

Why the Japanese do not Purchase a Pre-owned House?

A Comparison between a New-built Home Buyer and a Pre-owned Home Buyer

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Abstract

It is said that Japanese people prefer a newly built house to a pre-owned one. Actually, only 12 percent of the Japanese housing market is occupied by pre-owned house sales, whereas it is 80 percent in the US and 90 percent in the UK. An increase in pre-owned house sales is effective in reducing housing wastage, and also for increasing living expenditure for older people in the near future with the expected reductions of pension benefits.

This paper throws light on those who buy and who do not buy a pre-owned house. Analysing the data provided by the Japan Housing Finance Agency (formerly, the Government Housing Loan Corporation of Japan), a pre-owned house buyer is a person with a lower income and minimal savings. Middle income earners with mean assets choose a new-built house, even though a pre-owned house is 10 million yen lower than a new one, and even if the two types of houses are almost the same size. The behaviour of middle income earners is explained by “a market with asymmetric information” in economics. If there is a big information gap between a buyer and a seller, a buyer might give up on the purchase. It is the case that the middle income earners avoid a pre-owned house..

In Australia, there are two systems, which reduce the information disparity; one is “Housing Inspectors”, who evaluate housing conditions, and the other is to keep all documents on housing history as an official record. These two policies could be useful for increasing the sales of pre-owned houses in Japan.