



## **New Trends in Customer Strategies in the Small Investment Real Estate Market**

Recreating the Customer Experience Using  
the Latest in Digital Marketing

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# Expanding Small Investment Real Estate Market

Real estate investment has a variety of formats, including single building investment (condominiums, apartments), condominium units, and small investment, but this paper focuses its discussion on small investment real estate using a real estate securitization scheme that is currently expanding the market's scale.

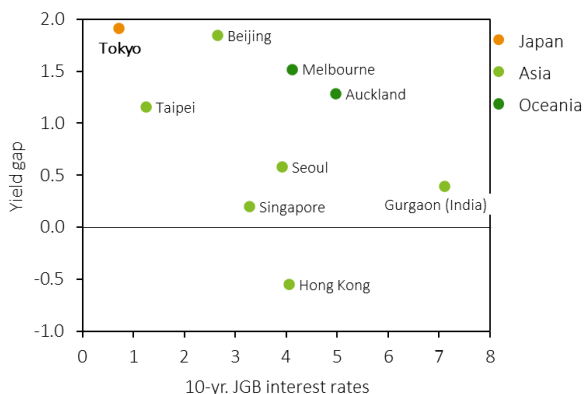
## Current state of the investment real estate market

In Japan, a policy of monetary easing has meant continuous low long-term interest rates. While the Bank of Japan is allowing for flexibility in its yield curve control policy, going forward low interest rates are expected to continue compared to other countries. Compared to overseas, because of low interest rates, it is easy to secure a yield gap (difference from expected yield), and supported by the fact that it is easy to procure funds because of the weakness of the yen on foreign exchange markets, the environment is such that it is easy for overseas investors to invest (Figure 1).

In light of this situation, currently, overseas money is flowing into Japan's real estate market, and there is a high volume of real estate transactions taking place in the country. As a result, real estate prices in Japan are surging, and in particular, prices of condominium units have gone up by approximately 1.9 times compared to 2010 (Figure 2).

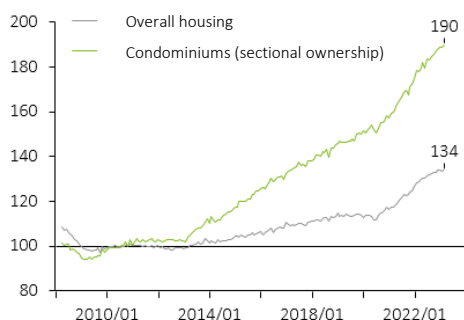
In this way, when conducting real estate investment in Japan, there is a high hurdle to investment in actual properties because a large amount of funds are required for purchases.

Figure 1: Yield Gap with APAC Long-Term Interest Rates



Source: Prepared by Deloitte based on TRADING ECONOMICS, "Markets" 10-yr. JGB, and CBRE's "Q1 2023 Asia Pacific Cap Rate Survey"

Figure 2: Nationwide Real Estate Price Indices (Housing)



Source: Prepared by Deloitte based on the Ministry of Land, Infrastructure, Transport and Tourism's "Japan Property Price Index"

## Trends in the small investment real estate market

Amid such conditions, the market for small investment real estate products (cumulative investment solicitation for specified joint real estate projects) is continuing to expand (Figure 3).

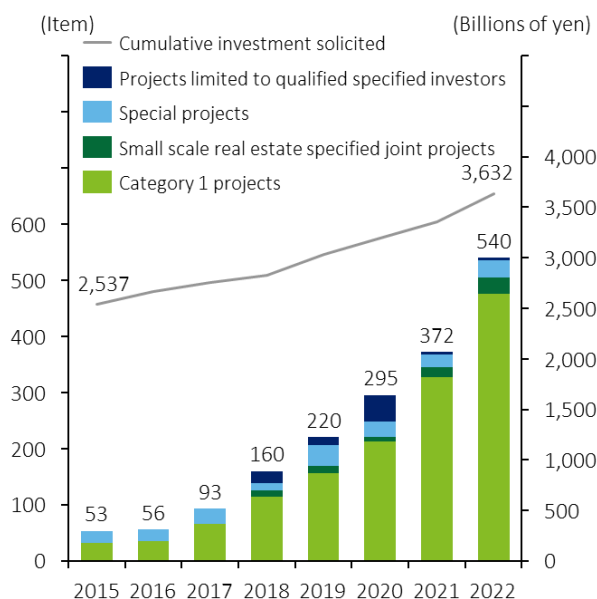
Regarding small investment real estate products, products were mainly transacted based on the Act on Specified Joint Real Estate Ventures (hereinafter, "Joint Ventures Act") established in 1994. Under this system, investment is solicited for specified joint real estate and bought and sold or leased with the profit being divided, but in order to participate as a company it required a large amount of capital, so the main companies involved were the major real estate companies.

However, revisions to the Joint Ventures Act in 2017 created small-scale specified real estate joint enterprises and the capital requirement was lowered. Through this, small and medium-sized companies began managing joint projects. Further, revisions in 2019 made it possible to process crowdfunding based on the Joint Ventures Act.

These changes to the law led to participation by small and medium-sized companies and paved the way for a different class of investor, crowdfunding included, which resulted in activating the small investment real estate market. The number of small-scale real estate specified joint enterprises increased threefold between 2018 and 2023 (Figure 3).

In addition, changes to the Financial Instruments and Exchange Act are expected to expand the scale of real estate security token offerings (real estate STO). The main product patterns on the market are 1) real estate crowdfunding products that handle assets with high social contribution value (10,000-100,000 yen per investment), 2) Products that use preferred subordinated investment and can be managed at low risk (100,000-1,000,000 yen per investment), and 3) products managed long-term as an inheritance tax measure (1,000,000 yen or more per investment). There are different products targeting different classes of investor.

Figure 3: Number of Projects based on Contract Type for Real Estate Specified Joint Enterprises and Cumulative Investment Solicited



Source: Prepared by Deloitte based on the Ministry of Land, Infrastructure, Transport and Tourism's "Handbook Promoting the Use of Specified Joint Real Estate Ventures"

### Background to expanding market for small investment real estate products

In this way, the small investment real estate market is expanding. In the background to this are four needs that have arisen with changes in the economy and society.

#### Need for asset formation

The first is the need for asset formation.

In Japan, despite wages not changing for the long term, prices and social insurance premium rates have risen, which has lowered the amount of disposable income (Figure 4). In addition, retirement benefits and pensions, which provide for living expenses during retirement, are declining (Figure 5). Moreover, interest rates on bank deposits are low, and even if interest is received, it is not enough for asset formation. This continues to be the case. In other words, momentum for asset formation is mounting against the backdrop of the so-called 20.0 million yen problem for retirement.

For asset formation, it is typical to invest not only in real estate but in stocks and bonds as well. However, in the recent inflationary environment internationality, stocks and bonds are not necessarily a stable investment.

