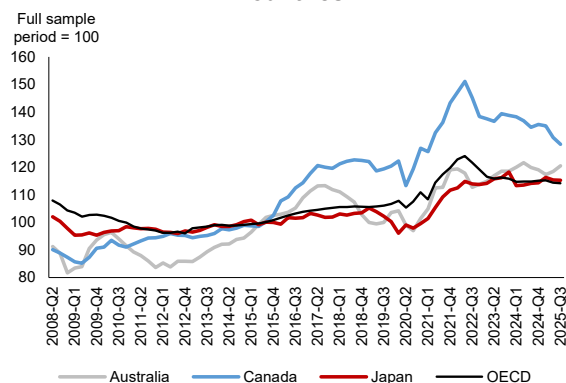


2. Ensuring a Sustainable Property Market: Tailoring International Experience to the Local Context⁸⁵

Housing market stability directly affects both financial system soundness and household welfare. The Japanese economy has been shifting to a new normal of higher inflation, and housing prices have been rising too, particularly in metropolitan areas. Against this backdrop, this Selected Issue reviews recent developments in the local housing market and highlights the policy experiences of other advanced economies in ensuring a sustainable property market, which could provide lessons for Japan.

1. Despite the continued rise in housing prices, there are no significant or immediate concerns about the overall sustainability of Japan's housing market at the national level. On the financial side, while credit growth remains robust, there are no strong indications of a significant deterioration in asset quality or stress in the debt-servicing capacity of developers and households.⁸⁶ Price-to-income ratios (PIRs) suggest that housing affordability in Japan remains broadly in line with the OECD average (Figure A2.1). Furthermore, the rise in vacant homes associated with a shrinking population could continue to act as a partial stabilizing force. The upward pressure on housing prices in urban areas may be partly absorbed by neighbouring suburban areas.

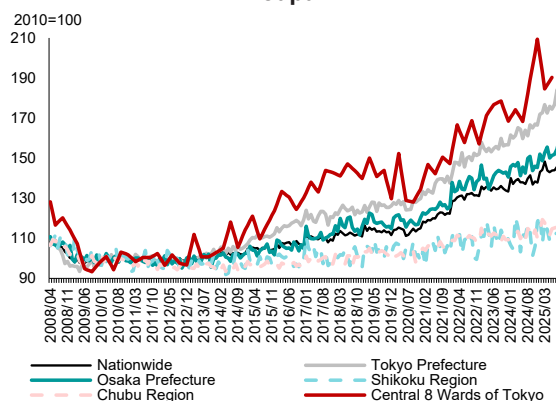
Figure A2.1. PIRs Across Selected OECD Countries



Source: OECD.

Note: PIRs stands for Price-to-Income Ratios and is calculated as nominal house prices divided by nominal disposable income per head. The standardized ratio is indexed to a reference value equal to 100 over the full sample period.

Figure A2.2. Property Prices in Selected Areas in Japan



Source: Ministry of Land, Infrastructure, Transport and Tourism; AMRO staff calculations.

Note: The Central eight wards of Tokyo are Chiyoda, Chuo, Minato, Shinjuku, Bunkyo, Shibuya, Taito, and Toshima. The data represent the median prices per square meter for residential land and building.

2. The increase in housing prices has been particularly pronounced in metropolitan areas driven by both demand- and supply-side factors, reflecting uneven housing price development across nationwide. Since the early 2020s, the gap between metropolitan and regional housing prices has widened (Figure A2.2). Despite a gradual and measured pace of policy rate increases, housing demand has remained strong in metropolitan areas. Multiple factors could have contributed to rising prices in the metropolitan areas. Demand-side factors could include migration to metropolitan areas, wage growth and investment demand, including foreign investment. Supply-side factors could include lagging housing supply, labor shortages and surging

⁸⁵ Prepared by Koon Hui Tee, Senior Economist; and Shunsuke Endo, Senior Economist.

