



# 5 Key Facts About Japan's Economy and CRE Market

October 24, 2023

## Highlights

- Inflation below developed-economy peers
- Interest rates remain low
- Immigration quietly increasing
- Consistent real GDP growth
- CRE investment volume resilient

## Inflation

While the rest of the developed world has grappled with multi-decade high inflation, Japan has largely avoided that issue. According to Japan's Ministry of Internal Affairs and Communication, although inflation has increased, it remains well below developed-economy peers due to a combination of factors such as state price controls and an aging demographic profile.

**Did you know? The last time Japan's calendar-year inflation increased by at least 3% was 1991<sup>i</sup>.**

## Monetary Policy

Japan has also kept interest rates below developed-economy peers. According to The Bank of Japan (BOJ), it maintained low rates for the better part of three decades. It seems unlikely that Japan will eliminate its effective zero interest rate policy. The BOJ sees the increase in inflation as temporary and expects it to decelerate in the coming quarters. That reduces pressure to let rates rise to cool inflation as is occurring in many developed economies.

**Did you know? The BOJ has kept interest rates below zero since 2016<sup>ii</sup>.**

## Immigration Policy

Contrary to popular opinion, Japan is not as closed to immigration as many people believe. Relative to some Western countries, the immigration rate remains low. But the Japanese government has introduced various policies to combat demographic challenges, such as attracting skilled immigrants and encouraging women to enter the workforce. According to the Ministry of Health, Labor, and Welfare, the number of foreign workers in Japan has roughly doubled since the introduction of a points-based immigration system in 2012.

**Did you know? Foreigners are projected to make up more than 10% of Japan's population 50 years from now, similar to the current levels of the US and the UK<sup>iii</sup>.**

## GDP

Outside of downturns due to the global financial crisis (GFC) and the pandemic, which impacted many countries, real GDP has grown consistently since the start of the millennium, according to the Statistics Bureau of Japan. GDP is back above pre-pandemic levels. Consequently, real GDP per capita is increasing as the population slightly declines. Both labor productivity and total factor productivity are positive, more than offsetting demographic challenges, and powering Japan's GDP growth.

**Did you know? Japan's economy is third largest in the world and according to our own proprietary modeling is projected to remain so through the end of this decade.**

## CRE Market

According to our proprietary modeling, Japan still boasts the second largest commercial real estate (CRE) market in the world, offering an abundance of investment options by property type and by market. Investor enthusiasm and volume has surged in recent periods, bucking the global trend. Why? Japan's property market fundamentals remain favorable, supporting property performance. Together with cheap debt, that presents an attractive combination for investors in a challenging global investment environment.

**Did you know? During the first half of 2023, foreign investment in Japan's CRE market increased by roughly 45%<sup>iv</sup>.**

## About BGO

BentallGreenOak (“BGO” or “BentallGreenOak”) includes BentallGreenOak (Canada) Limited Partnership, BentallGreenOak (U.S.) Limited Partnership (“BGO U.S.”), their worldwide subsidiaries, and the real estate and commercial mortgage investment groups of certain of their affiliates, all of which comprise a team of real estate professionals spanning multiple legal entities.

This document is for informational purposes only and does not constitute an offer to sell or solicitation of an offer to buy units in any BentallGreenOak fund (a “BGO Fund”, “Fund”, or, collectively, “BGO Funds” or “Funds”). Prospective investors must not construe the contents of this document as legal, tax, financial, accounting, investment or other advice, and each prospective investor is urged to consult with its own advisers with respect to legal, tax, financial, accounting, investment and other consequences of investing in a BGO Fund, the suitability of a BGO Fund for such investor and other relevant matters concerning an investment in a BGO Fund. A decision as to an investment in any Fund must be made solely by the investor and in consultation with its own advisers.

Statements in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs and are subject to change. Such statements are subject to known and unknown risks, uncertainties and other factors. Moreover, this document contains statements, estimates and projections as well as certain forward-looking statements, which can be identified by the use of forward-looking terminology such as “may”, “will”, “would”, “should”, “expect”, “project”, “intend”, “target” or “believe” or the negatives thereof or other variations thereon or comparable terminology (together, the “Projections”). Economic outcomes may differ materially from those reflected in or contemplated by such forward-looking statements, and undue reliance should not be placed thereon. The market analysis presented in this document represents the subjective views of BGO.



**Ryan Severino, CFA**

Managing Director, Chief Economist & Head of US Research  
BGO

[ryan.severino@bgo.com](mailto:ryan.severino@bgo.com)

---

<sup>i</sup> <https://data.oxfordeconomics.com/>

<sup>ii</sup> Ibid.

<sup>iii</sup> <https://www.bloomberg.com/opinion/articles/2023-08-03/foreign-workers-japan-quietly-prepares-for-more-immigration#xj4y7vzkg>

<sup>iv</sup> <https://www.cnbc.com/2023/10/04/japans-property-sector-foreign-investments-soared-45percent.html>