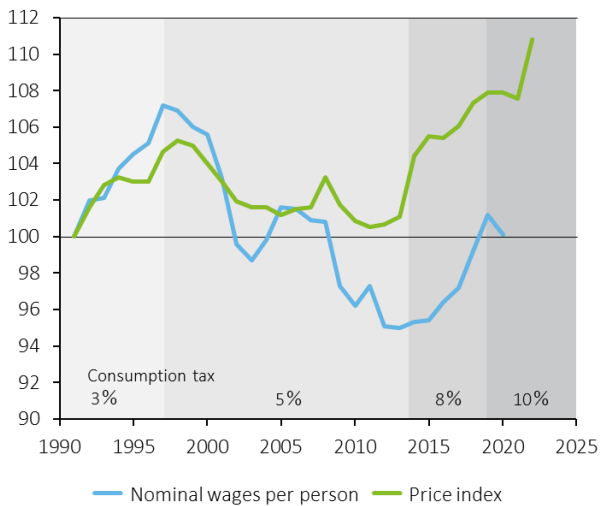
With stocks, over the long-term stock prices go up linked to inflation, but in the short term they have the potential to decline on the impact of monetary tightening. In the case of bonds, when the inflation rate gets above a certain level central banks potentially raise policy interest rates and bond prices tend to decline.

At the same time, in this type of inflationary environment, values and rents tend to readily increase, and as a result there is high likelihood that real estate prices will go up.

In this way, real estate is resilient to inflation, and small investment real estate products allow for small investments even without knowledge of real estate management, so it matches the needs of people who plan to begin investing. It is also effective as a way to disperse risk for people who are already investing.

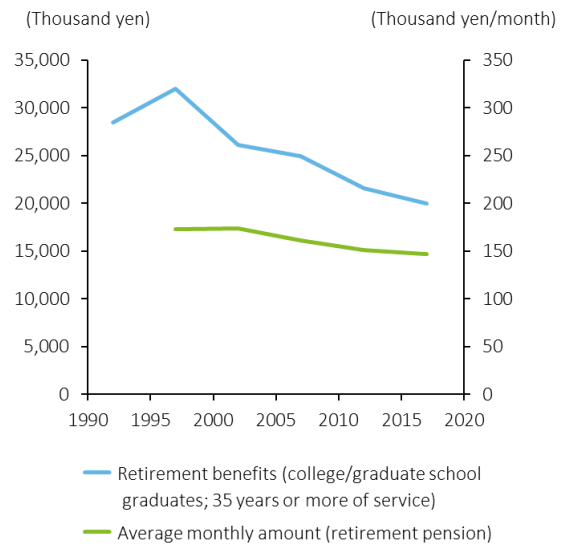
Japan has 1,107 trillion yen in household savings (cash and deposits). Utilizing these savings as funding for asset formation will likely provide a tailwind for the small investment real estate market.

Figure 4: Trends in Wages, Prices, and Consumption Tax



Source: Prepared by Deloitte based on the Cabinet Office’s “Trends in Nominal Wages and Actual Wages per Person,” e-Stat (source for government statistics)’s “Indices of Items—Index of All items, less imputed rent”

Figure 5: Trends in Retirement Benefits and Pensions



Source: Prepared by Deloitte based on the Financial Council’s “Market Working Group Report,” and the Ministry of Health, Labour and Welfare’s “Overview of Welfare Pension Insurance and National Pension System.”

### Need for inheritance tax measures

The second is the need for measures to address the inheritance tax.

Since the burst of the bubble in Japan, the percentage of people taxed under the inheritance tax has been declining, so the law was revised in 2013 to revive the function of asset redistribution possessed by the inheritance tax. The basic exemption for the inheritance tax was lowered, and the structure of tax rates revised. Inherited property subject to the tax increased and there was a major increase in inheritors in connection with this.

Thereafter, the tax value of inherited property and the tax increased, and the inheritance market has been expanding year by year (Figure 6).

In addition, in recent years, there has been a marked increase in the number of people with dementia, and as of 2025, it is said that one in five people at least 65 years old will suffer from dementia. There is the need for children and grandchildren to complete the inheritance process before awareness and judgment become difficult.

Small investment real estate products make it possible to give by dividing into investment lots, and if there is a voluntary association under the Joint Ventures Act, there are tax advantages compared to giving a cash gift, so the products meet such needs.

### Need for social contribution and sharing

The third need is for social contribution and sharing.

The Millennial generation, which tends to perceive more value in sharing than in ownership, and Generation Z, who tend to want to contribute to solving social issues, are increasing as a percentage of the total working age population (Figure 7).

Small real estate investment products, especially, real estate crowdfunding products, include ones that involve assets with high social contribution value and ones that allow for participation in social contribution activities conducted at the property as a bonus gift to investors. They match the values of the Millennial generation and Generation Z. It is thought that the market will expand when the Millennial generation and Generation Z are employed and acquire surplus funds.

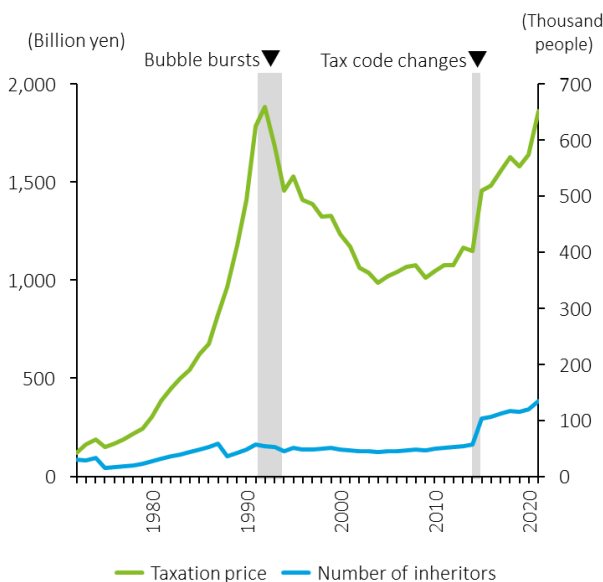
### Diverse fund procurement needs

The fourth need is fund procurement by real estate companies.

When real estate companies purchase real estate and conduct development, etc., it has been commonplace for funds to be procured through typical bank financing (senior loan) or via equity, but normally senior loans are weighted to the investment value, so if not enough funding could be raised, the project would have to be abandoned.

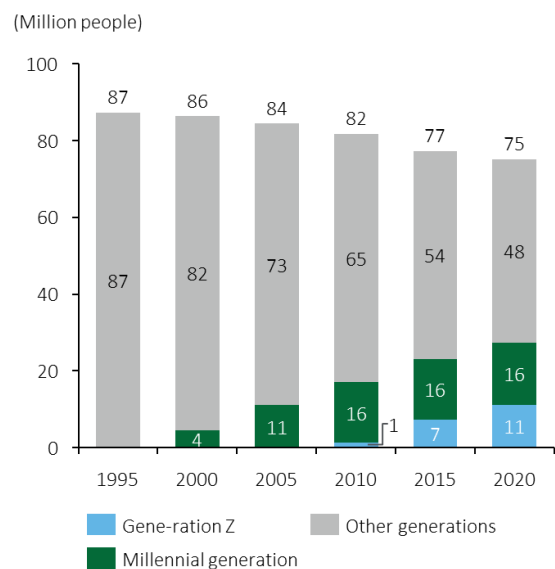
At the same time, with legal changes in recent years and investment needs on the rise, it has become possible to procure the insufficient amount through mezzanine loans. In general, mezzanine loans tend to have higher interest rates than senior loans, but loans can be formed through agreement between the parties, and there is a high level of freedom, so the risk is low compared to equity and the loans are drawing attention as one of multiple fundraising methods.

Figure 6: Inheritance Tax Taxation



Source: Prepared by Deloitte based on the National Tax Agency's "Long-Term Chronological Data—Inheritance Tax"

Figure 7: Millennial Generation and Generation Z's Percentage of the Working Population



Source: Prepared by Deloitte based on the e-Stat's "Population Estimates"

### Use of digital technologies in the small investment real estate market

The small investment real estate market has expanded due to changes in the economic environment, legal system, and social environment, but the fact that the technological advance is contributing to the expansion of this market is even more important. In this section, we will look at STOs as an example of the use of cutting-edge technology.

