



Chairman's Column

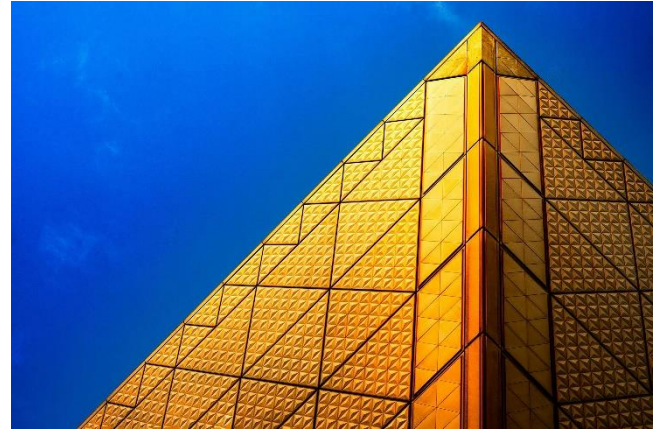
Looking back on 2024

2024 is coming to a close. The kanji to represent the year was chosen as “Gold” by the chief priest of Kyoto’s Kiyomizu Temple. The kanji was selected to capture the spirit of the Paris Olympics and Sado Island becoming a World Heritage site. It’s a hopeful word that will carry into 2025.

In news related to real estate investments, there were two developments. The “asset management center (of the world)” framework declared by former Prime Minister Kishida is becoming clearer as both domestic and global players set their sights even more on alternative investment opportunities.

The other trending and in-demand asset type are data centers. In other sensational news, Tokyo’s new condominiums were being sold for over 100 million yen. When considering the exit, the buzz for offices and residential properties seems to have waned, and data center development is still grabbing headlines. Although data centers cost 100 billion yen on average, it makes sense considering the demands for generative AI.

According to Nikkei Shinbun’s interview of U.S. real estate services giant Cushman and Wakefield, within the next 3 to 5 years, the other 6 primary Asian countries will grow their data centers in operation to 4,200 megawatts, or roughly 2.5 times the current 1,700 MW. Outgrowing China’s growth rate of 60%,



Asia is expected to grow on par with the U.S. and its construction boom behind the demand for generative AI.

The trend of data sovereignty, which mandates the storage of personal and corporate confidential information within a country and restricts its transfer to other countries, is becoming increasingly clear. Generative AI requires a substantial amount of electricity; for example, a single response from ChatGPT is said to consume about 10 times the energy of a Google search. Securing sufficient power and energy has also become a challenge.

As we enter 2025, inflation is expected to continue, even with an interest rate hike. Despite these concerns, ASA Group hopes to continue assisting you in your investments in Japan. We look forward to even more dialogue with you.

by Kazuhiro Matsuzawa, Chairman



Japan REIT

ASA REIT Partners closes its first year

Thank you for another successful year. In May 2023, Aoyama Sogo Accounting Firm (now ASA Accounting) established our REIT-specific group within our company supported by our experienced members. In June 2024, the group was incorporated as ASA REIT Partners K.K. and ended the year strong. We are truly grateful for the support of our clients.

According to the ARES monthly report, in 2024, 57 J-REIT investment corporations held 23.5 trillion yen in assets under management (as of November 2024) for a total of 4,866 properties, adding 169 properties from 2023. For Private REITs, 58 investment corporations held 6.7 trillion yen (as of September 2024) in total investments for a total of 1,829 properties, adding 263 properties from the previous year. The domestic REIT

market reached 30 trillion yen in assets, which is twice what the market was a decade ago. Especially after the market reached 20 trillion yen in June 2018, logistics facilities grew the most with 3.1 trillion yen in assets, behind the strong demand from e-commerce.

Although the outlook for this year was uncertain due to how the end of the negative interest rate might impact real estate investments, we have continued to receive inquiries for REIT setup and requests in advance of setting up private REITs. For asset management companies, our firm's asset management support services have provided preparation of disclosure documents, review of PM reports, and preparation of instruction templates.

