

Tokyo Living: A Luxury Residential Development Project



Hani Abuali

Chief Executive Office
Petiole Asset Management AG

As part of Petiole's Asia real-estate strategy, we have identified an attractive opportunity in Tokyo's luxury residential real estate, a segment we believe is under-served and under-supplied.

In the Heart of Wealthy Tokyo

Tokyo remains one of the top Asian cities in terms of livability, culture and tourism, and continues to attract the wealthy. Since it was first published over a decade ago, the Global Cities Index in Knight Frank's Wealth Report has highlighted Tokyo as one of the most important cities in terms of wealth, investment, and lifestyle. Tokyo is home to the largest number of high-net-worth individuals (HNWIs) in the world. According to Knight Frank's latest Global Cities Index, Tokyo is third in the 'wealth' category, after New York and Los Angeles.

The sponsor with whom we have co-invested, Baring Private Equity Asia, sourced a prime land site off-market from a financially distressed seller. The land site is 25,048 square feet and will be used to develop 14 luxury residential units with a saleable area of 40,704 square feet. The strategy is to buy the land, develop the luxury apartments, and strata-sell the units to wealthy buyers.

Prime Location

We were attracted by the property's prime location in Omotesandō, an upscale fashion, shopping and entertainment area in Tokyo's Shibuya neighborhood. Shibuya is home to the boutiques of some of Japan's top designers as well as the flagship buildings of international luxury labels including Prada, Louis Vuitton and Dior.

The Omotesandō boulevard is famed for its tree-lined avenue, reminiscent of the Champs-Élysées in Paris. It is near the Harajuku shopping district, home to Tokyo's famous Meiji Shrine and only a short walk to Yoyogi Park, a spacious green oasis within the city center. Surrounding pockets of luxury apartments also exist in the Minato and Chiyoda neighborhoods, but land is more limited within the Shibuya district.

The site is also easily accessible by public transport, with three metro stations within a 10-minute walk.

High Demand for Quality Residential Properties

Demand for both new and existing properties is strong in the submarket, while supply continues to be limited. The significant depreciation of the Japanese yen has made Tokyo considerably more attractive as both a tourist destination and a place for acquiring residential properties and homes. Compared to other Asia-Pacific gateway cities like Hong Kong, Singapore or Sydney, Tokyo is seen as comparatively affordable.

Within the luxury residential sector, there is a distinct lack of quality product. Japanese developers tend to design buildings to maximize saleable area while minimizing construction costs, and to fit in room layouts after designing the building. This has made the bulk of existing stock unsuitable for high-end use.

By re-engineering the design process and utilizing international architects and designers, the sponsor believes they can deliver a differentiated product that is more attractive to international and westernized domestic buyers, while not costing any more than the competitive set.

Portfolio Construction

Tokyo Living is a part of our long-term theme of investing in gateway cities across Asia-Pacific and fits in our Capital Growth offering.

Disclaimer

This article was issued by Petiole Asset Management AG (“PAM”) on October 31, 2020 and is provided to you for informational and marketing purposes only, and contains proprietary information that may not be reproduced, distributed to, or used by, any third parties without PAM’s prior written consent. Although all information and opinions expressed in this article were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to their accuracy or completeness.

The information contained herein is not a substitute for a thorough due diligence investigation. Past performance is not indicative of and does not guarantee future performance. Exit timelines, prices and related projections are estimates only, and exits could happen sooner or later than expected, or at a higher or lower valuation than expected, and are conditional, among other things, on certain assumptions and future performance relating to the financial and operational health of each business and macroeconomic conditions.

PAM makes no representation or warranty, express or implied, with respect to any statistics or historical or current financial data, whether created by PAM through its own research or quoted from other sources. With respect to any such statistics or data delivered or made available by or on behalf of PAM, it is acknowledged that (a) the investor takes full responsibility for making its own evaluation of the materiality of the information and the integrity of the quoted source and (b) the investor has no claim against PAM.

To the extent this article contains any forecasts, projections, goals, plans and other forward-looking statements, such forward-looking statements are inherently subject to various parameters, most of which are difficult to predict and many of which are beyond PAM’s control and may cause actual performance, financial results and other projections in the future to differ materially from any projections of future performance, results or achievements expressed or implied by such forward-looking statements. Investors should not place undue reliance on these forward-looking statements. PAM undertakes no obligation to update any forward-looking statements to conform to actual results or changes in PAM’s expectations, unless required by applicable law.

All rights reserved. Copyright © 2020 Petiole Asset Management AG