#### About STOs

STO refers to companies and others utilizing distributed ledger technologies such as block chains to issue a security token (ST) to carry out fundraising.

In Japan, their handling was clarified in the <sup>\*1</sup>revised Financial Services and Exchange Act (hereinafter, “Revised Financial Services Act”), which went into force on May 1, 2020. When stocks, bonds, beneficiary certificates, and group investment ownership, etc. issued by companies, etc. are expressed as a token, it is defined as Electronically Recorded Transferable Rights to Be Indicated on Securities, etc.

### Overview of Real Estate STO Market

Looking at the details of the positioning and regulatory summary under the revised Financial Instruments Act, there are three types of electronically recorded transferable rights to be indicated on securities, etc. (Figure 8), and those backed by real estate are referred to as real estate STOs. Regarding rights based on the Joint Ventures Act, as of now (November 2023), the Financial Instruments Act has jurisdiction, but in March 2023 a bill proposed for a revised Financial Instruments Act, etc. was submitted to the Diet, and going forward jurisdiction is slated to belong to the Financial Instruments Act.

Looking at issue amounts and concrete examples by STO type (Figure 9), there is a difference in scale between trusts with certificates of beneficial interest and electronically recorded transferable rights, but the impact of the tax code is significant. In the case of the former, separate tax declaration, deduction for carryover is possible, and receiving in a specified account is possible, but in the case of the latter, no deduction can be taken when carrying forward losses and receiving in a specified account is not possible, so there are differences in the convenience of tax procedures. For this reason, real estate STOs that adopt the token method for the latter are not being conducted very much.

Figure 8: Overview of STO’s Positioning and Regulations

Type	Paragraph 1 securities		Paragraph 2 securities	
	Stocks/bonds/ investment trusts, etc.	STO Electronically Recorded Transferable Rights to Be Indicated on Securities, etc. (digital security)	Electronically recorded transferable rights	Electronically recorded transferable rights excluded from application
Regular buying and selling	Type I financial instruments business	Type I financial instruments business (changes must be registered)	Type II financial instruments business (changes must be registered)	Type II financial instruments business
Disclosure obligation of issuer	Issue and ongoing disclosure obligation (In the case of a public offering with an issue amount of ¥100 million or more. Additional items for tokenized securities and electronically recorded transferable rights)		In principle, none (When soliciting ownership by 500 or more investors related primarily to equity in investment of businesses that invest in securities)	
Voluntary regulatory institution	Japan Security Dealers Association	Japan Security Token Offering Association		Type II Financial Instruments Firms Association

Source: Prepared by Deloitte based on Japan Security Token Offering Association’s “About the Current Status, etc. of Security Tokens”

Figure 9: Issue Amount by Real Estate STO Type

By ST type	Description	Issue amount (million yen)	Issue number (number)
Trust with certificates of beneficial interest	Security tokenized beneficial interest, a paragraph 1 security	54,695	18
Electronically recorded transferable rights	Security tokenized equity in investment of Silent partnership (known in Japan as GK-TK)	5,663	5
Electronically recorded transferable rights excluded from application	Tokenized Investment Limited Partnership for professional investors	N/A	1

Source: Prepared by Deloitte based on data provided by the Japan Security Token Offering Association.

\*1 Act for the Partial Revision of the Payment Services Act to Address the Diversification of Financial Transactions based on Advances in Information Technology

On this point, the Japan Security Token Offering Association, a voluntary regulatory institution for electronically recorded transferable rights has publicly requested changes in the tax code.

In either case, in the around two and a half years since the revised Financial Instruments Act went into effect, the issue amount is around ¥30.0 billion. If the business environment is further developed, such as the act’s handling of the tax code and the case of Joint Ventures Act businesses, the issue amount is estimated to further increase.

Looking at the issue amount by asset type (Figure 10), the project scale per unit differs depending on the asset type, and, as a trend, issue amounts for housing, logistics, hotels and lodging facilities account for a large amount.

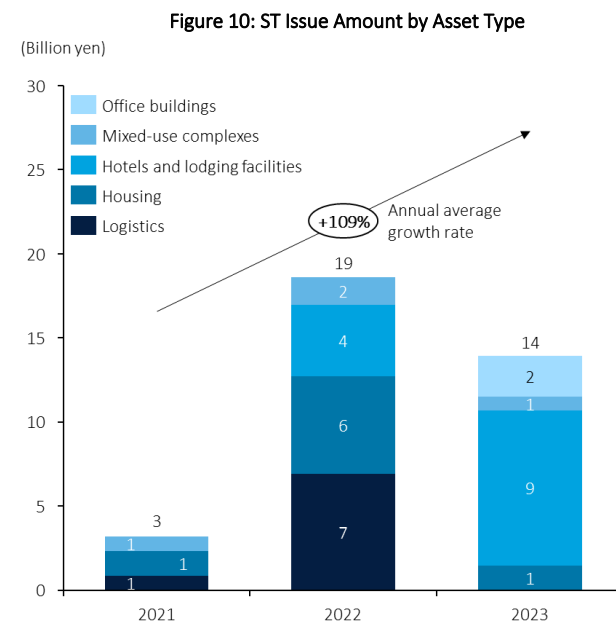
In particular, with STOs for hotels and lodging facilities, electronic coupons are issued, for discounts on use of the facilities to investors, etc., and tied to the blockchain, so initiatives are being conducted that utilize the characteristics of digital securities.

### Characteristics of real estate STOs

Next, to delve deeper into the characteristics of real estate STOs, we will compare them to existing widely used real estate investment products, actual real estate, J-REITs, and real estate crowdfunding from the perspective of an investor.

Compared to other real estate investment products, STOs have a wide range of valuations related to liquidity (Figure 11). This is because the secondary distribution real estate STO market for real estate STOs has expanded over the several years since 2020 when the Financial Instruments act was revised, as mentioned previously. It is possible that there will be full-fledged secondary distribution in the future, but the many existing products have a fixed transfer ban period for real estate ST

sales or require application procedures for sales, so buying and selling as flexibly as open market transactions such as J-REITs is difficult.



**Figure 11: Comparisons Between Conventional Real Estate Investment Products and Real Estate STOs**

Investment product	Description	Comparable elements						
		Target real estate	Investment scale per unit	Investment period	Relative price volatility	Liquidity (secondary distribution)	Tax code	Investment/management responsibility
Actual real estate	Directly own the real estate, conduct management and operations, and earn revenue	Individual	Several tens of millions of yen	N/A (investor’s discretion)	Medium (reference real estate prices)	Medium (generally negotiated transactions)	Comprehensive taxation (real estate income)	Investor/property management company
J-REIT	An investment trust product listed on securities markets. Earn dividends from ownership of investment certificates in a real estate investment corporation or earn trading proceeds from buying and selling.	Multiple	From several tens of thousands of yen	N/A (investor’s discretion)	High (Changes daily with reference to transaction prices)	High (Open market transactions)	Separate Tax Declaration	Asset management company
Real estate crowdfunding (financing type)	Investors contribute small amounts in the form of a loan for a company to acquire a specific property. Acquire interest on principal as revenue	Individual	From several tens of thousands of yen	From several months to around three years	N/A (Can’t withdraw funding during management period)	N/A (Can’t withdraw funding during management period)	Comprehensive taxation (miscellaneous income)	Asset management company
Real estate STOs	A digital certificate is issued backed by real estate and investors buy the certificates and earn dividends on them.	Individual	From several hundreds of thousands of yen	Several years (investor’s discretion)	Medium (reference real estate prices)	Low to medium (Depends on product setup and degree of development of private exchange, etc.)	Separate Tax Declaration	Asset management company

Source: Prepared by Deloitte

However, on this point, an open exchange (Osaka Digital Exchange) has been established and a portion of STs are listed, so liquidity may increase depending on how this trend plays out.

