

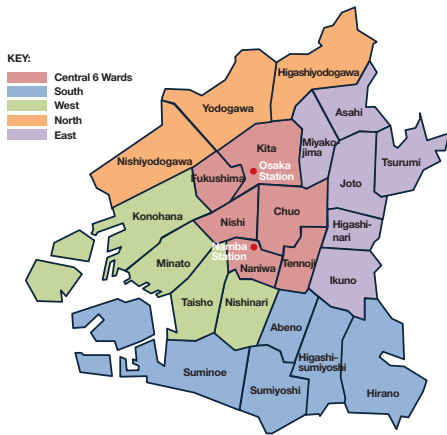


# Asian Cities Report **Osaka Residential**

1H 2015

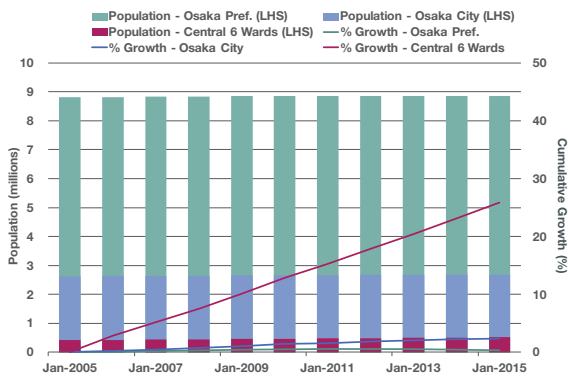


MAP 1  
Osaka City delineated by survey area



Source: Savills Research & Consultancy

GRAPH 1  
Population growth in Osaka Prefecture, 2005–2015



Source: Savills Research & Consultancy based on Osaka Prefectural Government data

TABLE 1  
Annual change in residential land prices in Osaka, 2012–2014

Area		Price change (%YoY)		
		2012	2013	2014
Central Six Wards	Kita	0.0	1.2	1.6
	Fukushima	0.7	1.2	2.8
	Chuo	0.0	1.0	0.7
	Nishi	-	-	1.2
	Naniwa	0.0	1.1	1.1
	Tennoji	1.3	1.2	1.7
Osaka City		-1.0	-0.2	0.4
Greater Osaka		-0.1	-0.4	0.1
Greater Tokyo		-0.1	-0.1	0.6
Greater Nagoya		-0.2	0.7	0.9
Japan Nationwide		-2.5	-1.8	-1.2

Source: Savills Research & Consultancy based on Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  
Note: 'Chika-chosa' Prefectural Land Price Survey, as of 1 July each year.

### Introduction

With Tokyo jumping to the top of many regional investors' target list in 2014, the spotlight has gradually spread south to Osaka – Japan's second biggest property market. Encompassing seven prefectures (including Osaka, Kobe, Kyoto and Nara), the Greater Osaka (or Kinki) region<sup>1</sup>, is home to an estimated 20.24 million people<sup>2</sup>. This makes it the eighth largest urban agglomeration in the world and places it not only above mature markets such as New York, Los Angeles and London, but also developing urban centres, such as Dhaka, Buenos Aires and Chongqing. According to United Nations estimates, Greater Osaka's population is projected to grow by an additional 1.4% over the next five years to 2019.

The sheer size of the market, in combination with the wealth creation effects of 'Abenomics' and the Bank of Japan's pro-growth monetary policy, are likely to draw even more attention – and investment – to the region over the coming years.

### Population growth is focused on the central area

As of January 2015, the total population in Osaka Prefecture stood at 8.85 million people, steady compared with a decade earlier, with marginal growth of 0.3% recorded. Osaka City, which is home to about 30% of Osaka Prefecture's total population, has grown by approximately 2.4% since January 2005.

Nonetheless, this gentle demographic growth masks notable population shifts within different parts of the city. Since 2005, the Central Six Ward area has grown by almost 26%, to exceed 500,000 residents. By contrast, the East and the South areas of the city have posted a modest outflow of residents, with their respective populations declining by 6.5% and 3.0% over the last decade.

### New household formation buoying condominium demand

Reflective of Osaka's maturing demographics, expansion in the

number of households has outpaced population growth. As of January 2015, Osaka Prefecture was home to over 3.94 million households, approximately 9% more than 10 years earlier. Over the same period, the number of households in the 24 wards which make up Osaka City increased by roughly 11%, while the Central Six Wards posted rapid growth of around 36%.

