

# Buying a house in Japan

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Gentle disclaimer: My personal experiences, yours may vary.

Owning a home is an important milestone in life for everyone. It is probably the biggest purchase in your lifetime. Depending on the type of your purchase, it can be an exhausting, yet pleasant experience. Japan is a mature market that has simplified the purchasing process. It may consume a good amount of your time, but dealing with it patiently helps you overcome the anxiety. This article tries to answer some questions you may commonly have during the process of buying.

## **I have decided to buy a house. How much can I afford?**

Banks generally use roughly 7 to 8 times of your annual salary (gross) as a starting number to decide on how much house you can purchase.

Example: A person making 10 million a year can likely afford to buy a 70 to 80 million house

Alternatively, use an online calculator like this one to find what you can afford. Input just 2 things: (1) how much you are willing to pay every month as installment (2) loan interest rate.

<https://suumo.jp/edit/simulator/>

## **I am confused between choosing a 70 million house and an 80 million house.**

Japan home loan (variable) interest rates are very attractive. For every 1-million-yen loan, repayment is only a few thousand yen.

Example: For a 0.5% interest rate, 1 million loan you will repay 2,600 yens a month. (loan period 35 years). For a 10 million loan, you will repay 26,000 yens (2,600 x 10). If your budget allows an extra 26,000 a month, you can very well choose an 80-million-yen house.

## **What is the true cost of owning a house?**

Equal Monthly Installments / EMI (Principal you borrowed + Interest) is the minimum amount you will pay in a month whereas rent is the maximum amount you will pay if you do not own.

One-time cost at the time of buying: Roughly these add up to 8% of your purchase price Property Acquisition Tax / Real estate Agent commission (generally 5%) / Bank loan processing & guarantor fee / Maintenance cost initial lump sum (for an apartment) / Registration / Contract paperwork.

Monthly costs: It is not just EMI, but more. Add up to a minimum of 20% of your EMI for these.

Consider all these costs. keep them below 25% take home pay to be stress-free.

Property Tax / Insurance (Fire, Earthquake) / Maintenance (Regular, Planned & Emergency) / Car Parking (for an apartment) / Home Security (for an independent house) / Housekeeping (in case you want to get outside help for cleaning)



Mathu is from Erode/Tamilnadu. Living 23 years in Japan, currently in Kasai area. Happy to help people especially who are new to Japan answer questions on daily life and local systems like home loan, tax system and saving options, retirement, investing etc.

## **Apartment or Independent house. Which one should I buy?**

Both have advantages and disadvantages.

It takes more energy (=cost) to heat or cool an independent house. Apartments generally have a designated garbage area, mostly accessible 24 hours. Independent houses require great discipline in handling garbage.

(All rooms in) same floor living in an apartment can be a lot easy compared to climbing up and down via steep stairs, especially 3-storey independent houses.

A maintenance company is in place at an apartment for all the monthly maintenance work (outside of your home). Independent house requires a lot of effort from your side to deal with multiple vendors for any maintenance needs.

Noisy/active kids (cute little ones), inviting a bunch of guests, throwing an occasional party, free car parking, enjoying a higher volume tv/music all are possible without much of an issue in an independent house. Apartments can be tough for this basic living freedom too.

Land that comes with an independent house generally does not depreciate.

## **Merits of owning a house in Japan**

Home loan variable interest rates are unbelievably low (Currently less than 0.5%). The Japanese government also offers a 0.7% to 1% tax deduction. You will be able to receive back a total of 2 to 4.8 million yen over a period of 10 to 13 years. This amount considerably offsets the interest you pay over a long period of time.

## **Some complicated questions require more learning and talking to homeowners.**

Negotiating price, how to choose a builder, customizing layout to your liking, is it worth buying a combined housing (Living + Rental income), If I am not living can I rent it out, etc.

## **and finally ...**

Expect to spend lots of time with your real estate agent on most weekends/ holidays before you make a purchase. Men generally look to find out financial burden/ benefits, accessibility to work, whereas women look for comfortable living & peaceful child raising. It is important to line up all your priorities (Location/ Community/ Price/ Layout etc.) together as a couple. But remember, you won't be able to get all of them. Sacrificing some priorities will be essential. There is nothing called a 'forever' home. Lifestyle changes do occur. Having an exit plan in mind while you buy is helpful. Good luck with your home buying.