The characteristic drawing the most interest may indeed be the low barrier to investment. The amount per real estate STO is higher than real estate crowdfunding or J-REITs, but is much, much lower than investing in actual real estate, so it is said to make it easy to invest. Price volatility, too, is in the middle of the four products.

In addition, unlike J-REITs investment is in a single property, so the investment description is easy to understand, and as a secondary benefit it makes it easy to feel one has the status of a real estate owner.

Moreover, though there are certain restrictions, unlike real estate crowdfunding, investors can sell and cash out at their discretion, so this factor also helps makes it easy to invest.

### Real Estate STO Transaction Scheme

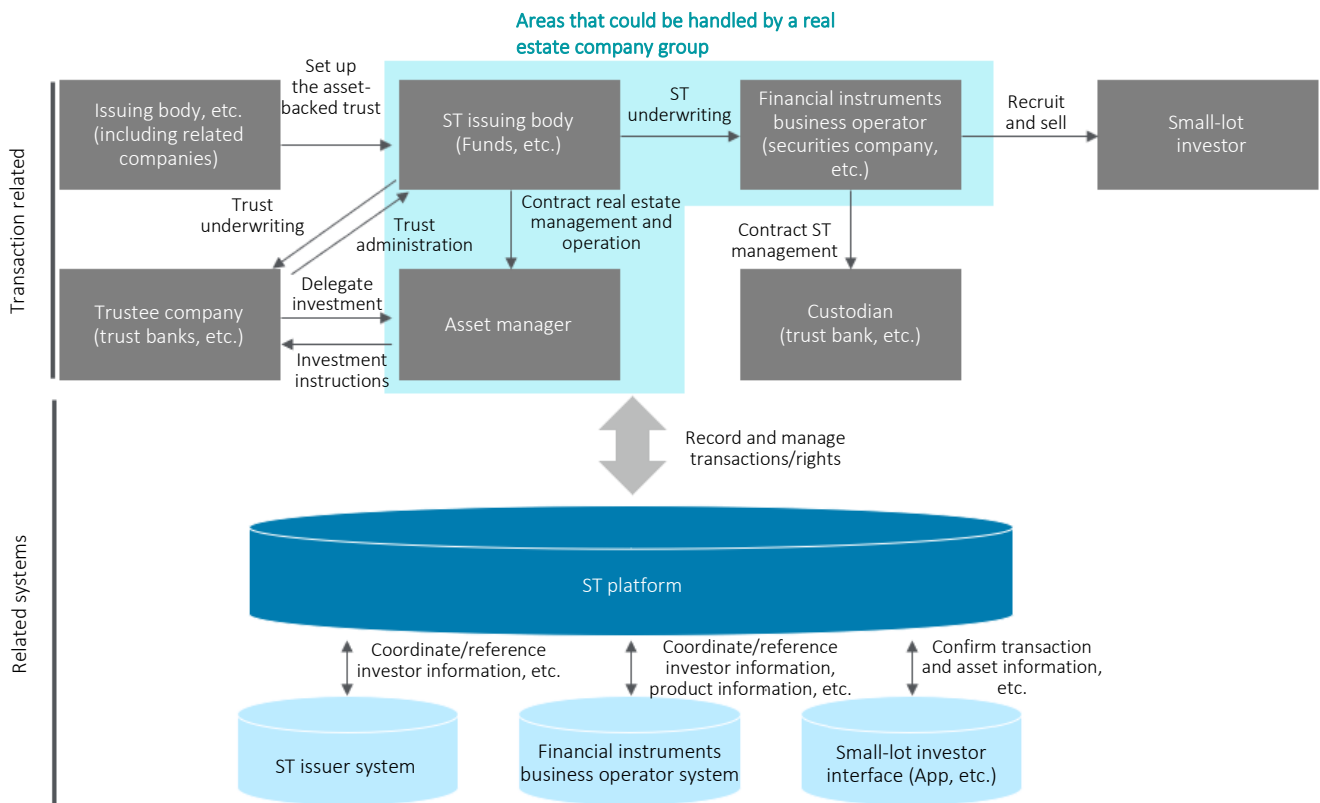
Next, we'll look at an example of a specific STO transaction scheme and systems used taking as an example the case of a trust issuing beneficiary certificates.

In this case, the transaction flow is as follows. First, using the same procedures as a real estate trust, the ST issuing body contracts with a trustee company with respect to the backing real estate, and tokenizes the trust issuing beneficiary certificates, and the financial instruments business operator (type I financial instruments business operator) underwrites the ST and sells it to investors through a smartphone app or by other digital channels (Figure 12).

The overall flow of the transaction is similar to the flow for setting up an investment product using a real estate fund that was once conducted by a real estate company, and so it is easy to apply that knowledge.

On the other hand, from the perspective of investors, everything is a new investment experience completely integrated with digital technologies, from the interface of the app set up by the company handling the product, to account opening, buying and selling in a completely digital environment, and executing the recording and management of transactions and interests related to the tokenized beneficiary certificates on an ST platform connected to a blockchain.

Figure 12: Real Estate STO Transaction Scheme and Related Systems



Source: Prepared by Deloitte based on Mitsubishi UFJ Trust and Banking Corporation's "Explanatory Material (overview of ST)"



## Toward utilization of real estate STOs

As we have seen thus far, real estate STOs are expanding as a market as well, and can be surmised to be a promising field as a new business capable of utilizing the knowledge and experience of the real estate business.

To maximize use of real estate STOs for your own business, it is important to consider the following points.

### Utilization of transaction information

A real estate STO is a transaction in which the customer's investment experience (from opening an account to buying and selling products) is completed digitally. An important point is that the ST platform used for the transaction can be connected to your company's customer systems, etc. Combining information your company has accumulated with information on products purchased by customers and their transaction information could, it is surmised, allow you to more tangibly grasp customers' investment needs and the effects of marketing activities. Looking again at the type of data use that is effective in the process of planning to selling products and redefining the utilization model would make it possible to effectively utilize information acquirable through real estate STOs.

### Defining the roles and functions of your Group

With the real estate STOs issued thus far, real estate companies have largely fulfilled the role of ST issuers or asset managers utilizing their knowledge and experience.

In addition to the above, some companies have emerged that also play the role of a financial instruments business operator in which the entire process is handled in the group, from product formation to investor solicitation and sales.

In the case of investment products that utilize conventional real estate funds, product formation is done by the real estate company, recruitment and selling is done by the securities company, so the roles have been split up. Under one model to sell off real estate investment products, real estate companies could only build indirect relationships with investors.

However, if the real estate company handles both recruiting and selling, they can acquire a direct relationship with investors who purchase real estate investment products, so the approaches of cross-selling and up-selling become easier to conduct.

