

# Japanese real estate firms laying new foundations overseas

In line with the revival of the domestic real estate market, Japanese firms have been aggressively investing abroad. In 2017, they poured some \$3.5 billion into overseas real estate assets, 70 percent more than in 2016 and well over double the ten-year average up to 2016, according to a study by U.S. developer JLL. Meanwhile, Tokyo-based CBRE Research estimates that Japanese indirect outbound real estate investment could reach \$15.3 billion a year in the coming years.

So far, Japan's largest players, such as Tokyu Land Group, Mitsui, Mitsubishi Estate and Mori Trust, have put a large part of their money in Europe, Asia and the U.S. In 2017, Mitsubishi Estate, parent company of the U.S.-based Rockefeller Group, announced its intention to create a 2-billion-yen pan-Asian core real estate fund,

a joint venture with CLSA Real Estate Partners. While in the U.S., Tokyu Land is a partner in the redevelopment of 425 Park Avenue in New York.

As the nation's biggest players have strengthened their global foothold, smaller real estate companies involved in areas such as building management services have followed suit. These firms are bringing with them the unrivalled quality of Japanese customer service, known locally as *omotenashi*, both to established and up-and-coming markets across Asia.

"The competitive advantage of our work is linked to our notion of hospitality: the *omotenashi* spirit. Currently, the level of quality and service we provide in Japan is high. We'd like to keep the same bar of performance and translate it to other countries in the



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ASEAN region," says Ryusei Kajiyama, President of Biken Techno Corporation, which is bringing integrated facility management services to South East Asia.

"Of course, we already have subsidiaries in three South East Asian countries, namely Singapore, the Philippines and Vietnam. To be successful overseas, we must think global but act local. Our strategy is to tailor our approach to the particularity of each market. So instead of 'globalization', we believe in 'gLOCALization'."

Biken Techno's expertise in building management and maintenance is partly the result of its experience in working in natural-disaster prone Japan, as is that of another Japanese firm, Daibiru Corporation, which specializes in office building management services in Osaka and Tokyo.

"I want to stress that the quality of our buildings are designed to sustain big earthquakes and strong typhoons. For example, there was a huge earthquake in Osaka last June but our main buildings were not affected at all," says president and CEO, Toshiyuki Sonobe. "We must also move forward with environmental issues and match the high standards of eco-friendliness recognized by society at large."

Daibiru acquired its first overseas office building, Saigon Tower in Ho Chi Minh City, Vietnam, in January, 2012. In 2014, it added the Corner Stone Building in Hanoi to its Vietnamese assets and since then has expanded its presence overseas to Australia, bringing the know-how in building management and related services it has accumulated over many years in Japan.

"We became the first Japanese real estate company to own office buildings in Vietnam. We added some Japanese style essences to these buildings, for example, by installing washlets. They started to be highly appreciated by the local business society. Thanks to that, all the spaces are now occupied. About one fourth of those occupants are retained by Japanese-based firms, but the rest of them are occupied by global and local companies," explains Mr. Sonobe.

"Moreover, we became one of the first Japanese real estate companies to invest in Australian office buildings and we expect to reap the advantages of being a front runner, as was exactly the case in our investment in Vietnam," he adds.

"Although the building can be categorised as something in the range of medium size, its location is one of the best in Sydney CBD (Central Business District). Together with its high-quality specs as a 'grade A' building and its environmental friendliness, we believe the facility can attract strong support from customers."

With a plan to invest \$400 million in overseas assets, Daibiru is continuing to look for opportunities to develop prime real estate in Asia. "We look overseas because we can expect relatively higher returns," adds Mr. Sonobe. "Nevertheless, we still plan to allocate \$700 million to the domestic market. Although the market is heated and it is difficult to pursue higher returns, we will continue to seek out prime locations to invest in."

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