

BOUNCING BACK

Tokyo continues to be an important player in the Asia-Pacific region

By Brandi Goode

Phoenix-born Ken Madrid has seen a lot since moving to Hong Kong in 1991.

The CEO of Crown Relocation's Asia-Pacific division has guided the business through critical moments in various countries' histories: the Asian financial crisis in 1997, the Indonesian riots of 1998, as well as the Lehman shock and Great East Japan Earthquake here, among others.

Madrid joined the company shortly after a merger transformed Crown into a global player in the relocation market, from its humble beginnings in Yokohama in 1965. After over two decades in the region, he has a balanced, long-term perspective on international business.

ACCJ Journal: How does Japan compare to other leading cities in this region?

Madrid: It's still a significant destination for expats, despite the "rise of China." Although China certainly has the biggest piece of the economic pie, you don't see as many executives from multinational firms transferring there. China is much more factory-oriented, whereas Japan, Hong Kong, and Singapore are financial centers, so they have more in common.

That is why, in the wake of March 11, 2011, many expats were transferred to Hong Kong or Singapore; you didn't see Shanghai getting much of that personnel movement. On the other hand, many companies ended up eliminating positions as a result of the Great East Japan Earthquake, seeing the disaster

as a way to trim their operations.

When a company is considering an expat posting in Asia, tax rates can be a major factor. Many overseas companies tax-equalize, meaning they withhold taxes from an employee equivalent to the rate in that person's home country. So, in countries where there is a big gap in the host versus home country's rates, the companies will have to close that gap. Thus, posting executives to Singapore or Hong Kong (where there is a flat 16.5% personal income tax rate) can be more economical than sending staff to Japan.

What changes have you seen in Japan's relocation market?

Japan has largely been stagnant for the past 10 years, although we are seeing things start to bounce back. There was a surge when the banking sector opened up to foreigners. Many of the firms coming in had big plans for Japan, but packed up and left after a few years. This was great for us as relocators, though!

In 2013, we had 3-4 percent growth in the number of people we moved in. It seems small, but this was an improvement on the negative movement of years past.

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We expect more activity in the second half of this year, as that is when most people transfer here. We also see great potential in other business areas, such as document storage and fine arts logistics.

Do you anticipate a real estate boom in the run-up to the 2020 Olympic and Paralympic Games?

What we saw with the Sydney Olympics was a positive attitude toward the economy, so real estate prices rose at first and serviced apartments got gobbled up right away. However, this plateaued after a while and then everything just stopped right before the Games. People are uncertain then, no one's moving in or out. Take this year's World Cup in Brazil, for example. In the six weeks before the event, our volume of business was less than 50 percent of that of the year before.

Any advice on buying versus renting in this market?

For someone who foolishly never bought in the Hong Kong market, for me, investment in real estate is all about how much risk you are willing to take and how long you want to be in a place. For foreigners looking to invest here, you must be willing to ride things out if another disaster occurs.

Capital yields are also strong here compared to Hong Kong, because capital appreciation hasn't soared as much, but I see that changing. Today's growth is a reflection of strong stock markets, a rising sense of hope, and a belief that things are improving. •