Of course, to become a handling company, in the case of a trust issuing beneficiary certificates, requires being licensed as a type I product handler under the Financial Instruments Act, so it would incur a considerable amount of operating costs, so it goes without saying that along with the benefits of acquiring direct customer relationships as indicated above cautious considerations are called for.

# Real Estate Sales Strategies Under Pressure to Change

Up to now, in the real estate industry, in order to maintain contact with many customers, sales visits, telephone calls, sending direct mail and other methods were used, but with the government taking action and the market environment changing, real estate sales strategies are under pressure to change. In this section, we focus on compliance, digitalization, and securing human resources.

## Strengthening compliance industry-wide

Since the 2010s, efforts to strengthen compliance have been accelerating in the real estate industry as a whole, and this has affected sales strategies as well.

Specifically, 2011 revisions to the Real Estate Brokerage Act (hereinafter, "Brokerage Act") prohibited soliciting people who have indicated they have no intention to buy and telephone calls at unusual hours. In addition, in the Ministry of Land, Infrastructure, Transport and Tourism's "Real Estate Vision 2030", which was issued in 2019, "rigorous compliance is defined as a role of the real estate industry."

Also, in 2014, real estate brokerages have emerged that have introduced an agent system in which both sides are not corralled. Real estate companies are beginning to take measures with an awareness of increasing the trust of consumers.

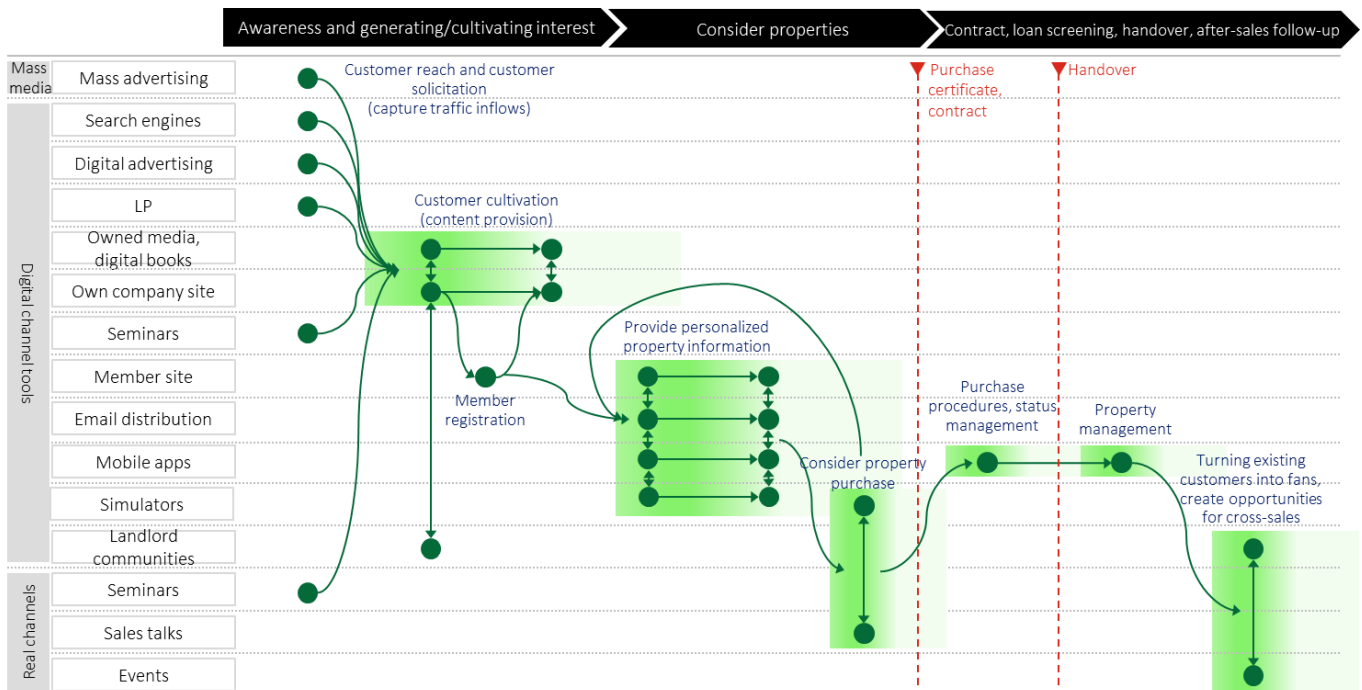
## Digitalization of real estate purchase process

Recently, digital media contact points are increasing in real estate investing as well. From awareness to interest-generation and cultivation, property consideration, sales contracts, loan screening, handover, and after-sales follow-up, various digital contact points are available that consider customer needs (Figure 13).

In light of this, there is starting to be real estate investing prompted by computer and smartphone advertisements, especially among young people.

There have also been legal developments related to procedures for real estate purchases. Based on revisions to the Brokerage Act, since 2022 the seal of the real estate broker is no longer necessary, and the revisions have made it possible to submit documents digitally, including important explanatory documents, documents when signing the contract, and documents when signing a brokerage agreement. The digitalization of the real estate industry is expected to further accelerate going forward.

Figure 13: Digital Inflow Channels in Real Estate Investing



Source: Prepared by Deloitte

### Sales staff shortages

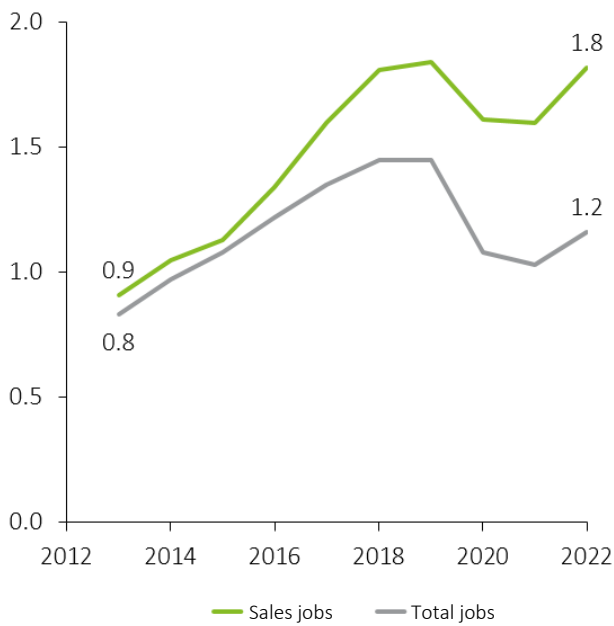
In recent years, it has become difficult for real estate companies to acquire sales staff. The job-to-applicants ratio in March 2023 in Japan was 1.2, but in “sales jobs,” which includes real estate sales that number was 1.8. In 2013, “sales jobs” was 0.9, but for the past ten years the sales staff shortages have progressed substantially (Figure 14).

The working age population continues to decline with the declining birthrate and aging population, so sales staff shortages in real estate sales is likely to continue going forward.

### Direction of the real estate industry going forward

Given these changes in the business environment, some major real estate companies are changing their sales methods, including completely eliminating advertising flyers that had been distributed to people with land and houses. Among real estate companies, there is a mounting need for new sales methods.

Figure 14: Job-to-Applicants Ratio by Job Type (including part-time)



Source: Prepared by Deloitte based on the e-Stat’s “Employment referrals for general workers”

# The Real Estate Industry's Next Move

## Necessity of digital marketing

As we have seen thus far, changes in the economy and societal conditions, legal developments to promote real estate liquidity, and technological advancements like STOs have made it necessary to make major changes to business models in the real estate industry. In particular, to handle small investment real estate products, it is more necessary now to build long-term relationships with many customers, strengthen customer interactions and sales personnel, and increase administrative efficiency.