At ASA REIT Partners, we hope to continue to meet and exceed your expectations in the new year. Thank you for your continued support and business.

by Kenichi Shimizu, ASA REIT Partners





Japan Real Estate

Proptech – Ushering in new tech for the real estate industry

You may have heard the term “Proptech” and may be wondering what this means. The term combines property (real estate) with technology to mean a range of new technology used in the real estate business. In starting the new year, I thought I would imagine what the future may hold for the industry.

Analyzing the real estate market with AI

“The rent for this area may rise so now is the time to buy” might be what AI may advise us in the future. AI that analyzes market data in real time and predicts property values and demand is gaining attention. For example, in the future, just like how stock transactions are automated in part now, properties in popular areas might be transacted based on expected timing of appreciation.

Contract procedures may be completed fully online

Real estate contracts may be tedious right now, but blockchain and smart contracts may eliminate this burden. For example, in the future, locks may open once rent is paid or contracts may be fully completed online. For those that hate tedious procedures, this is good news.

Experiencing the inside of properties with VR

Viewing properties is now possible with VR. Using goggles, one can view the property as if they were actually there. Other applications of virtual reality that are in development are for changing layouts and placing and rearranging furniture and fixtures. Potential tenants can experience the space before they move, and imagine how living and working there.



Buying land in the metaverse

The metaverse was a hot topic for a second, and perhaps it may still become revolutionary for the real estate industry. For example, drones and 3D photogrammetry may progress the automatic measurement of land and buildings and databases to enable the link between real estate and virtual real estate. Thus, allowing the automatic sale of physical real estate with the sale of virtual real estate.

Natural disaster risk assessment by AI

In a country like Japan where natural disasters are prevalent, assessing the risks for earthquakes and floods are a crucial factor for choosing real estate. Currently, AI tools to predict such risks are presumably being developed. By analyzing risks for each property, these technologies will assist potential investors and tenants. If such technology becomes common, there may come a time when property can be bought with a higher level of comfort.

Some of these Proptech technologies are still in development. However, if the technology evolves, real estate transactions may become easier and more accessible just like stocks. Until now, the industry was far behind in terms of technological innovation, but the potential of Proptech in the future gets me excited.

by Shigeru Hirai, Knowledge Management Office

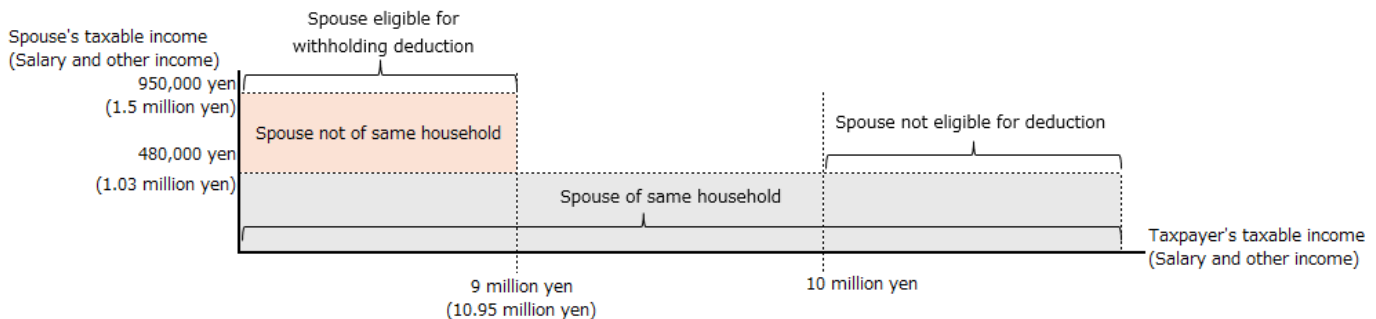


Tax Update

Fixed rate tax reduction - Required entries on the annual withholding tax slip

In the name of protecting our citizens' livelihoods from higher living costs, a fixed rate tax reduction will apply to income tax and inhabitant tax for 2024. This will be one-time with no expected continuance. To avoid any administrative errors that may result in not receiving the reduction, please ensure that the 2024 withholding tax slip, as well as determination notice for prefectural and municipal tax have been correctly entered.

