

Japanese Government initiatives to attract real estate investment

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Speedread

On 22 June 2010, the Ministry of Land, Infrastructure, Transport and Tourism of Japan (MLIT) announced its "MLIT Policies 2010" to be discussed with market participants over the course of 2010 and 2011. Once the policies have been discussed, the MLIT will submit a bill to the Japanese Diet to amend the Act Concerning Designated Real Estate Joint Enterprises. The policies, which are explained further here, aim to stimulate investment in real estate and include establishing a new securitisation method and increasing the level and nature of disclosure required by persons offering investments in real estate.

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The policies include:

Establishing a new securitisation method to facilitate investment in real estate.

Increasing the level and nature of disclosure required by persons offering investments in real estate to make such investments more attractive to investors.

By implementing these two policies, the MLIT hopes to stimulate investment in real estate that is in need of repair and, in relation to which, funding has been difficult to obtain.

New securitisation method

Currently, for a joint venture to invest in real estate in Japan, the investor that purchases the real estate must:

Receive a licence from the government under the Act.

Include the acquired real property on its balance sheet.

Investors cannot use a bankruptcy remote vehicle to acquire real property. This has made investment in real property an unattractive option for institutional investors (for example, pension funds and insurance companies) and the level of such investments has stagnated in recent years.

MLIT is considering amending the Act to allow investors to use a bankruptcy remote entity to invest in real estate.

Disclosure system

With regards to the level of disclosure required in the context of real estate investments, the MLIT is considering expanding the list of items for which disclosure is required (for example, indices of real estate prices and information regarding the quality and risk profile of the relevant real estate (for example, environmental studies/assessments on matters such as land pollution)). In addition, the MLIT is considering ways to ensure more prompt and accurate disclosure of information to investors.

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