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The Permanent Secretary
Ministry of Foreign Affairs and
International Co-operation
NAIROBI.

Attn: DIRECTOR OF ADMINISTRATION

RE: PURCHASE OF CHANCERY/RESIDENCE COMPLEX

In our various representations in the past, we have endeavoured to put to you in clear terms the housing situation in Tokyo.

The soaring Yen and the spiraling costs of land and rents are costing this Mission severe cutbacks in the real purchasing power of the Kenya shilling viz-a-viz the Yen in which all our expenditure outlays, including rents, is expressed. No reversal in this trend is foreseeable in the future. Due to this, almost all Embassies are now considering purchase of at least one property.

Those Embassies which were able to acquire properties in Tokyo soon after they opened their offices and indeed those from Africa are no longer faced with this problem. They include Egypt, Algeria, Tanzania, Zambia, Zaire. Some of the very fortunate ones e.g. Philippines sold their undeveloped land at nearly ten (10) times the original cost and the funds realized were transferred back home to aid in needy development projects.

Tanzania had a big piece of land and sold a portion of it and put up a Chancery/Residence Complex on the remaining portion with the proceeds from the sale. Zambia purchased a Residence in 1984 for about Yen 2.2 billion. This property is now worth about Yen 4 billion. It has also identified a piece of land where it shall put up a Chancery starting next year. In our view, some of these countries are behind Kenya in economic development but are now enjoying the fruits of proper planning.

As you are well aware, the present Chancery/Residence Complex was built to our specifications with the implicit understanding that should the landlord decide to sell, we would be given the first preference. The landlord is an old man and his son-in-law will inherit the property when the time comes. Given the high inheritance taxes on any inherited properties in Japan, the Landlord-to-be is very keen on selling the property and has on occasions sought to know our general feelings regarding the purchase of the property.

This property is located in a quiet residential area that is regarded by most people as very respectable. The current quotations for the Complex are as follows:-

Total Land area = 500 tsubo	=	1,653 sq. m.
1 tsubo	=	¥.10 million
500 tsubo	=	¥.5,000,000,000
Combined price of Chancery and residence buildings	=	¥.5,500,000,000
Total	=	¥.5,500,000,000

This is equivalent to K£. 41,112,500.

This quoted price is subject to the approval of the Japanese Government. Although it is evident that the cost of acquiring

this property is well out of the approved levels of the Development Estimates that have been approved for the entire Ministry in the past, and given the Government's policy of acquiring properties in those areas where rents are unmanageable, we believe that this proposition is worth serious consideration. Indeed, the landlord is well aware of the fact that his property is out of reach for many people and is quite open to negotiations as to the mode of payment, say, an over the period purchase plan. In this case the yearly rents of ¥51,600,000 which will rise by about 10% every two (2) years could be treated as part of the purchase price. In the long run, this may prove a very viable economic investment Tokyo being an economic mission still growing strong. If the present trend is anything to go by, this property will have doubled in value in another five years just like in the case of Zambia's Residence and the need for its acquisition at this particular stage need not be over-emphasised.

The advantages of owning property in Tokyo are self speaking:

1. Renting is quite uneconomical at present due to the skyrocketing prices real estate.
2. The effects of fluctuating currency exchange rates are not in our favour. We have progressively spent more Kenya shillings for the same amount of services over the years due to the increasing value of the Yen.
3. It is needless to say that the image of our country will have been enhanced in the process.
4. The savings anticipated in the areas of entertainment and motor vehicle running expenses will go a long way in reducing our expenditure. Most of our entertainments on public days can be held at the Chancery Hall or both depending on the number of guests.

- 4 -

This project has already been introduced in the Programme Review and Forward Budget for 1989/90 - 1992/93 vide our letter Ref. No. KET/FIN/LA/42 of 24th August, 1989 and it is our sincere hope that the Ministry will seriously take up this matter with the Office of the Vice President and Ministry of Finance.

S.K. Ole Leken
AMBASSADOR