Ongoing urbanisation and a trend towards smaller household sizes (as more people marry later, divorce or remain single), has led to an increase in the number of single-occupier and DINKS (Dual Income, No Kids) households in Osaka. This, combined with improved economic sentiment in recent years, has created robust occupier demand for relatively compact multi-family apartment units, especially those located centrally or with convenient access to local transport hubs.

### Recovery in residential land prices

As shown in Table 1, average residential land prices in Osaka are demonstrating a recovery trend. According to the annual 'Chika-chosa' land price survey, conducted by MLIT, the Greater Osaka and Osaka City areas took a positive turn as of July 2014, recording average land price appreciation of 0.1% and 0.4% year-on-year (YoY) respectively. The Central Six Ward area outperformed the wider market average, led by a strong 2.8% increase in Fukushima Ward – the ward's third year showing an upward trend. Land price improvement across the Central Six Wards was typically recorded 24 months earlier than the wider city average.

### Contract rates are elevated amid limited supply

Looking at the Greater Osaka region, new condominium supply volumes have remained largely range-bound since 2009, with the annual total generally falling between 20,000 and 25,000 units. After experiencing a slight dip following the Great East Japan earthquake and tsunami in 2011, the pace of construction

recovered steadily through to 2013, when over 24,600 new condominium units were launched for sale in the region. This figure represents a 6.1% increase YoY, buoyed by a positive outlook on Abenomics among property developers and strong expectations for an economic recovery.

In contrast, the supply pipeline was temporarily curbed in 2014 to slightly over 18,000 units. This was principally due to the 3.0 percentage point (ppt) increase in the consumption tax, which came into effect on 1 April 2014, as well as escalated construction material and labour costs. New supply in 2015 is expected to remain restrained, at slightly over 20,000 units.

Graph 3 indicates the average contract rate for new condominiums, defined as the ratio of units sold within the first month of a project's launch. The contract rate in 2013 was the highest in the last 15 years at 79.4%, indicating strong market potential in the area. Despite the impact of the consumption tax hike in 2014, the contract rate continued to be high at 75.8%, slipping just 3.5 ppts YoY.

### Condominium prices remain affordable despite steady appreciation

Robust demand for new condominiums resulted in a 5.4% YoY increase in average pricing per sq m across the Greater Osaka region in 2014, to approximately JPY528,000. This figure represents a solid 24% increase over the last decade. The average price for a single condominium unit picked up 4.3% YoY to around JPY36.5 million, reflecting the fastest rate of appreciation since the financial crisis. Pricing growth was supported by developers strategically drip-feeding supply to the market in light of softened demand after the consumption tax hike.

### Indicative condominium unit pricing within Osaka City, 2014

Approximately 5,900 condominiums reached completion within Osaka City in 2014. Unit prices ranged between JPY20 million and JPY55

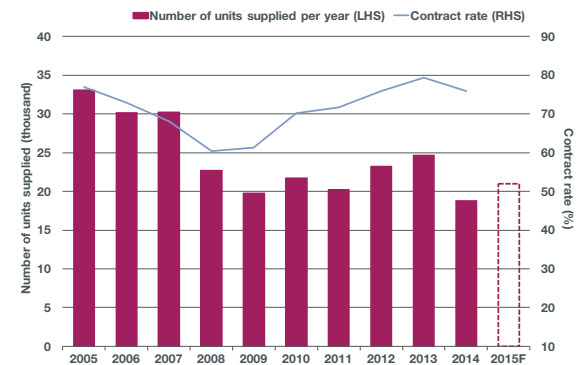
million, while the average price per unit was approximately JPY35 million. The majority of the new units (approximately 77%) were located in the Central Six Wards, where pricing averaged approximately JPY37 million and ranged up to JPY60 million.

### Outlook

Demand for modern condominium properties in Greater Osaka is supported by modest population growth, stock replacement and a trend towards smaller household sizes. Moreover, expectations for economic growth, falling mortgage costs, historically low levels of unemployment, as well as inflationary pressure on wages, provide a positive outlook for affordability.

