



HOSPITALITY CONSULTING

# Niseko, Japan

## Property Market Review

June 2018

## New wave of hospitality-led real estate edges market close to USD1 billion transaction level

### Foreign visitors doubled due to direct flights from 17 destinations

“Unique attractions, ease of visa procedures, and emerging international flights have propelled Niseko’s tourism boom, as arrivals have continually grown since 2011. Foreign visitor arrivals impressively outperformed the domestic segment with year-on-year growth of 17% in 2017 and a 5-year CAGR of 16%. With an abundant choice of recreational activities, last summer season accounted for 48% of total yearly visitors. Notably, Asian visitors top 5 geographical source markets are Hong Kong, Mainland China, Korea, Taiwan, and Singapore.

Meanwhile, freehold ownership, a lower Japanese Yen, and high capital gains have boosted the real estate market in Niseko. The market-wide average selling price of condominiums grew 12.5% in 2017. Similarly, the average built-up price for condos in Niseko has soared 25% compared to last year. As of the end of the high season current property offerings are closing in to near the USD1 billion mark.

Niseko Visitor Arrival Trend



Source: Niseko Town Office and C9 Hotelworks Market Research

Asian real estate buyers have now supplanted the legacy Western source markets and Mainland China has been a leading cross-boarder property player. We expect Niseko to rise further in the development cycle in the coming year, led by a marked increase in hotel branded and managed projects.”

*Bill Barnett, Managing Director, C9 Hotelworks*

## Trends

- Most popular unit size for condominiums ranges from 70 to 90 square meters for one- and two - bedroom properties.
- Three- and four-bedroom configurations are the most popular for houses, with an average size of 200 to 300 square meters.
- Direct international flights from 8 cities in Mainland China to the gateway New Chitose Airport has resulted in an eight year CAGR growth of 32%.

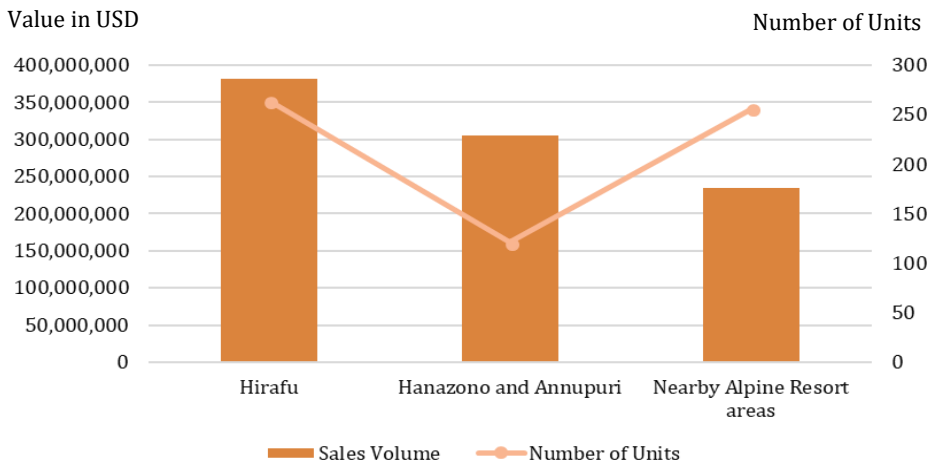
## Forward Outlook

- Short-term impact of new Japanese legislation ‘minpaku’ for short-term residential rentals expected to ease and be favorable by the year end.
- Hospitality-led condominium development is expanding outside Niseko to nearby alpine resort areas in Kiroro and Rusutsu.
- Macro pressure on rising domestic development costs expected to ease ahead of the 2020 Tokyo Olympics. Longer term, if legalized gaming is allowed, pressure on construction prices could prevail.

# Condominium Market

- The built-up price for condominium units average of USD15,964 per square meter rose by 25% compared to the previous season. Hospitality-managed projects significantly drive selling prices.

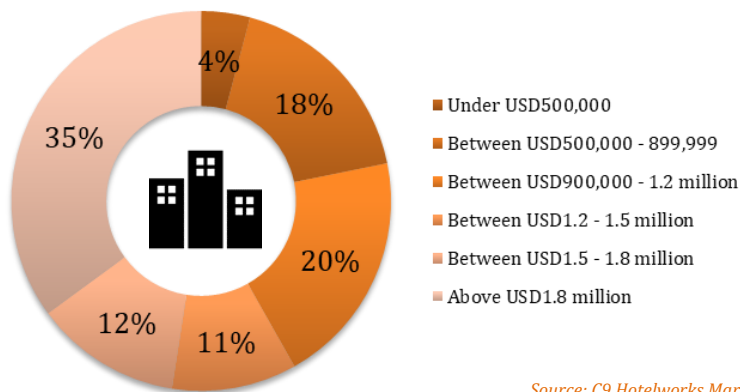
## Transaction Highlights - Projects Currently On Sale