⁸⁶ Please refer to the main text in AMRO's Annual Consultation Report on Japan 2025 for further details.

construction costs.⁸⁷ By contrast, weaker housing price growth in regional areas could reflect weaker demand and more abundant housing supply amid depopulation.⁸⁸

3. A sharp increase in property prices in metropolitan areas could pose macro-financial risks while eroding housing affordability. Specifically, sharp increase in housing prices, which is not supported by underlying economic fundamentals, could result in excessive consumer leverage and credit growth. As housing stock, housing wealth and real estate activities tend to be concentrated in metropolitan areas, property market developments in metropolitan areas could have spillover effects to neighboring areas and entail macro-financial implications at the country level ([Lo Duca and Nicoletti-Altimari, 2019](#)). Moreover, for the financial sector, banks' real estate exposures might become excessive in a manner that is geographically concentrated. Importantly, soaring housing prices outpacing income growth in metropolitan areas also worsens housing affordability and regional wealth inequality within the country.

4. In this context, the policy experiences of other advanced economies could provide valuable lessons. Notably, Canada, Korea and Singapore have implemented a suite of policy measures, covering macroprudential, fiscal and housing, to promote sustainable property markets and mitigate the risks posed by the housing market to financial stability (Table A2.1). In Canada and Korea, a targeted and differentiated approach is adopted where more stringent measures are applied in metropolitan areas, which exhibit faster growth in housing prices. Separately, Canada (Ontario and British Columbia) and Singapore imposed higher taxes on foreign buyers. Additionally, Singapore also adopted a calibrated and gradual approach to implementing policy measures which allows the government to review the policy impact and make policy refinements as appropriate, while minimizing the risk of destabilizing the market. In terms of institutional arrangements, the authorities in these countries typically establish close inter-agency policy coordination, surveillance and information sharing. While Canada adopts a more informal structure with regular informal inter-agency meetings, Korea and Singapore establish a more structured inter-agency taskforce.

5. Japan could learn from the policy experience of other advanced economies, while tailoring them to its own context. Japan's housing market exhibits two unique features related to demographics. The first is demographic shifts that have resulted in population growth in metropolitan areas and depopulation in regional areas. And second, supply-side constraints in the housing market could become more of an issue with increasing labor tightness in the construction sector amid an aging population. In this context, the authorities should continue deepening their surveillance of risks in the property market and potential macro-financial impacts, and carefully examine the effectiveness and lessons of policy experience in other jurisdictions. Specifically, there could be three main aspects, which international policy experiences could be useful for Japan:

- First, the government could **establish an appropriate inter-agency coordination framework** among relevant agencies, including the central and local authorities. This could result in better inter-agency coordination,

⁸⁷ The recent rise in condominium prices in Tokyo metropolitan area is mainly driven by supply factors ([BOJ 2025](#)).

⁸⁸ Barring seven prefectures (Tokyo, Kanagawa, Aichi, Saitama, Chiba, Fukuoka and Okinawa), all 47 have experienced a declining population from 2010-2023). See the [AMRO 2024](#) for more information.

surveillance of housing market-related risks, assessment of housing affordability, and information sharing among relevant authorities. This institutional arrangement could also support the preparation of coherent policy measures as and when needed. In this regard, AMRO staff commends the initiative of Ministry of Land, Infrastructure, Transport and Tourism in the inaugural publication of survey results on short-term resale activities for newly built condominiums in selected urban areas in 2025, which facilitates a better understanding of recent property transaction trends.⁸⁹

- Second, **a targeted and differentiated approach could be beneficial**, considering the demographic shifts with population growth in metropolitan areas and depopulation in regional areas. Notably, building a coordinated framework that also incorporates policy initiatives already underway at the local-government level would help support a sustainable property market.⁹⁰ Additionally, a calibrated and gradual approach to implementing policy measures, if needed, would allow the government to minimize the risk of destabilizing the market.
- Third, overseas jurisdictions' experience suggests that **a multi-pronged policy strategy encompassing macroprudential, fiscal and housing measures is useful**. However, in the case of Japan, structural reforms could be needed to alleviate labor tightness in the construction sector to facilitate timely housing supply to meet demand.

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⁸⁹ The Ministry of Land, Infrastructure, Transport and Tourism has stated that speculative transactions are undesirable and has expressed its commitment to curbing such activities while continuing to monitor transaction patterns.