Digital marketing has an important role to play as a solution to these issues. Regarding the use of digital marketing, just as with conventional marketing strategies, it is necessary to use various methods and ultimately to consider them from the perspective of how they can monetize your business.

Let's look at one example of a digital marketing strategy that considers product characteristics, customer experience, and sales methods based on the target.

## Examples of digital marketing method

### Measures for group with strong interest in social contribution

An example of a measure for this target would be a real estate crowdfunding product (10,000 to 100,000 yen per investment) for an asset with a high degree of social contribution.

Specifically, while developing a product that contributes to ESG and soliciting investment for it, a community of people with interest in social contribution would be created online and to investors that have purchased products a certain amount of times, the right to participate and give opinions about product development would be granted, which would be a method to promote repeat customers. Products that contribute to ESG include, for example, ZEH<sup>\*2</sup> and ZEB<sup>\*3</sup> compliant buildings, affordable housing<sup>\*4</sup>, group homes for the elderly and people with disabilities, Kyoto Machiya Revitalization and traditional folk house utilization, which are examples of assets that preserve traditional architecture and help revitalize regions.

This target group has many young people and as their income goes up, they could be drawn to investing in products in larger amounts.

### Measures for beginning investors who want asset formation

A measure for this target would be selling a low-risk product (100,000 to 1.0 million yen per investment) that has mechanisms to protect investors.

Specifically, a life planning simulation would be conducted and based on the person's needs, small investment products would be introduced. If using a real estate STO mechanism with this method, everything from sales to operations could be conducted online. The real estate company conducts customer management with consideration for life-time value (LTV); It could increase awareness of and promote small investment products at events (for example, when principal is recovered or when accessing the website, etc.).

For customers with an appreciation for real estate investing, they could be solicited to invest in actual real estate, such as condominium units or apartment or condominium buildings.

### Measures for asset owners who want inheritance tax measures

A measure for this target could be selling long-term investment products (one million yen or more per investment) as an inheritance tax measure.

Specifically, a seminar on inheritance tax measures could be held online and email addresses acquired to solicit consultations or introduce products.

Products that are measures for inheritance tax are relatively highly priced products managed over the long term, so multiple purchases cannot be expected. For this reason, for customer expansion, a mechanism for referring acquaintances could be built as the key to expanding this class of investors who need inheritance tax measures.

### Measures for seniors who want to enjoy retirement

A measure for this target would be selling small investments in products like lodging facilities and vacation properties.

Specifically, small investments in lodging facilities and vacation properties could be sold online, and then the amount of ownership purchased could be converted to the number of days of stays per year. Staying at the facility would be a benefit given to the investor. In addition, a platform could be built for these products to be bought and sold, so investors could stay at various lodging facilities and vacation properties and find more ways of enjoying the investment.

The class of investors with an interest in inheritance measures is relatively high in age, so there is a strong interest in how to spend and enjoy post-retirement, and one possibility is recruiting customers who purchased the above-mentioned voluntary partnership products.

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\*2: ZEH refers to housing that seeks net zero primary energy consumption annually by vastly increasing the insulation performance of the building envelope, installing high-efficiency equipment systems to maintain the quality of the indoor environment while saving energy in large amounts, and by deploying sustainable energy.

\*3: ZEB is a building that seeks net zero primary energy consumed annually by the building while maintaining a comfortable indoor environment.

\*4: Affordable housing is housing supplied at a price that lowers the burden of housing expenses to around 30% of the income or lower. Against the backdrop of a spike in housing prices around the world, this refers to the concept of deploying housing that people with lower incomes can afford.

### **Importance of understanding customers for executing measures**

In order to execute measures for these targets, it is important to estimate the customer's assets and their segments based on information obtained in existing business activities and to sell products aligned with the customer's situation.

For example, normally, after purchasing actual real estate, investors will start to save for the purchase of the next piece of real estate, but during that time they may invest in small investment real estate utilizing surplus funds during that period. If it is a lease management company, the income and expenditure of the apartments and condominiums owned by the owner, the company's customer, long-term transfer tax transition based on the acquisition date, and the timing for the end of depreciation can all be grasped, so the company is in the position to make sales of small investment real estate products while understanding the owner's asset situation.

In addition, for customers who have purchased small investment real estate products, their needs can be grasped by collecting information on a regular basis and it may be possible to sell other products. For example, if the class of investor that has an interest in social contribution and has purchased a real estate crowdfunding product many have interest in asset formation, or the class that bought a long-term investment product with an interest in inheritance tax measures may have an interest in how to enjoy post-retirement. Or, if customers with a passion for investment that possess certain attributes are solicited for larger scale investment products like investment in apartment buildings and condominiums, activities may be expanded to related businesses like buying and selling, lease management, and renovation.

Executing measures like this requires a high level of sensitivity with respect to information on the customer's assets, etc. acquired through current business activities, and firmly grasping the customer's needs.

### **Toward long-term success**

In proposing a digital marketing strategy for small investment real estate products, success in the real estate industry, where competition is intensifying, is an absolute must. If after creating a marketing strategy that considers products, customer experience, and sales methods in line with the target, digital technologies are then utilized, customers can be acquired, repeat rates raised, and the business expanded efficiently.

In order to secure long-term success in the real estate industry, digital marketing will no doubt play an important role.

# Issues and Measures for Success in the Small Investment Real Estate Business

Although business opportunities can be expected as the market expands going forward, there are various issues because of the differing characteristics of real estate products compared to the past. This section focuses the discussion on issues and measures in the small investment real estate business.

## Issues in the small investment real estate business

The purposes to be achieved by utilizing small investment real estate, whether to attract customers to form a directory or procure business funds through mezzanine loans, may differ by the company, but strengthening new customer acquisition is essential in either case. However, starting to handle small investment real estate products without drawing a complete picture of the small investment real estate business, the following sorts of issues can be expected to be encountered in increasing numbers of cases.

1. Conventional sales methods don't work for customer groups that differ from the past
2. Funds can't be formed because customers can't be attracted in the short term
3. As customers without experience investing in real estate increase and the business expands, it will easily turn into a contest completely devoted to yields
4. Operating costs will rise against low product unit prices
5. The relationship will end with a single transaction and not lead to cross-selling or up-selling

We will now consider each of these issues and think about their target.

### Customer acquisition and sales to customers that differ from past customers

For conventional real estate investment products, the main customers were real estate investors and people that ran property management businesses, and sales activities were conducted based on individual needs through personal communication via direct sales calls and seminars. Small investment real estate, however, is broad-based and includes investors without experience in real estate investing, salaried employees without investment experience, homemakers, and students. These are the sorts of customers that consider small investment real estate. In addition, making decisions online is the primary purchase process, so at the stage of getting to know the product, value needs to be promoted in detail in line with individual customer needs, but in conventional real estate sales, sales are strong, so at the stage of awareness there is often not a lot of detailed promotions in line with the customer, so doing what has always been done will not produce the reaction that would otherwise be expected. In particular, when considering a target that differs from before, it is important to really understand the target customer and design a detailed communication plan based on differences with the conventional sales process.

