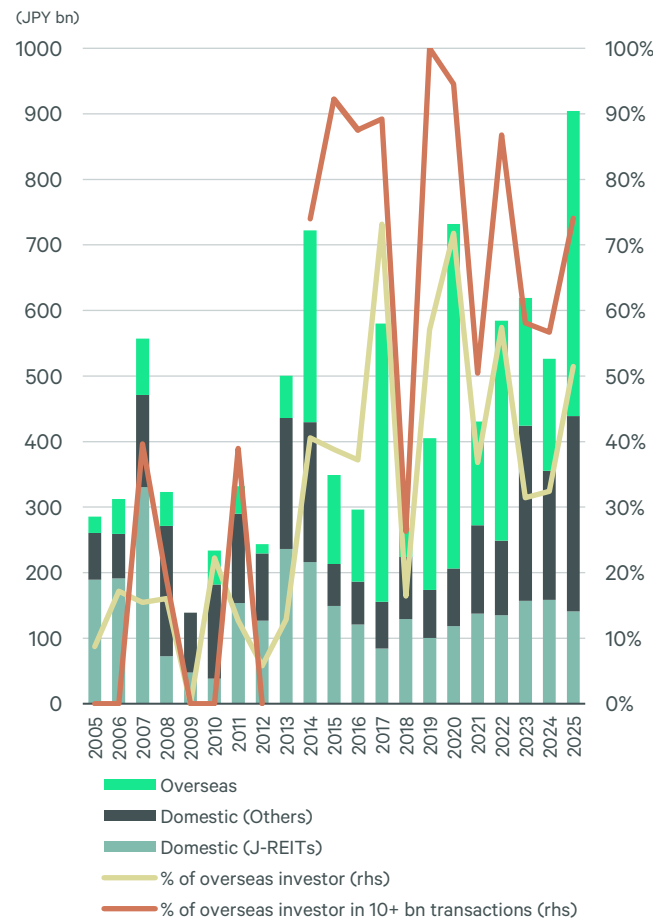
Note: Includes transactions of JPY 1 billion or larger, excluding acquisitions by J-REITs at IPO.  
Source : MSCI Real Capital Analytics, CBRE, Q4 2025.

## Investor profile: Foreign buyers display strong presence in Japan's residential investment market

Japan's residential investment market was primarily driven by J-REITs until 2013. Since 2014, however, the presence of foreign investors has increased (Figure 6.3), with foreign investment accounting for 51.7% of total residential investment volume in 2025. Foreign investors maintain a particularly strong presence in deals involving large-scale portfolios, accounting for the majority of volume in transactions exceeding JPY 10 billion in nearly every year since 2014.

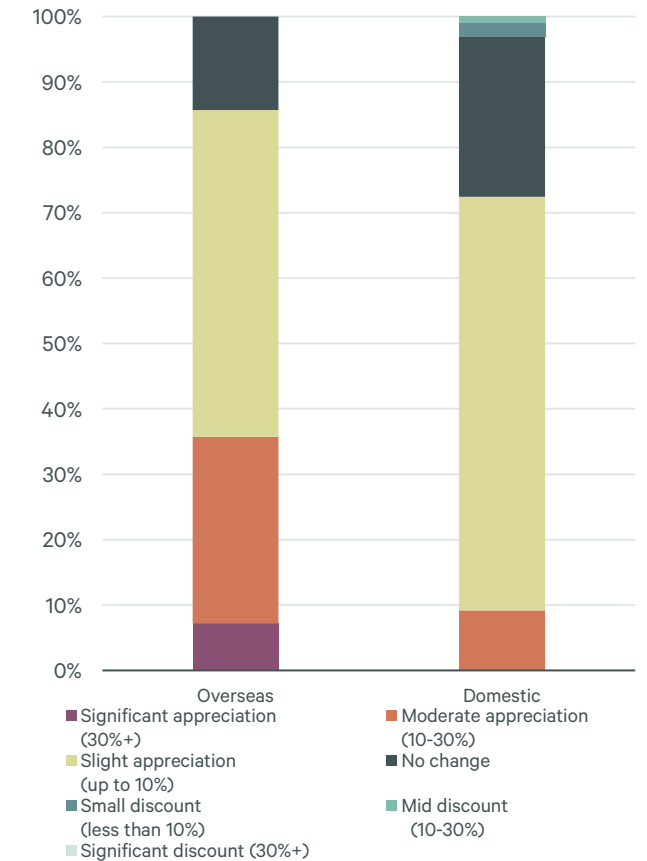
According to the Japan results of CBRE's 2026 Asia Pacific Investor Intentions Survey conducted in November 2025, 85.7% of foreign investors anticipated that prices for Japanese rental housing would rise in 2026 compared to 2025, outstripping the 72.4% of domestic investors with the same outlook (Figure 6.4). Furthermore, while only 9.2% of domestic investors expected price increases in the "10-30%" range, a combined 35.7% of foreign investors forecasted increases of "over 30%" or "10-30%." These results underscore the highly bullish stance foreign investors have adopted toward the Japanese residential sector.

