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Japan's National Detached-Home Market

Five years of structural change · why detached homes are pulling demand back from condominiums · why Western Japan now offers better yield than the East.

Executive Summary

Between 2020 and 2025, Japan's housing market — particularly the new-detached-home segment — has been through five years of structural change. The COVID-19 pandemic rewrote what people wanted from a home. The global wood shock and material inflation rewrote what builders could deliver. The Bank of Japan's policy adjustment is now rewriting what buyers can afford. The market that emerges in 2026 looks substantively different from the one that existed in 2019.

Three findings drive the rest of this report:

First, condominium prices in central Tokyo and Osaka have detached from local incomes. Detached homes — long the second choice — are now absorbing demand by default. Greater Tokyo recorded 16,197 new detached-home transactions in fiscal 2025 (+242.8% year over year), a snapback that reflects condominium unaffordability more than any genuine enthusiasm for the suburbs.

Second, Greater Osaka now exceeds ¥50 million average price for the first time since 1991 — but the underlying story is more interesting than the headline. Demand is migrating from central Osaka outward in a measurable, sustained pattern. Suburban municipalities with express-train access to central Osaka, plus a genuine economic anchor of their own, are the structural beneficiaries.

Third, for foreign investors, this East-versus-West divergence matters. The Tokyo market is liquid but yield-compressed. The Osaka market is more selective but offers materially higher yields where you choose correctly. The selection is the entire game.

Part 1 · The Five-Year Arc, 2020 – 2025

2020 – 2022: pandemic and wood shock

The pandemic produced an immediate but short-lived market pause. Within months, the rapid spread of remote work and the rise of in-home demand — wanting more floor area, more rooms, a dedicated workspace — accelerated interest in detached homes among first-time buyers. As urban condominium prices kept climbing, the larger floor plans available in suburban detached homes became the rational choice. Inventory tightened in some commuter-belt corridors to the point of genuine shortage.

Then came 2021's global wood shortage. The 'wood shock' hit Japanese builders directly — raising material costs, extending build times, and constraining supply. Semiconductor shortages further delayed delivery of household equipment. The detached-home segment entered a cost-push inflation phase that has not yet fully unwound.

2023 – 2025: cost-push prices and market adaptation

From 2023 onward, material inflation spread well beyond timber to steel, concrete, and household equipment broadly. A weakening yen further raised the cost of imported materials. Average new-detached-home prices rose materially faster than wages.

Greater Tokyo new-detached-home statistics (Fiscal 2025):

Indicator	Figure	YoY change	Note
Transactions completed	16,197	+242.8%	First increase in two years
Average transaction price	¥45.32M	+4.1%	Two consecutive years of increase
Average building area	98.61 m²	+0.3%	First increase in two years
Average land area	115.44 m²	–2.0%	Two consecutive years of contraction
New listings registered	62,667	–5.7%	Two consecutive years of decline

The data tells one consistent story: builders are reducing land area per home while preserving floor area, in order to keep nominal prices within reach. Falling new listings alongside rising completed transactions means inventory is being absorbed faster than it is replenished. Quality stock is, in fact, scarce.

Part 2 · Greater Osaka — A Different Market

Central Osaka condominiums are now out of reach

Central Osaka's condominium market has moved decisively away from typical household buying power. The 2024 average price reached ¥76.44 million — up 36.0 percent in a single year. This is not incremental drift. It is a step-change.

The consequence is migration. With central Osaka condominiums priced beyond reach, households in the buying market are turning to surrounding municipalities for both detached homes and lower-density supply.

Indicator	Figure	Source
Greater Osaka new-supply units (2024)	15,137	Slight YoY decline of 1.6%
Greater Osaka unit price per m²	¥907,000	+14.7% YoY
Greater Osaka average price (all types)	¥53.57M	First ¥50M-range since 1991
First-month sell-through rate	74.3%	Three consecutive years above 70%
Land transactions (Sept YoY)	+20.1%	Demand for buildable lots remains strong

The northern Osaka belt — Suita, Toyonaka, Ibaraki — has shown the most pronounced price appreciation, and the wave is now spreading south. Greater Osaka's average price crossing ¥50 million for the first time since the 1991 bubble peak is a meaningful marker: it indicates that current pricing has reached the practical ceiling of what low-rate mortgages can absorb.

Builders squeezed between two costs

Greater Osaka developers are working with two compounding pressures. Construction costs have risen approximately 30 percent over the past two years, while household incomes have not kept pace. To preserve nominal price points, builders are modifying specifications and subdividing lots into smaller parcels.