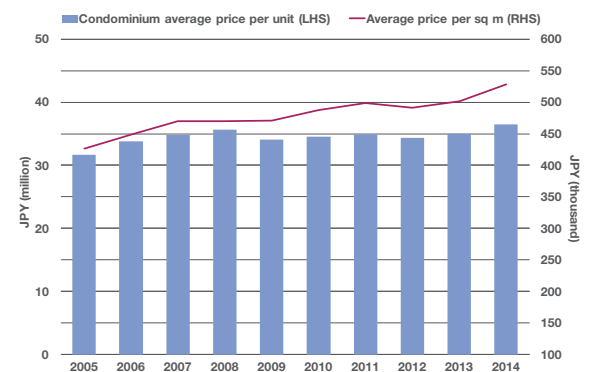
As such, popular locations in and around Osaka City can expect the current price recovery to be sustained for the foreseeable future. ■

GRAPH 2 Greater Osaka condominium supply vs contract rate, 2005–2014



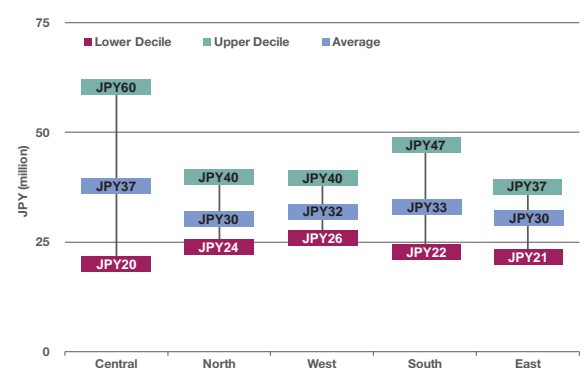
Source: Savills Research & Consultancy based on REEI data

GRAPH 3 Average price for condominiums in Greater Osaka, 2005–2014



Source: Savills Research & Consultancy based on REEI data

GRAPH 4 Average pricing for condominiums which reached completion in 2014



Source: Savills Research & Consultancy

1 Greater Osaka (Kinki) comprises Osaka, Kyoto, Hyogo, Nara, Mie, Shiga and Wakayama prefectures.  
2 United Nations, World Urbanization Prospects (2014 revision).

## ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2842 4400 Fax: (852) 2868 4386

Robert McKellar - CEO, Asia Pacific  
Raymond Lee - CEO, Greater China  
Chris Marriott - CEO, South East Asia  
Christian Mancini - CEO, North East Asia  
Charles Chan - MD, Valuation & Professional Services, Greater China



## HONG KONG SAR

### Savills (Hong Kong) Limited

23/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2842 4534 Fax: (852) 2869 6738  
Contact: Raymond Lee E-mail: rlee@savills.com.hk  
EA Co. Licence: C-002450

### Savills Valuation and Professional Services Limited

28/F Two Exchange Square, Central, Hong Kong  
Tel: (852) 2801 6100 Fax: (852) 2501 5810  
Contact: Charles Chan E-mail: ccchan@savills.com.hk  
EA Co. Licence: C-023750

### Savills Property Management Holdings Limited

8/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong  
Tel: (852) 2534 1628 Fax: (852) 2508 1883  
Contact: Johnnie Chan E-mail: jckchan@savills.com.hk  
EA Co. Licence: C-002955

### Savills Guardian (Holdings) Limited

7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong  
Tel: (852) 2512 1838 Fax: (852) 2887 3698  
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk  
EA Co. Licence: C-004089

## MACAU SAR

### Savills - Macau

Savills (Macau) Limited  
Suite 1309-10, 13/F Macau Landmark, 555 Avenida da Amizade, Macau  
Tel: (853) 8506 6288 Fax: (853) 2878 1805  
Contact: Franco Liu E-mail: fliu@savills.com.mo

## CHINA

### Savills - Shanghai

20/F Shanghai Central Plaza, 381 Huaihai Middle Road, Shanghai 200020, China  
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699  
Contact: Albert Lau E-mail: Albert.Lau@savills.com.cn

### Savills - Beijing

2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District  
Beijing 100022, China  
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299  
Contact: Billy Chau E-mail: Billy.Chau@savills.com.cn

### Savills - Guangzhou

Room 906, R & F Centre, 10 Hua Xia Road, Zhu Jiang New Town  
Guangzhou, 510623, China  
Tel: (86) 3892 7168 Fax: (86) 3892 7030  
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn

### Savills - Shenzhen

Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026, China  
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676  
Contact: Woody Lam E-mail: Woody.Lam@savills.com.cn  
*Offices in Chengdu, Chongqing, Dalian, Hangzhou, Nanjing, Qingdao, Shenyang, Tianjin, Xiamen, Zhuhai*

## ASIA

### Savills - Indonesia

PT Savills Consultants Indonesia  
Panin Tower – Senayan City  
16th Floor, Unit C  
Jl. Asia Afrika Lot. 19  
Jakarta 10270, Indonesia  
Tel: +62 (21) 293 293 80 Fax: +62 (21) 293 293 81  
Contact: Jeffrey Hong Email: jeffrey.hong@propertyconnection.co.id

