

All real estate investors seek to increase

# property value, but how exactly is value created?

**F**or decades, this question has engrossed investors and developers.

Japan, where old buildings are promptly torn down and replaced with new ones, real estate value has typically been seen as dependent on the age of the property. In recent years, however, renovation projects have proven that the need to turn a profit can be reconciled with the country's growing drive to ensure that real estate companies have a positive social impact regardless of the age of properties. A prime example of this is the redevelopment of the Kaigan Building renovated by Raysum.

Located on Kobe's illustrious Kaigan Street, this more than 100-year-old building is a living tribute to the city's rich history and cultural legacy. Its design embodies the refined architectural ethos of its era, featuring elegant brickwork and soaring, six-meter-high ceilings.

Despite its spectacular appearance and cultural significance, the building was not necessarily a superior asset. Used as a commercial facility hosting shops and offices, its impractical layout and aging fixtures were unsuitable for modern demands, resulting in a less than 50% occupancy rate.

In November 2020, the landmark was acquired by Raysum. The firm embarked on an ambitious, highly successful renovation project, restoring the original flooring and fixtures, and balancing modern tenants' needs with the Kaigan Building's intrinsic value and uniqueness.

This revived building boasted 100% occupancy, with rents well above the local market average.

"When we purchase real estate, we not only seek to understand the asset we're purchasing, but also the type of client we're targeting," explains Tsuyoshi Komachi, Raysum's president. "Our strategy is always customer oriented. We analyze how much distinctive value we can add to make a property appealing to both tenants and investors."

Over the years, the company has applied this approach to a variety of projects, ranging from renovations to new developments, and from offices to high-grade medical

facilities. Despite its small size relative to the country's largest firms, Raysum's versatility, which is created by elite few members with diverse background, has allowed it not just to follow trends, but to shape the Japanese real estate market.

A case in point is the company's success in the premium residential segment. Until recently, the supply-demand gap for luxury housing in the Tokyo market was hardly addressed by developers, who failed to anticipate the growing demand for condominiums over 200m<sup>2</sup>.

In 2019, Raysum foresaw opportunity when it acquired the Shirogane Chojamaru, a premium residential building located near Tokyo's Meguro area. In a large-scale renovation, the firm transformed 17 smaller apartments into seven luxurious, 300m<sup>2</sup> condominiums, before setting an upscaled rent that was previously considered unachievable by professional players in this segment. Defying market expectations, the property was fully leased within five months.

Raysum's success story sent shockwaves through the Tokyo metropolitan area luxury rental market, leading to a string of new residential projects, many inspired by the Shirogane Chojamaru. However, few companies were able to achieve the same success as Raysum, whose foresight is based on accumulated knowledge and historical know-how.

Thanks to the firm's expertise and impressive track record, the future looks bright at Raysum, which has attracted a multitude of new clients. "Our performance has made institutional investors

aware of our capabilities, and a number of corporate customers who recognize our ability – the power to change real estates - have purchased assets from us," Mr. Komachi reveals. "As we pursue a path toward continuous growth, we believe this is the perfect time to collaborate with more partners and financial institutions in all over the world."

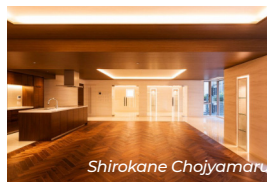
It seems that Raysum has found, if not completely, part of the answer to our original question: real estate value is created by understanding your customer.



*Tsuyoshi Komachi, President, RAYSUM*



*Kaigan Building*



*Shirogane Chojamaru*

<https://raysum.co.jp>

**RAYSUM**