Layered on top, the Bank of Japan's policy-rate adjustment (raising to 0.25 percent in July 2023, with subsequent moves) creates a psychological barrier in a market where the overwhelming majority of household borrowers use variable-rate mortgages. A 1-percent rise in mortgage rates implies, mathematically, a 15–20 percent price decline needed to preserve a constant monthly payment. This is the calculation every buyer is now running.

Part 3 · East versus West — Two Different Investment Cases

Japan's two principal economic regions — Greater Tokyo and Greater Osaka — present genuinely different investment cases. Liquidity, yield, residential culture, and future risk are distributed unevenly between them.

Factor	Greater Tokyo	Greater Osaka
Population & companies	Overwhelming concentration; ongoing inflows	Concentrated in central Osaka & a few belts; broader region in slow decline
Liquidity & exit	Highest resale-value retention in Japan	Selection matters far more; varies dramatically by station
Acquisition cost	Very high; mortgage burden heavy	Materially lower; larger lots and floor areas attainable
Yield (rental)	Historically compressed by high prices	Higher yields available where rental demand is sustained
Typical home	Narrow lots; many three-story builds	Two-story standard; meaningfully more spacious
Trend driver	Condominium displacement; prices stay elevated	Expo & IR (Integrated Resort) infrastructure; KIX expansion

Tokyo's advantage — and its trap

Greater Tokyo's defining feature is market depth. Even with new listings falling, completed transactions continue to rise — meaning supply is being absorbed faster than it is replenished, with demand consistently exceeding inventory. This is the same dynamic that makes Tokyo resale values the most reliable in Japan.

The flip side: ordinary buyers have stopped choosing where they want to live. They are now choosing where they can afford to live. For an investor evaluating yield, this means the cap rate has been pushed down to a level that may not justify the entry price.

Osaka's advantage — quality of life per yen

Greater Osaka's defining feature is the balance between cost and living standard. Even within commuter range of central Osaka, lot sizes and floor areas are available at levels simply not encountered in Greater Tokyo. The tradeoff is that selection matters more — a lot more.

Osaka has entered the era of selection. The '2022 productive-green-zone problem' (a tax-policy event releasing substantial agricultural land into the residential market) and the demographic patchwork of the region mean that some municipalities are appreciating while immediate neighbors are not. The blunt rule: yield exists where infrastructure, transport, and an economic anchor coincide. The job is to find those nodes.

Part 4 · The Implication for Foreign Investors

Reading the macro signal

The five-year arc from 2020 to 2025 has produced a market that, for a foreign investor, is more interesting than it has been in three decades. The reasons:

Yen weakness creates a foreign-currency entry point. Yen-denominated detached homes are materially cheaper in USD, HKD, or TWD terms than they were in 2019. The same household budget acquires more square meters.

Condominium displacement is structural, not cyclical. Urban condominium prices in both Tokyo and Osaka have moved beyond domestic household income. The displacement of demand toward detached homes — and toward suburban municipalities with good access — is not a temporary phenomenon. It is the new geometry of Japanese household buying.

Greater Osaka offers genuinely higher yields than Greater Tokyo. Specifically, in municipalities that combine express-train access to central Osaka, an independent economic anchor (an airport, a university cluster, a logistics hub, or a regulated industry), and stable rental demand. These are not theoretical conditions. They describe a specific subset of suburban Greater Osaka.

2026 is the inflection year. Three concurrent events — the May 30 contraction of Osaka's special-zone minpaku framework, the summer/October completion of Kansai International Airport's Terminal 1 expansion, and the Expo & IR-driven infrastructure build-out — converge on a narrow set of municipalities at the southern edge of Greater Osaka. We have published a separate report (Report 04) on the asset-value mechanics in those specific municipalities.

Selection, not exposure

The single most important conclusion of this report is that, in Greater Osaka, broad exposure is no longer a working strategy. Within a single prefecture, asset values are diverging structurally between rail-and-airport-connected nodes and the broader suburban hinterland. The 2022 productive-green-zone supply release will accelerate that divergence.

Said differently: the inferior locations will get cheaper. The superior locations will get more expensive. The investor's job is to recognize which is which — and to commit to the latter, not average across the whole.

The thesis in one line

> *Greater Osaka is the more selective market — and, for that reason, the better-yielding market for a foreign investor who is prepared to choose carefully and to choose once.*

See Report 04 · Izumisano Asset Value for the detailed local mechanics — including the Kansai International Airport expansion impact, the demographic risks, and the productive-green-zone supply release — that explain why one specific corridor of Greater Osaka is structurally positioned to capture the next decade of value.

Sources

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