



Christopher Dillon

“HOW I BOUGHT MY FIRST FLAT IN TOKYO”

Canadian property author cum entrepreneur Christopher Dillon narrates how he bought his first apartment in Tokyo.

CONCRETE ACTION

Back in May 2010, it was time to use what I had learned when researching on my book on how to navigate through the Complexities of Japanese Real Estate. I decided to buy an apartment in Tokyo. With Erik Oskamp, an agent I had met while researching my book, I spent the afternoon of September 30, 2010, looking at apartments in Nakano-ku, in Tokyo’s western suburbs, and in Itabashi-ku, Adachiku and Katsushika-ku in the north.

The apartments were 16–42 sqms in size and 22–36 years old. Some buildings had hundreds of units, while others had fewer than 40, and the group included buildings made of steel-reinforced concrete as well as steel frame construction.

All were priced at less than ¥6 million and served by a train or subway line, although one apartment was a 20-minute walk from the nearest station. In Japan, prospective buyers cannot view the inside of tenanted apartments. But we were able to walk around the neighbourhoods, some of which were quasi-industrial. Overflowing mailboxes indicated buildings with high vacancy rates, while rust stains and peeling paint suggested maintenance problems.

I short-listed three apartments and, on October 1, made an offer for one in Itabashi-ku. The offer, which was 5% less than the asking price, was rejected, and I subsequently met the original ¥4.2 million asking price. When that offer was accepted, I started doing the paperwork, which included a notarized declaration that I was not a resident of Japan.

I also signed two powers of attorney, one authorizing Erik’s company to purchase the apartment on my behalf and a second enabling a judicial scrivener, Kawanabe-san, to register the property in my name. Erik also began the due diligence process to ensure that there were no problems with the building, title or tenant.

SIMPLE PROCEDURE

Located in Tokyo’s Itabashi-ku, this apartment was built in 1974 from steel-reinforced concrete. This was followed by two video chat sessions on Skype. One was with Kawanabe-san, who needed to verify my identity and confirm that I was buying the property. The second was with Wakabayashi-san, a licensed real estate agent employed by Erik’s company, who read me the explanation of important matters.

The recitation took 70 minutes and degenerated into comedy when the agent told me that the tenant, a retired civil servant, “had a problem with his waist.” I asked for clarification, wondering if he was confined to a wheelchair or if there was a trash-related problem. After consulting a dictionary and much discussion among the office staff, Wakabayashi-san told me that the tenant had a severe case of hemorrhoids, which was the reason he had retired. The sale closed on November 15, 2010, and the tenant has remained in the apartment.

Built in 1974 from steel-reinforced concrete, the unit is 21 sqms in size, plus a six-square-meter balcony. The apartment

is adjacent to the Shuto Expressway and is a 10-minute walk to the Mita subway line, from where it is 30 minutes to central Tokyo.

I paid cash for the apartment, which I still own. With all taxes and fees, the total purchase price was ¥4.6 million. In 2016, the apartment generated revenue of ¥424,701, after deducting management fees, maintenance charges, repairs and taxes.

As a non-resident Canadian living in Hong Kong, rental income from the apartment does not create a tax liability in Canada or in Hong Kong.

SOME BASICS

If you buy a property with a sitting tenant, you assume the vendor’s obligation to repay the tenant’s security deposit. The buyer deducts the tenant’s security deposit from the purchase price.

Many real estate agents provide property management services. These range from basic plans to full-service packages that guarantee the landlord will receive the rent, even if the tenant doesn’t pay.

The Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949) requires non-residents to file a “Report Concerning Acquisition of Real Property in Japan or Rights Related Thereto,” with the Bank of Japan if they buy real estate for investment purposes. The report must be filed within 20 days

PURCHASE	
Purchase price	¥4,200,000
Agent’s fee	195,300
Judicial scrivener’s fee	118,400
Stamp tax	10,000
Acquisition tax	63,500
Total	¥4,587,200

2016 REVENUE	
Rent	¥639,000
Management fee	(34,506)
Maintenance fee	(142,560)
Repairs	(4,172)
Fixed assets tax	(23,900)
Income tax	(9,125)
Total	¥424,737

of the purchase and is not required if the property is used as a residence for the buyer, his relatives or employees; to house a business or non-profit business; or if the property is purchased from another non-resident. ■

*Editor’s Note: This excerpt (with minor edits) can be found in the author’s second edition of **Landed Japan**.*



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