⁹⁰ Given the continued rise in condominium prices, Chiyoda ward requested (i) a five-year resale restriction and (ii) the prohibition of multiple-unit purchases in the same building to the Real Estate Association of Japan in 2025 in order to curb speculative transactions. At the same time, it is also requesting the government and the Tokyo Metropolitan Government to take effective measures to curb resale for speculative purposes, such as raising the transfer tax in the case of short-term resale ([Chiyoda Ward 2025](#)). Moreover, the Tokyo Metropolitan Government announced its measure to launch the public-private partnership funds to supply affordable houses in 2025 ([Tokyo Metropolitan Government 2025](#)).

Table A2.1. Policy experience in Canada, Korea and Singapore

Country	Measures			Targeted and Differentiated Approach	Institutional Arrangement
	Macprudential	Fiscal	Housing		
Canada ⁹¹	Borrower-based instruments included loan-to-value ratio (LTV) of the mortgage at origination. For example, loans with an LTV of over 80 percent require government-guaranteed mortgage default insurance. ⁹²	Anti-flipping tax for housing dispositions occurring on or after January 1, 2023. The purpose of the tax is to discourage housing speculation and create more affordable housing in the process.	Budget 2022 introduced several measures to support housing supply, including (i) Housing Accelerator Fund to help municipalities speed up construction approval times; (ii) extension of Rapid Housing Initiative to create at least 6,000 new affordable housing units; and (iii) loans and funding programs for co-op housing projects to help create 6,000 co-op housing units. Imposition of a two-year ban on foreign buyers of non-recreational residential properties to curb speculation.	Local authorities in Ontario and British Columbia (BC) have used foreign buyer tax ⁹³ and vacancy taxes to contain growth in housing prices. Moreover, to curb speculation, the government introduced a two-year ban on foreign buyers of non-recreational residential properties.	The financial sector policy and ultimately the responsibility of safeguarding the financial system rests with the Minister of Finance (MOF). However, there is no formal agency with the mandate to ensure financial stability, and the tools are dispersed across both federal and provincial agencies. The financial system committees regularly hold informal meetings to discuss systemic risk and general financial sector policy. ⁹⁴
Korea ⁹⁵	Measures to manage total household debt and curb financing for speculative purposes included tightening regulations on financial institutions	Taxation of housing investment has been strengthened, to curb demand for investment purposes, and higher transfer income tax on	Policies to curb speculative demand for new apartments and for apartments scheduled for reconstruction, included tightened criteria for top-priority subscribers for new apartment purchasing rights.	The target regions for tighter regulations are sub-divided into speculative investment zones, overheated zones and adjustment-required zones, depending upon their respective degree of housing price rises and overheating. Each zone is subject to a different level of regulation. The Gangnam	The financial stability roles are shared among the multiple agencies. ⁹⁶ The authorities responsible for financial stability carry out their respective roles under their individual responsibilities, while operating the macroprudential policy framework by sharing views about financial stability conditions and responding jointly in times of crisis through various high-level channels of coordination. ⁹⁹

⁹¹ [Peterson, B \(2023\)](#).

⁹² The Minister of Finance sets the rules for insured mortgages, which are rigid, with strict limits on maximum amortization (25 years), a ban on refinancing, and strong limits on debt servicing. Additionally, loans with an LTV of 80 percent or less fall under the Guideline B-20 for mortgage underwriting established by the Office of the Superintendent of Financial Institutions (OSFI).

⁹³ Ontario imposes a **non-resident speculation tax (NRST)** on the purchase or acquisition of an interest in residential property located anywhere in Ontario by individuals who are foreign nationals. In BC, foreign national, foreign corporation or taxable trustee, must pay the **additional property transfer tax** on their proportionate share of a residential property's fair market value if the property is within specified areas of BC.

⁹⁴ The primary "gathering" for addressing systemic risk and potential changes to macroprudential policy is the Senior Advisory Committee (SAC), which is chaired by the Deputy Minister of Finance and attended by representatives of various federal agencies. The Bank of Canada is generally the analytical leader and is often the largest contributor at SAC meetings in identifying financial vulnerabilities and evaluating potential policy changes.