Figure 6.3: Residential acquisition volume by investor type



Note: Includes transactions of JPY 1 billion or larger, excluding acquisitions by J-REITs at IPO; No 10 billion+ transactions in 2013  
 Source: MSCI Real Capital Analytics, CBRE, Q4 2025.

Figure 6.4: Investors' expectations for rental housing prices in 2026 (vs 2025)



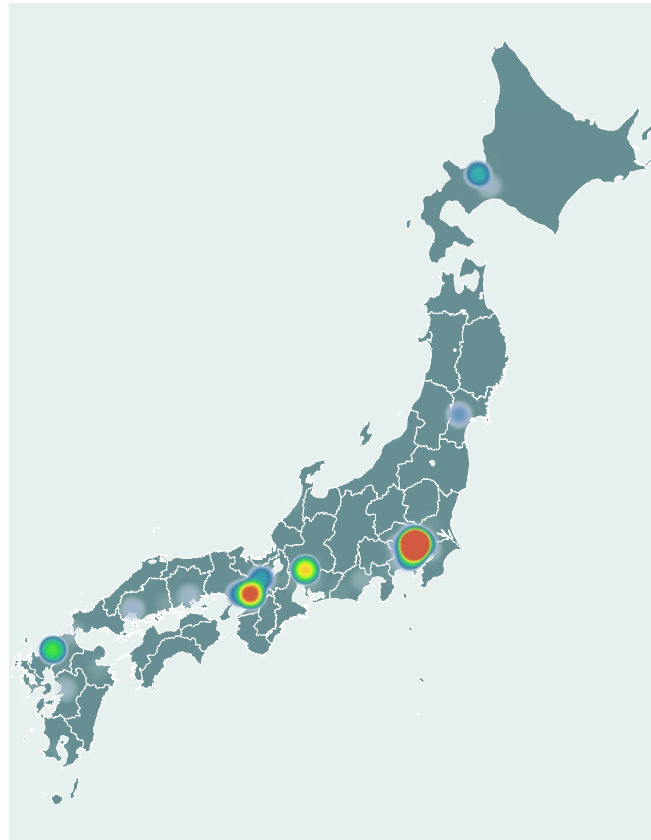
Note: Exclude investors answered "Unsure"  
 Source: 2026 Asia Pacific Investor Intentions Survey: Japan Results, CBRE Research, February 2026.

## Targeted investment area: Primarily Tokyo 23 wards, but expanding to other major cities

According to CBRE data on residential investment transactions between 2020 and 2025, most transacted properties were in Tokyo 23 wards, Osaka and Nagoya (Figure 6.5). Among regional cities, Sapporo and Fukuoka recorded numerous transactions. These trends reflect the fact that investors prefer areas where population inflows are expected to continue over the long term.

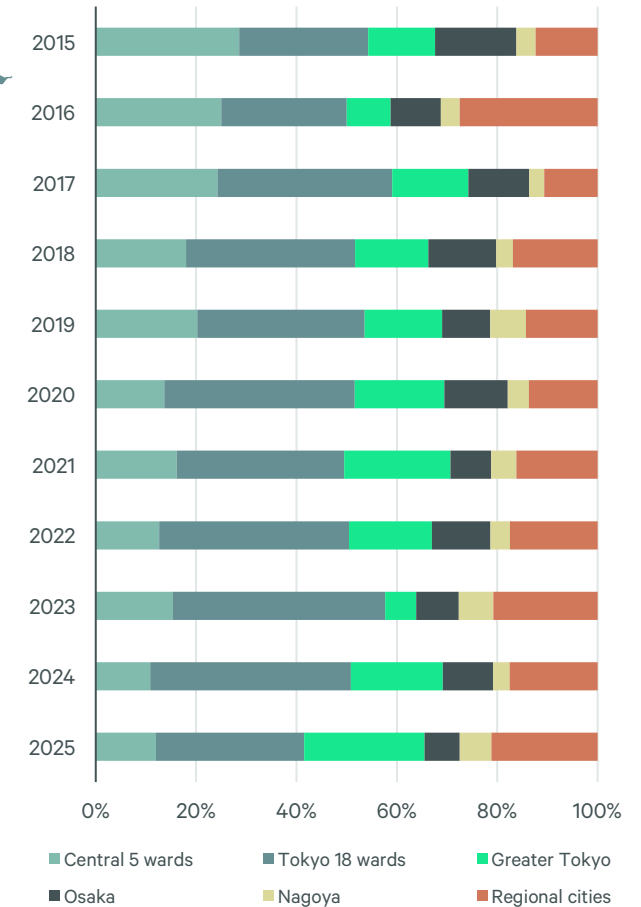
CBRE's analysis of the regional breakdown of transactions by number reveals that the share of transactions of properties in Tokyo 23 wards ("Central 5 wards" and "Tokyo 18 wards") has been on a downward trend, while transactions of properties in "Greater Tokyo" and "Regional cities" have increased (Figure 6.6). This indicates that investors are expanding their target area to outside of central Tokyo in pursuit of higher yields.