Source: C9 Hotelworks Market Research

**Total transaction value of USD920,068,818, with Hirafu holding 41% of the market**

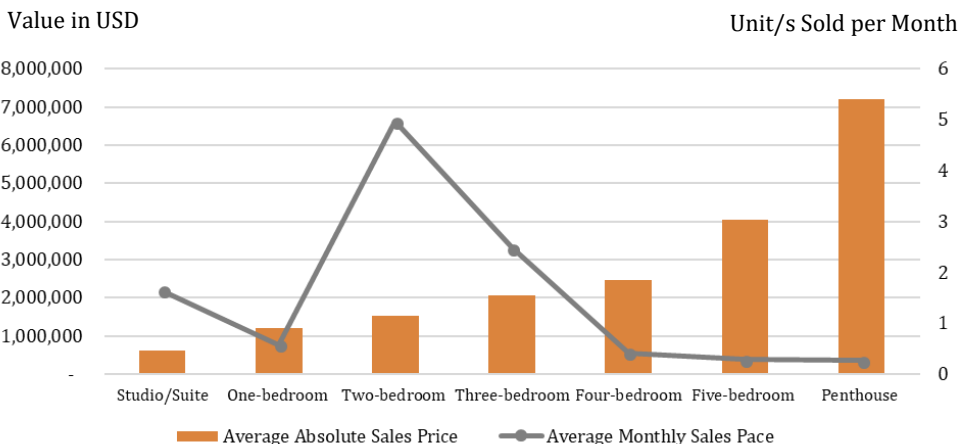
## Condominium Pricing Strata



Source: C9 Hotelworks Market Research

**Median price band range is USD500,000 to USD1,200,000 for one- and two-bedroom units**

## Sales Performance and Average Sales Price by Configuration



Source: C9 Hotelworks Market Research

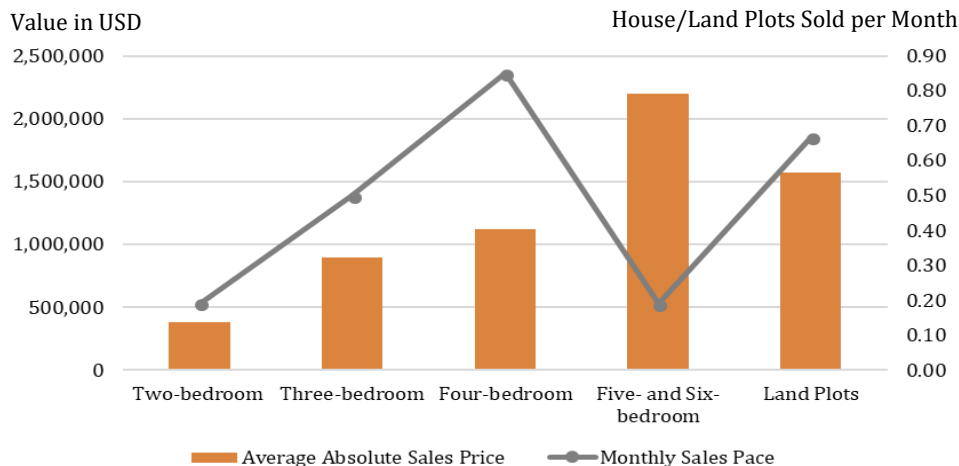
**Absorption rate stands at 2.2 units per month, while average price per unit is USD1.4 million**

# House/Land Plot Market

- Average selling price for land plots is USD911 per square meter, while average built-up price for houses is USD5,081 per square meter. Mixed-use properties with hotel or retail components command premium land prices.

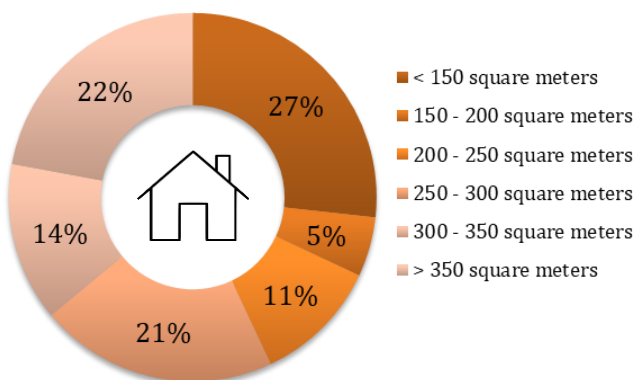
## Sales Performance and Average Sales Price by Configuration

*Market-wide sales pace has stabilized at 0.30 house/land plot per month, led by four-bedroom homes*

