



The most important financial stories, and how to profit from them

## A bull market in property is just beginning - but where?

### ARTICLE

20.10.2006

If you've heard me speak this year, you've heard me talk about Japanese real estate... I think it's the best investment opportunity for the next 15 years...

Until just a few months ago, **property prices in Japan** had been falling – for 16 years straight. The Bank of Japan (Japan's equivalent of the U.S. Federal Reserve) even went as far as lowering short-term interest rates to 0% – and it kept interest rates there for six years.

Amazingly, property prices continued to fall, even in a 0% interest world.

Long-term interest rates are around 2% in Japan. Think about this for a moment... what do you think would happen to U.S. real estate prices if mortgage rates went from 6% to 2%?

Real estate prices would soar...

Most people don't shop for homes based on the sticker price. It's nearly irrelevant. Instead, most people buy based on what they can afford in a monthly payment.

You see, at 6% interest, a \$1,500 monthly payment will get you a mortgage of \$250,000. Yet at a 2% interest rate, a \$1,500 monthly payment will get you a mortgage of \$400,000.

In the U.S., we take it for granted that if mortgage rates fell from 6% to 2%, prices would soar.

Americans believe that "you can't go wrong in real estate."

However, after 16 years of falling prices, the Japanese now believe that "you'll never make money in real estate."

From 1990 to 2000, real estate prices in Japan fell between 50% and 90% (depending on where in Japan we're talking about, and what type of real estate we're talking about). And they've stayed down.

Put simply, the Japanese are afraid of getting burned. Their stock market is also down 60% since 1990. So the Japanese simply don't invest. They sit on cash, earning literally no interest. "At least cash doesn't go down in value," they think. It's completely opposite from the American perspective of, "I can't sit on cash, I've got to put it to work."

Now – finally – the Japanese are starting to buy real estate once again. Prices are just starting to rise. The bear market is finally over.

The thing that kicked off the bust back in 1990 was the Bank of Japan raising interest rates too fast. (Of course, prices had gotten ridiculous.)

The government will do everything in its power to prevent going back into bust mode. It will NOT get in the way as **Japanese house prices** start to rise. And it will do everything possible to keep prices from falling.

Therefore, right now, we're set up for a ridiculous bull market in Japanese real estate. It's cheap, hated, and the uptrend is just beginning.

*Steve Sjuggerud is a frequent contributor to [DailyWealth](#), a free contrarian investment newsletter focused on the safest, most profitable investments in the world.*

**FREE!** For all our latest advice on making profitable investments, [claim your 3-week FREE trial of the MoneyWeek website and magazine now.](#)

#### Related Articles:

[WHY TAX CHANGES WON'T SAVE THE UK PROPERTY MARKET 11-10-2007](#)

[UK HOUSE PRICES START TO FALL 13-09-2007](#)

[WHY CITY BANKS MIGHT NEED LESS OFFICE SPACE THAN THEY THINK 28-08-2007](#)

[WHAT NEXT FOR PROPERTY FUND INVESTORS? 23-07-2007](#)

[SHOULD YOU RUSH INTO AIM'S PROPERTY BOOM? 13-07-2007](#)

[THE END IS NIGH - FOR SOARING HOUSE PRICES 06-07-2007](#)

[COMMERCIAL PROPERTY: THREE WEDDINGS, ONE FUNERAL 15-06-2007](#)

[IS THE GLOBAL PROPERTY MARKET ABOUT TO CRASH? 11-05-2007](#)

[HOW YOU COULD PROFIT FROM FALLING HOUSE PRICES 20-04-2007](#)

[WHY YOU SHOULD AVOID COMMERCIAL PROPERTY 10-04-2007](#)

[BEWARE THE PITFALLS OF FOREIGN PROPERTY 03-04-2007](#)

## FREE! Our daily investment email

SIGN UP HERE



Money Morning is the FREE daily email from MoneyWeek – a punchy round-up of the latest investment news and profit opportunities. **DON'T MISS IT!**

#### Our Most Popular Articles

[Will it be an unhappy new year for investors?](#)

[This equity bull is on its last legs](#)

[Why it's time to bet on Europe](#)

[The credit crunch returns with a vengeance](#)

---

Site powered by [WORKSitebuilder CMS](#)



The [MoneyWeek](#) news service is operated by Digital Look Ltd © Digital Look Ltd 1998-2005. All rights reserved.

Republication or redistribution of Digital Look Ltd content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Digital Look Ltd. Please see <http://www.DigitalLook.com/newsfeedterms> for our terms and conditions.