Figure 6.5: Heatmap of residential properties transacted



Note: Transactions between 2020 and 2025  
 Source: MSCI Real Capital Analytics, CBRE, Q4 2025.

Figure 6.6: Number of residential investment transactions by region



Note: Includes transactions of JPY 1bn or larger, excluding acquisitions by J-REITs at IPO; Greater Tokyo refers to seven prefectures in the Kanto area excluding Tokyo 23 wards; Regional cities refer to areas outside the other five regions.  
 Source: MSCI Real Capital Analytics, CBRE, Q4 2025.

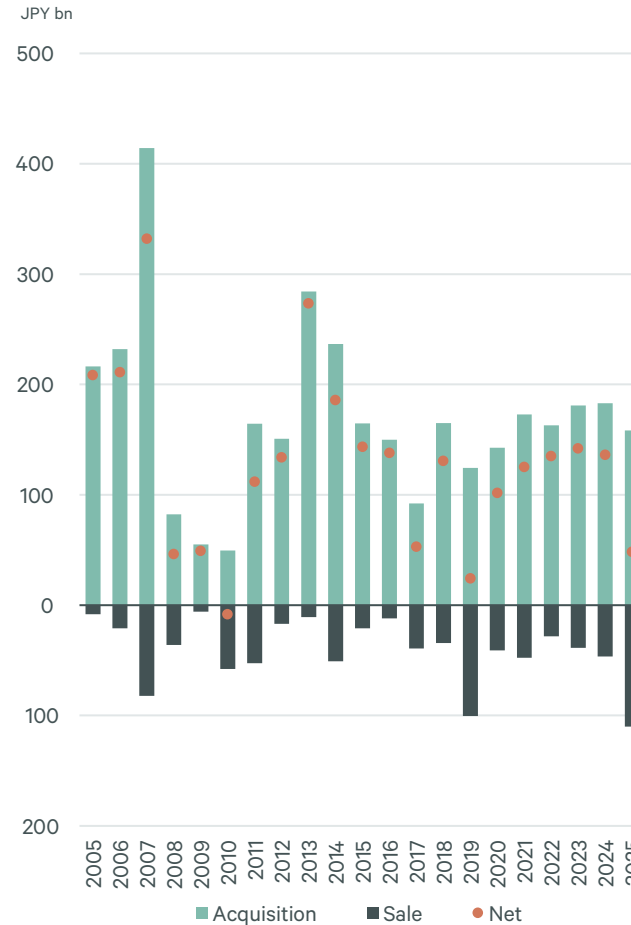
## Residential J-REIT performance: Rental growth accelerates

J-REITs are the primary institutional purchasers of rental housing in Japan. Although acquisition volumes for residential properties experienced a downturn following the GFC, activity has remained relatively resilient, even throughout the pandemic. Since 2011, J-REITs' annual acquisition volumes have averaged approximately JPY 170 billion, with net investment (defined as acquisitions less divestments) maintaining a consistently positive trend (Figure 6.7).

The operational performance of the major residential J-REITs, namely Advance Residence (ADR), Mitsui Fudosan Accommodations Fund (MAF), and Comforia Residential (CRR), reveals that rental growth achieved during tenant turnovers and lease renewals has accelerated in the past two years (Figure 6.8).