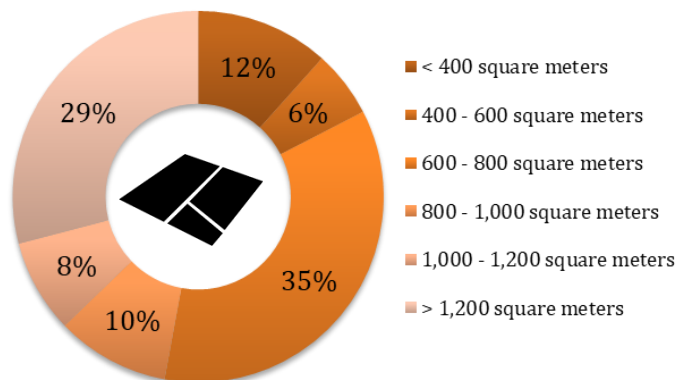


Source: C9 Hotelworks Market Research

## House Built-up Area Mix



## Land Plot Area Mix



Source: C9 Hotelworks Market Research

## Property Development Pipeline

Name	Type	Total Units	Location	Expected Launch
Yamakei	Condominium	13	Lower Hirafu	Q3 2018
Setsu Niseko	Condominium	150	Upper Hirafu	Q3 2018
Intuition (Phase 2)	Condominium	N/A	Kabayama	Q1 2019
Kasara Niseko (Phase 2)	Townhouse	N/A	Niseko Village	N/A
The Ritz-Carlton Residences	N/A	N/A	Niseko Village	N/A

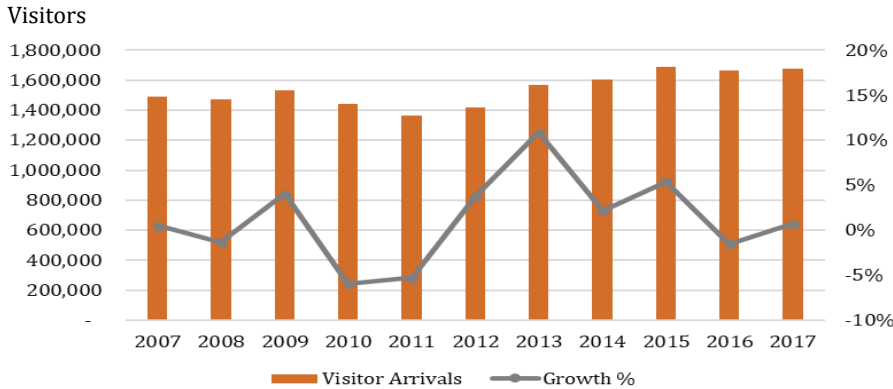
Source: C9 Hotelworks Market Research

# Niseko

## Tourism Overview

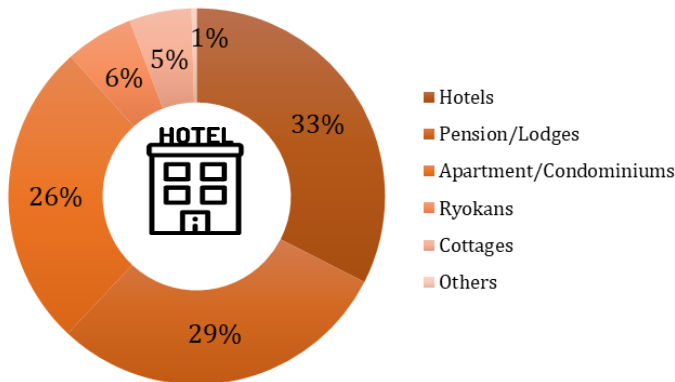
### 10-Year Visitor Arrivals to Niseko

- Japanese visitors market share is 89% in summer and 31% in winter.

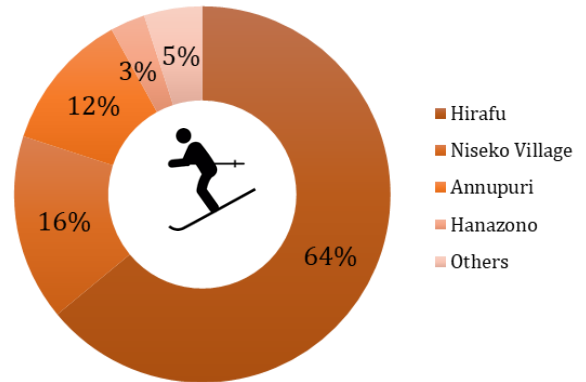


*Visitor arrivals to Niseko have continued a steady pattern of growth, reaching 1,676,300 in 2017*

### Accommodation Establishments by Type



### Accommodation Establishments by Area



### Top 5 International Geographic Source Markets

Top 5 Winter Source Markets			Top 5 Summer Source Markets		
Rank	Market	Growth %	Rank	Market	Growth %
1.	Australia	4%	1.	Hong Kong	49%
2.	Hong Kong	5%	2.	China	-31%
3.	Singapore	9%	3.	South Korea	-25%
4.	China	26%	4.	Taiwan	-29%
5.	U.S.A.	16%	5.	Singapore	-10%

Source: Bureau of Tourism, Hokkaido, Niseko Town Office, and C9 Hotelworks Market Research



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