⁹⁵ [Ho Soon Shin and Hyun Chang Yi \(2019\)](#).

⁹⁶ [Ho Soon Shin, Jung Yeoun Lee and Jungmin Park \(2019\)](#).

⁹⁹ The agencies responsible for financial stability policy in Korea include the Ministry of Economy and Finance (MOEF), the Bank of Korea (BOK), the Financial Services Commission (FSC), the Financial Supervisory Service (FSS), and the Korea Deposit Insurance Corporation (KDIC). The MOEF is responsible for the formulation, overall control and adjustment of

	and loans, while also developing comprehensive and systematic criteria for loan screening.	owners of multiple homes. ⁹⁶		districts in Seoul were designated as speculative investment zones, and are subject to the strongest regulations. ⁹⁷	The agencies have also expanded channels for information-sharing and opinion exchanges by, for instance, setting up a working-level Consultative Group for Managing Household Debt and a working-level stress test council.
Singapore ¹⁰⁰	Lending policies included LTV and debt service-to-income (DSTI) and loan term limits.	Seller's stamp duty was introduced in 2010 to discourage speculative selling of properties, followed by an Additional Buyer's Stamp Duty (ABSD) in 2011 to curb overinvestment in property. ¹⁰¹	The government has increased land supply for property development to meet the demand for housing.	LTV and DSTI requirements are applied to property loans only, so as not to disrupt credit to other sectors of the economy. Within the property sector, policy measures have been targeted at customer segments that are contributing to excessive investment demand or speculation. Nonresidents pay higher stamp duties than residents, coupled with differentiated application of ABSD rates to nonresidents.	As the policy measures are under the purview of different agencies, a multi-pronged policy strategy is implemented via close inter-agency coordination. The Monetary Authority of Singapore (MAS) is in-charge of the macroprudential policies targeted at the property market (such LTV, DSTI, loan term limits). The Ministry of Finance implements fiscal measures such as stamp duties, while housing measures (such as land supply) are controlled by the Ministry of National Development. These agencies share information and analyses of the property market and coordinate policy actions through an inter-agency taskforce, with collective aim of aligning the objectives of each authority under the overarching goal of promoting a sustainable property market. ¹⁰²

economic and fiscal policies, and conducts foreign exchange-related tasks under the Government Organization Act. The MOEF has the authority to carry out real estate tax policy, which is important for financial stability. The BOK not only establishes and carries out monetary policy under the Bank of Korea Act, but also has the responsibility for taking into account financial stability in its monetary policy implementation.

⁹⁶ Temporary suspension of higher capital gains tax rates for multi-homeowners (from May 2022 to May 2026) was introduced to ease the lock-in effect, whereby multi-homeowners delay property sales to avoid higher tax burdens. [However, at this stage, the government has not yet decided whether to continue this policy measure after May 2026.](#)

⁹⁷ More targeted measures were introduced in October 2025 to restrict maximum mortgage limit on house purchases in Seoul Metropolitan Area (SMA). Specifically, the maximum amount of mortgage loan a borrower is eligible to take out for purchasing a house in the SMA and speculation regulated areas will be determined differentially based on the price (market value) of house. For houses with market value of up to KRW1.5 billion, the maximum amount of mortgage loan remains the same at KRW600 million. For houses priced at more than KRW1.5 billion and up to KRW2.5 billion, the maximum amount of mortgage loan is reduced to KRW400 million from the current level of KRW600 million. For houses valued at over KRW2.5 billion, the maximum amount of mortgage loan is reduced to KRW200 million from the current level of KRW600 million. Moreover, the LTV ratio on mortgage loans has been tightened to 40 percent from the previous level of 70 percent. These measures would help to control demand for housing loans in these areas more effectively ([Financial Services Commission, 2025](#)).

¹⁰⁰ [Lim, A \(2023\)](#).

¹⁰¹ Specifically, policy measures in Singapore have historically had a significant focus on the private residential property market, given its importance for household balance sheets and banks' loan portfolios. See [MAS website](#) for more information on the policy measures.

¹⁰² Furthermore, coordinated announcements by the authorities of their policy measures signals the authorities' commitment to addressing systemic risks in the property market.