### Funds not formed due to not attracting enough customers

The fund recruitment period is short, so in particular at the initial stage of business development when there are few sales products, it is necessary to immediately strengthen customer acquisition, but the volume of people searching for small investment real estate and crowdfunding is around several thousand per month, and with real estate business operators increasing under the Joint Ventures Act, customer acquisition has proven difficult recently, and there are cases of funds unable to be formed. The inability to form a fund in itself erodes trust, but conversely the steady accomplishment of results becomes a point of appeal for the next fund formation, so increasing formation projects is important to create fund

projects with higher multiples. Efficiently allocating costs while having multiple means of attracting customers and having a scenario for assuredly forming funds, including with existing customers, are what are needed.

### Competing with top priority on yields

As customers with no product knowledge and no experience investing increase, product decisions are often made based on yields, which are easy to understand, and there are starting to be cases in which low yield products cannot be formed. Yields will remain an important factor in investment decisions, but if high quality investment products with added value that differs from yields as well as reassurance from purchase experiences are not created, the business becomes a low-profit test of physical strength like commodity products on other markets. In particular, with operators under the Joint Ventures Act increasing, product commodification is rapidly proceeding, so it is becoming increasingly important to work to make your own company's products shine and stand out among the many available and to conduct activities that promote characteristics that differentiate your company from others as a way of promoting your brand.

In addition, digital advertising and online applications are the mainstream, but to better the customer experience, online interactions using chatbots, AI, and human resources, and enhancing the digital experience through data visualizations would also be means to differentiate.

### Increasing sales costs

In selling to new customers, attracting customers through advertising is the main means, but over the past few years, against the backdrop of a rapid increase in operators under the Joint Ventures Act, the acquisition unit price (cost necessary to acquire a single customer) is surging, so the burden of advertising costs could likely increase more than expected. Dividing costs to acquire new customers with a view to cross-sales of products is a good practice, but considering small investment real estate products on their own, the aim for the acquisition unit price should be less than one-tenth compared to real estate investment products for entire buildings. For this reason, what is necessary is a PDCA cycle for conducting efficient digital advertising and efficient sales utilizing insight sales, and also increasing natural inflows from use of website search engine optimization and social media, and sales activities that don't depend on advertising by expanding your company's member base. In other industries, there are many companies that have introduced marketing that does not rely on owned media or advertising using communities, and the initiatives of other industries could be a good reference.

### Not leading to cross-sales or up-sales

In the case of new customers acquired who are new to real estate investing in particular, they should be utilized as new customers with promise for further real estate investment sales for the purpose of increasing the profitability. However, if a proposal scenario for further real estate investment has not been designed, regular communication may be limited to a single business transaction or an email magazine; there is a strong possibility that it becomes impossible to raise the new customer's LTV. In the case fund procurement is primary, it has often been the case that priority has not been placed on customer management, and it is not possible to accurately grasp the customer's asset information or investment status, so almost all cases do not lead to opportunities for cross-selling or up-selling.

# Approach to Considering Small Investment Real Estate Marketing

To resolve these issues and make the small investment real estate business a success, it is necessary to rebuild the customer experience starting with the customer’s characteristics and needs related to small investment real estate sales. This section discusses the points that need to be considered in redefining customer interactions and the customer experience in small investment real estate marketing.

## Redefining customer interactions and the customer experience in small investment real estate marketing

As we have seen so far, to make the small investment real estate business a success, it will be important to design a new customer experience that differs from sales methods predicated on conventional real estate investment sales. To understand the customer and provide a desirable customer experience, a marketing approach is needed based on a customer-centric design in the three areas of 1) Customer definition, 2) Customer experience design/measures design, and 3) Administration and operating system design.

### Customer definition

In customer definition, the target customers for conducting small investment real estate sales are selected and their characteristics and needs are made clear.

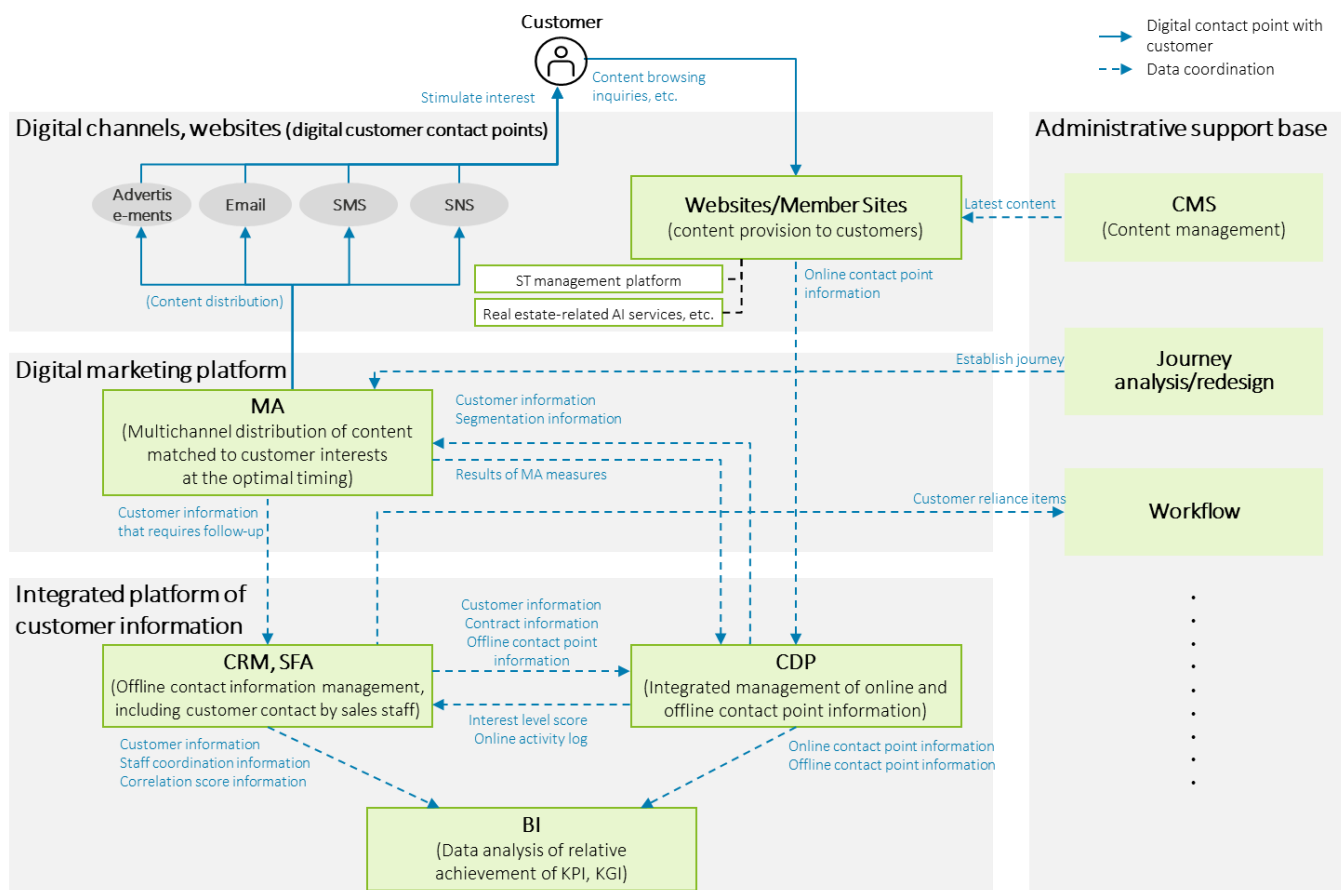
The selection of target customers is tied to the purpose and sales targets of the small investment real estate business, and it is necessary to narrow down the target based on segment volume and asset attributes. At the same time, target customers for small investment real estate are extremely broad based, so the target should not be narrowed down too much but should be open to multiple target customer groups. Considering the distribution of investment requiring measures, at most, three customer groups should realistically be made the target.