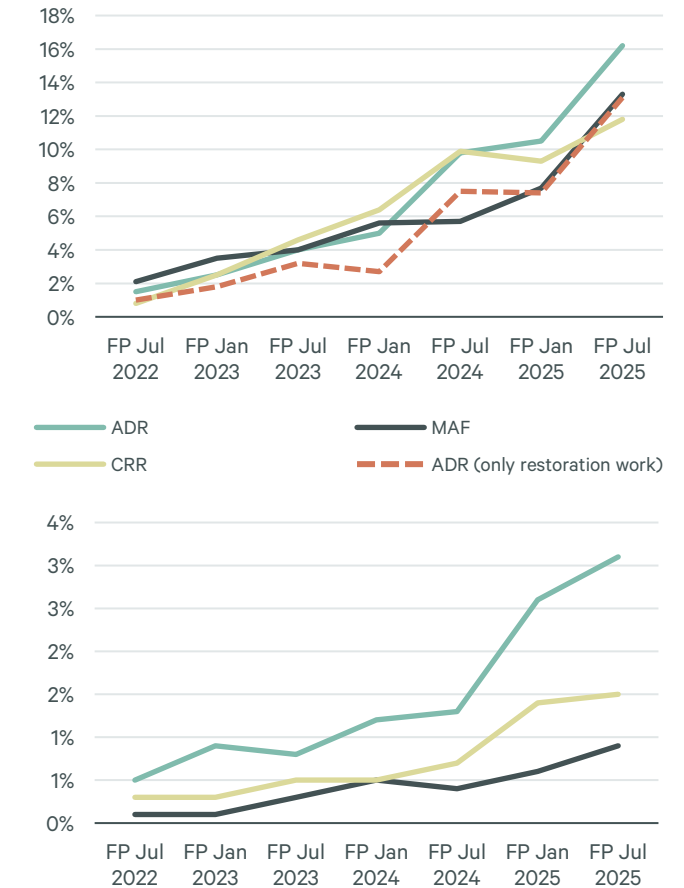
Traditionally, rent increases by J-REITs were primarily achieved through value-up initiatives involving extensive renovations during tenant turnover. Recently, however, rent hikes are being realized even in properties undergoing only standard restoration work, rather than full renovations. In the most recent fiscal period ended July 2025, ADR achieved overall rental revisions of +16.2% at tenant turnover, and +13.1% for properties that underwent only standard restoration work. Furthermore, rent hikes concluded for existing tenants at the time of lease renewal, which had been considered difficult to negotiate, reached a record-high +3.1%. These figures indicate an upward shift in rents across the entire rental housing market.

**Figure 6.7: Residential acquisition, sale and net investment volume by J-REITs**



Note: Excluding acquisitions by J-REITs at IPO  
Source: CBRE, Q4 2025.

**Figure 6.8: Rent growth rates for major residential J-REITs (Top: during tenant turnover; Bottom: during lease renewal)**

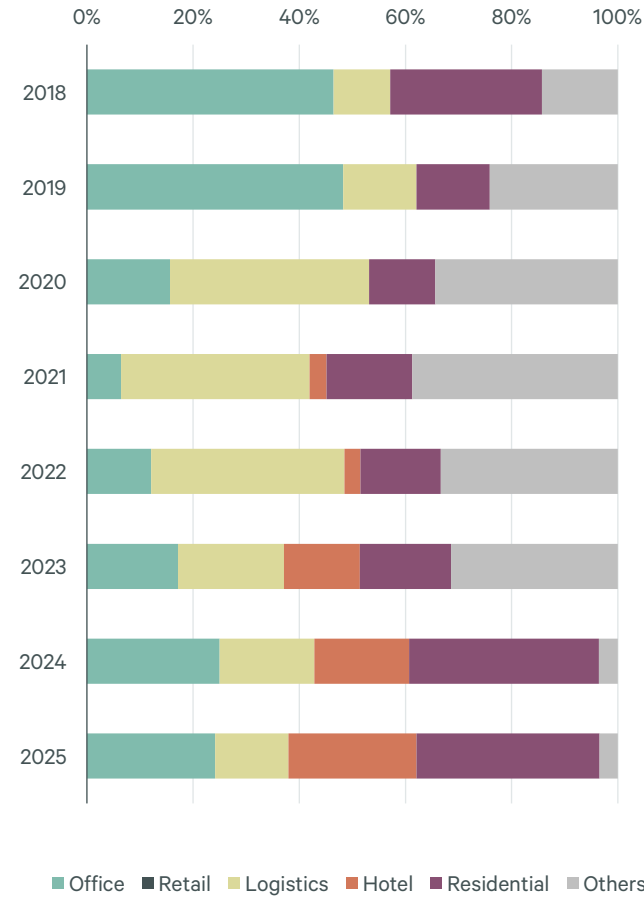


Note: Fiscal period ends in July and January; MAF's FP ends in February and August  
Source: ADR, MAF, CRR, CBRE