### Savills - Japan

Savills Japan Co., Ltd  
CR Kamiyacho Building 10F, 1-11-9 Azabudai, Minato-ku,  
Tokyo 106-0041, Japan  
Tel: (81) 3 5562 1700 Fax: (81) 3 5562 1705  
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

### Savills - Korea

Savills Korea  
13/F Seoul Finance Center, 84 Taepyungro-1-ga  
Chung-gu, Seoul, Korea 100-768  
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188  
Contact: K.D. Jeon E-mail: kdjeon@savills.co.kr

### Savills - Malaysia

Savills (Malaysia) Sdn Bhd  
Level 9, Menara Milenium, Jalan Damanlela, Bukit Damansara,  
50490 Kuala Lumpur, Malaysia  
Tel: (60) 3 2092 5955 Fax: (60) 3 2092 5966  
Contact: Christopher Boyd E-mail: chris.boyd@savills.com.my

### Savills - Myanmar

Savills Myanmar Limited  
192 Kaba Aye Pagoda Road, Bahan Township, Yangon  
Tel: (95) 9 250 515 035  
Contact: Richard Emerson Email: remerson@savills.com.mm

### Savills - Philippines

KMC MAG Group  
8/F Floor Sun Life Centre, 5th Ave  
Bonifacio Global City 1634, Philippines  
Tel: (632) 403-5519  
Contact: Michael McCullough Email: michael@kmcmaggroup.com

### Savills - Singapore

Savills (Singapore) Pte Ltd.  
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712  
Tel: (65) 6836 6888 Fax: (65) 6836 2668  
Contact: Chris Marriott E-mail: cjmarriott@savills.asia

### Savills - Taiwan

Savills (Taiwan) Limited  
17F-1, Exchange Square, 89 Sung Ren Road  
Xin-Yi District, Taipei, Taiwan  
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929  
Contact: Cynthia Chu E-mail: cchu@savills.com.tw  
*Office in Taichung*

### Savills - Thailand

Savills (Thailand) Limited  
26/F Abdulrahim Place, 990 Rama IV Road  
Silom, Bangrak, Bangkok 10500, Thailand  
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339  
Contact: Mark Price E-mail: mprice@savills.co.th

### Savills - Vietnam

Savills Vietnam Ltd. Co.  
18/F, Fideco Tower, 81-85 Ham Nghi Street  
District 1, Ho Chi Minh City, Vietnam  
Tel: (84) 8 3823 9205 Fax: (84) 8 3823 4571  
Contact: Neil MacGregor E-mail: nmacgregor@savills.com.vn  
*Office in Hanoi*

## AUSTRALIA

### Savills - Australia

Savills (Aust) Pty Ltd.  
Level 7, 50 Bridge Street, Sydney, Australia  
Tel: (61) 2 8215 8888 Fax: (61) 2 8215 8899  
Contact: Paul McLean E-mail: pmclean@savills.com.au  
*Offices throughout Sydney, Parramatta, Canberra, Melbourne, Notting Hill, Adelaide, Perth, Brisbane, Gold Coast and Sunshine Coast.*

## NEW ZEALAND

### Savills - New Zealand

Level 8, 33 Shortland Street, Auckland NZ 1010  
Tel: (64) 9 951 5910 / (64) 9 951 5911  
Contact: Doug Osborne E-mail: dosborne@savills.co.nz  
Contact: Paddy Callesen E-mail: pcallesen@savills.co.nz

## NORTH AMERICA

### Savills - New York

Savills Studley  
399 Park Avenue, 11th Floor, New York, NY 10022  
Tel: (1) 212 326 8610 Fax: (1) 212 326 1034  
Contact: Mitchell Steir E-mail: msteir@savills-studley.com

## UNITED KINGDOM / EUROPE / SOUTH AFRICA

### Savills - Europe

33 Margaret Street, London W1G 0JD  
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773  
Contact: Jeremy Helsby E-mail: jhelsby@savills.com  
*Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy, Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Greece, Norway, Portugal, Russia, Turkey and South Africa.*

**Savills, the international real estate advisor established in the UK since 1855 with a network of over 600 offices and associates globally.**

*This document is prepared by Savills for information only. Whilst reasonable care has been exercised in preparing this document, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract; interested parties should seek independent professional advice from lawyer, accountant and surveyor and should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No person in the employment of the agent or the agent's principal any authority to make any representations or warranties whatsoever in relation to these particulars and Savills cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Savills. © Savills (Hong Kong) Limited. 2015 (IV/15)*