- Persons eligible for the fixed rate tax**
 - Income taxpayer** — Income taxpayer who is a resident with total income less than 18.05 million yen in the previous year
 - Inhabitant tax** — Income-based Inhabitant taxpayer who is a resident with total income less than 18.05 million yen in the previous year
- Fixed rate tax reduction amount**
 - Income tax** — 30,000 yen x number of persons (taxpayer + same household spouse※1 + dependents※2)
 - Inhabitant tax** — 10,000 yen (municipal tax 6,000 yen, prefectural tax 4,000 yen) x persons(same as above)



※ 1 Grey area is for spouse of same household, and eligible for the fixed rate tax reduction
 ※ 2 Includes dependents under the age of 16
 ※ 3 Excludes non-residents

After year-end adjustment withholding tax slip (description)

Assumption ① Taxpayer's total income 5 million yen, spouse's total income 500,000 yen, dependents (18 yr old, 10 yr old)
 (taxpayer +2 dependents = 3 persons
 → 30,000 x 3 persons = 90,000 yen)

(Description)
 Income tax reduction amount at withholding 90,000 yen, excluded deduction 0 yen

Assumption ②
 Taxpayer's total income 15 million yen, spouse's total income 400,000 yen, dependents (18 yr old, 10 yr old)
 (taxpayer + spouse of same household (spouse not eligible) + 2 dependents = 4 persons
 → 30,000 x 4 persons = 120,000 yen)

(Description)
 Income tax reduction amount at withholding 120,000 yen, excluded deduction 0 yen
 Tax reduction for spouse not eligible for w/h deduction



Tax Update

- **Inhabitant tax on salary – description on determination notice (for taxpayer use) for special withholding amount**

For assumption①, the tax reduction amount will be for three persons just like with income tax.

(10,000 x 3 persons = 30,000 yen (municipal tax 18,000 yen, prefectural tax 12,000 yen)

For assumption②, for 2024, the three persons excluding the spouse ineligible for deduction will receive the fixed rate tax reduction, and the spouse ineligible for deduction will receive the fixed rate tax reduction on income-based inhabitant tax for 2025. Thus, in both cases, 2024 will be written as below (differs slightly based on municipality)

(Description)	
Adjusted deduction amount	Municipal tax 18,000 yen, Prefectural tax 12,000 yen
Excluded deduction	0 yen

- **Treatment of non-deductible amount**

For amounts not deducted in full from income or municipal tax, you can receive that amount from the municipality.

by Satoshi Gondaira, Knowledge Management Office

Annual Seminar 2024

ASA Group held its 12th Annual Seminar on November 28 (Thurs). We thank everyone that took time out of their busy schedule to attend this event. The seminar had guest speakers related to investment funds of real estate, energy, and private equity. A panel discussed “investments funds and digital innovation” about topics like the current state of digitalization, solutions, and how digital innovation can shape our future.

In light of ASA Group’s 25th anniversary, our group CEO Aguni made closing statements about our policy moving forward and announced our new logo.

More details here.

<https://prtimes.jp/main/html/rd/p/000000001.000154827.html>





From the Editor

Every year our company makes a trip abroad to check on local economic conditions and business trends. This year, we went to India to the capital of Delhi and Bengaluru, known for its many IT firms. Here's my impression of India! "Dogs everywhere on the street", "Loud" (from everyone honking their car horns). "It's a sunny day but no blue skies" (perhaps louder than usual because of the observance of Diwali). I did get the impression that the people of the city had a certain intensity and energy in their eyes. Something I saw in my parent's generation in the 60s and 70s. The Indians seem to place importance on speed in business and aren't afraid to change. Qualities that are missing with the Japanese now.

As we enter 2025, ASA Group promises in the next quarter century to continue our efforts to grow our business with speed and intention (After getting back to Japan, I found out that my missing Air Pod Pros were in Delhi according to the GPS. But that story is for another time..)

by Jun Murata, Editor-in-chief