## Lending attitudes: Lenders easing conditions for rental housing

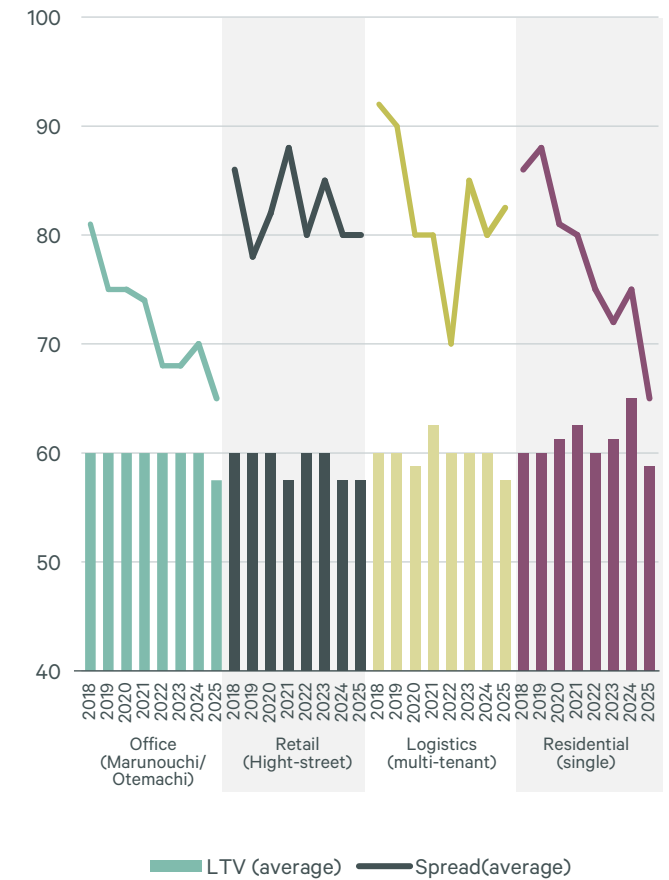
Lender sentiment toward rental housing in Japan remains highly accommodative. According to a CBRE survey of real estate non-recourse lenders, conducted between April and May 2025, rental housing was ranked as the most attractive investment sector for the second consecutive year (Figure 6.9). Furthermore, when queried regarding financing conditions for various sectors in 2025, the survey revealed that spreads (average values) for senior loans to the residential sector contracted by 10bps compared to the previous year, continuing a long-standing tightening trend (Figure 6.10).

Figure 6.9: Sector that lenders find most attractive



Source: CBRE Lender Survey, CBRE, June 2025.

Figure 6.10: Non-recourse loan lending conditions (senior loan average)



Source: CBRE Lender Survey, CBRE, June 2025.

## Investment yields: Drop in “Greater Tokyo” and “Regional cities” pronounced

CBRE’s analysis of yield trends for residential acquisitions and sales by J-REITs reveals the fall over the past five years has been particularly significant in “Greater Tokyo” and “Regional cities” (Figure 6.11). Amid a general downward trend in yields, these areas—which historically offered higher yields and thus more room for declines—reported a further fall compared to major urban centers such as Tokyo 23 wards, Osaka, and Nagoya.

CBRE’s comparison of average yields by year reveals that in 2020, those for Tokyo 23 wards stood at 4.29%, while those for “Greater Tokyo” were 5.14%; a spread of 0.85 pp. By 2025, these figures reached 4.10% and 4.43%, respectively, narrowing the spread to 0.33 pp. Similarly, average yields for Osaka and Nagoya were 4.75% in 2020, compared to 5.48% for “Regional cities”, representing a 0.73-pp spread. By 2025, these narrowed to 4.37% and 4.70%, respectively, resulting in a spread of 0.33 pp.

As evidenced by the geographic diversification of investment, the narrowing of investment yields indicates that the sustained surge in property prices within central Tokyo and other major metropolitan areas is driving investment demand into surrounding areas and other cities.

Figure 6.11: Yields for residential acquisition or sale by J-REIT (Q1 2020-)



Note: "Greater Tokyo" consists of seven prefectures in Kanto excluding Tokyo 23 wards; "Regional cities" refer to areas outside the other five regions.  
Source: CBRE, Q4 2025.

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