In grasping customer characteristics and needs, you should listen directly to what the customer says and come to directly perceive the customer’s need for small investment real estate.

### Key points in conducting customer definition

- Select customer targets based on business plan
- Even when there is the opportunity to acquire new customers, define not one but three customer groups
- To grasp customer characteristics and needs listen directly to the customer

Figure 15: Customer Contact Point Platform for Small Investment Real Estate Marketing



Source: Prepared by Deloitte

## Designing the customer experience/designing measures

In designing the customer experience, design the experience based on customer characteristics and individual needs made clear in the customer definition and with an overall flowline and individual touchpoints from the customer learning about the product to purchase.

The overall flowline is mainly through digital communications, so generally a channel to knowledge acquisition is designed based on customer media trends. Regarding channels, there are cases of effective use of digital advertising, comparison sites, social media, and point sites depending on the target. And, regarding the purchase experience once your own company's site is visited, how to efficiently provide a good, comfortable customer experience should be tested and retested. In considering experience value, it is important to align closely with the customer's characteristics. If the customer is knowledgeable about real estate investment and small investment real estate, then the necessary information to make an investment decision should be conveyed briefly and in an easy-to-understand manner, and services and function provision to support the investment experience becomes important. On the other hand, if the customer does not know much about small investment real estate products and is new to small investment real estate investing, support should be provided through use cases of small investment real estate, Q&A chatbots, and human support. An experience with a specific investment image with word-of-mouth and five-level evaluations would be effective.

Additionally, you should not stop with promoting an individual product but rather promote the reliability of your company. In a market with a low barrier to entry overflowing with companies of all sorts, reliability is an important element in designing the customer experience.

### Key points when designing the customer experience and measures

- Ensure the design incorporates the customer's opinions and needs so that the experience remains grounded
- Rigorously inventory your company's characteristics and strengths and find promotion value that allows you to support customer needs
- In a market with a low barrier to entry overflowing with companies of all sorts, it is important to not just promote the product but to promote the value of the company as well (reliability, etc.)
- Look closely at the PDCA for customer experience and design KPI to evaluate it

## Designing administrative and operations systems

In administrative and operations design, design the systems to provide the value created in designing the customer experience.

As for administration, digital communications will be central, so systems will be necessary to operate your website and conduct digital advertising operations, but even in the case operations are conducted using an existing digital marketing organization, a customer experience needs to be created that differs from conventional advertising sales, so it is essential to put someone in charge of managing the overall customer experience for small investment real estate.

Supposing administration is started using existing employees in concurrent positions, staff members in charge of each administrative area would separately conduct a response, so the overall customer experience would lack management and become segregated; which is a common pattern. In order to prevent this, it is necessary to clearly designate someone with responsibility for the overall customer experience for small investment real estate.

In addition, when human support is provided in the form of inside sales or concierge sales, designating a person with real estate knowledge should be considered who can not only respond to small investment real estate but also focus on cross-sales to other real estate investment products and offer advice on real estate investing overall.

### Key points when designing administration and operations

- Assign someone with responsibility for managing the overall customer experience so that it does not become segregated by administrative area
- It is important to also have a real estate investment advisor focused on cross-sales
- Make administrative design include through to improvement of the customer experience

If a customer experience can be designed based on the abovementioned points and systems created that closely align with customers, it will be possible to establish a position differentiated from other companies even in markets with several powerful players.



# Building a Platform for Customer Interactions

## Elements of a platform for digital customer interactions

To create a new customer journey, a marketing approach with a customer-centric design is needed, but within this, it is essential to redefine and rebuild a digital platform (and organization and rules). We would propose a model platform for customer interactions in the real estate industry and its constituents.

### Digital channels, websites

Main platform for providing a digital customer experience.

Provide content to customers linked to a digital marketing platform and CMS, and test out advanced 1-to-1 marketing through the members site (recommendations based on products purchased and recruitment for large investment products).

In order to make the content more appealing, in recent years, companies are considering collaboration with real estate-related AI (investment predictions, portfolio value) and selling at lower costs and higher efficiency small investment securities for real estate online linked to an ST management platform.

### Digital marketing platform

As exemplified by marketing automation (MA), a digital marketing platform is for distributing via multiple channels content aligned with customer interests at the optimal timing based on a defined customer journey.

It is commonly considered as packaged with administrative support, starting with an integrated customer information platform and contents management system (CMS) as a part of website upgrades and mechanisms for content management that allow new pages to be created.

Content is not only distributed; it is important to follow up on the signs of a customer purchase as detected digitally in response to the distributed content, and it is necessary to also have a mechanism for informing employees which customers to focus appropriately on.

### Integrated customer information platform (for data accumulation, analysis, and utilization)

Such platforms integrate offline information, digital channels, and website information on customer data platforms (CDP) for collecting, compiling, and analyzing digital data such as customer attribute data and behavior data, sales force automation (SFA), for viewing by sales staff, and customer relations management systems (CRM), and actively utilize the information for data analysis and digital marketing using various business intelligence tools (BI).

When there are multiple sources of customer information, introducing an aggregating solution is also considered. However, even when using a solution for complete aggregation and information integration, it can still be hard or impossible to realize in many cases; collecting data itself often becomes the main focus. It is important to work to integrate small-sized data, by indicating a purpose based on the desired customer experience.

## Administrative support base

This is a platform for simple analysis and resetting the customer journey, simple content management using a CMS, managing inquiries from customers and signs of purchases and managing progress through the workflow.

Customer interactions are not complete using digital alone; there are always employees in back to provide support.

After building mechanisms for customer interaction, unless there is a mechanism for administrative support based on the information acquired, in many cases it will be difficult to realize the customer experience itself, so building an advanced administrative system is key.

## Approach to building a platform for customer interactions

The above four elements are necessary components of a platform for customer interactions, but in system deployment in recent years small starts and quick wins have been the mainstream; it all does not need to be introduced and released all at once.

First, we recommend conducting an assessment of your current digital platforms, identifying areas that need to be rebuilt, drawing up a road map, and then promoting its release while building up successful experiences.

In addition, when drawing up a roadmap, the option of not having or creating functions at your own company will be important.

For example, depending on the defined customer journey, it may be possible to build a platform for small investment real estate recruiting and contacting by conducting it at the real estate crowdfunding site of another other company and then simply leading customers to that company's site.

Taking the option of having the function in-house and adopting the approach of gradually developing the platform, the solutions used need to have enhanced functions related to customer interactions, and it will be necessary to select solutions that can be used partially on a small scale. At Deloitte, there are many cases of building using the SaaS/PaaS of Salesforce or ServiceNow. In the real estate industry, there are many cases of building information integration platforms for customers, properties, and transactions, digital marketing platforms, and member sites linked to real estate investment AI.

In the real estate industry, there are also many cases of trying to develop the above mechanisms from scratch, but achieving advanced customer interactions from scratch is difficult; there are many issues from both a scheduling and cost perspective. Moreover, such systems have low scalability and flexibility after deployment.

SaaS/PaaS, cloud-first solutions are selected in order to adapt to a changing environment, being improved as needed even after being released. The aim should be to build a platform that provides a customer experience that is consistently beyond the expectations of the customer.

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