



HOSPITALITY CONSULTING

# Niseko, Japan

## Property Market Review

November 2017

### Luxury international hotel brands hit Niseko's property market with Asian buyers as key driver

#### Sales volume surges as Niseko becomes year-round destination

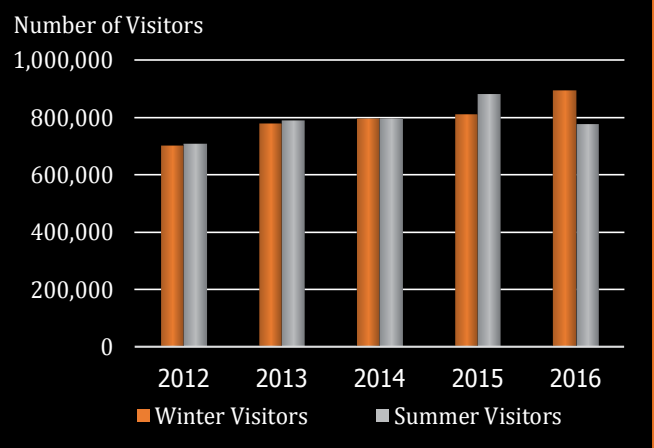
“While Niseko has always been known as a winter holiday destination, the rising number of tourists arriving during the summer has driven the property market boom and is becoming a factor influencing property sales. Since 2012, tourist arrivals from May to November have consistently matched those from December to April, with 2016 totaling 1,671,302 visitors. This is mainly due to the shifting source markets, from the legacy ski set to a more Asian-centric profile. Likewise, nationalities of real estate buyers reflect the new demand group.

Consequently, new residences are becoming more varied compared to previous product offerings, which mainly focused on ski-related features. New developments are now accentuating features such as private onsens, design-led architecture, and international hotel brand affiliation. Nevertheless, classic facilities such as ski-in-ski-out access remain a key driver of premium pricing.

#### Trends

- The absorption rate for condominiums averages 1.83 units sold per month, while houses and land plots achieve a lower sales pace of 0.37.
- Properties in Niseko mainly cater to international buyers, with Singapore, Hong Kong, Mainland China, Taiwan and Thailand being the top five source markets.
- Families with children make up the majority of demand, and typically take between two weeks to one month from the time of registered interest to making a decision to purchase.

#### Winter vs. Summer Visitation Trend



Source: Niseko Town Office and C9 Hotelworks Market Research

The new trend expected to redefine ‘luxury living’ in Niseko is the arrival of international hotel brands, with Park Hyatt, Ritz-Carlton and The Pavilions featuring prominently in the pipeline. These brands are expected to transform what was once a seasonal market into a mainstream year-round destination, and thus driving the cyclical growth of real estate even higher.”

Bill Barnett, Managing Director, C9 Hotelworks

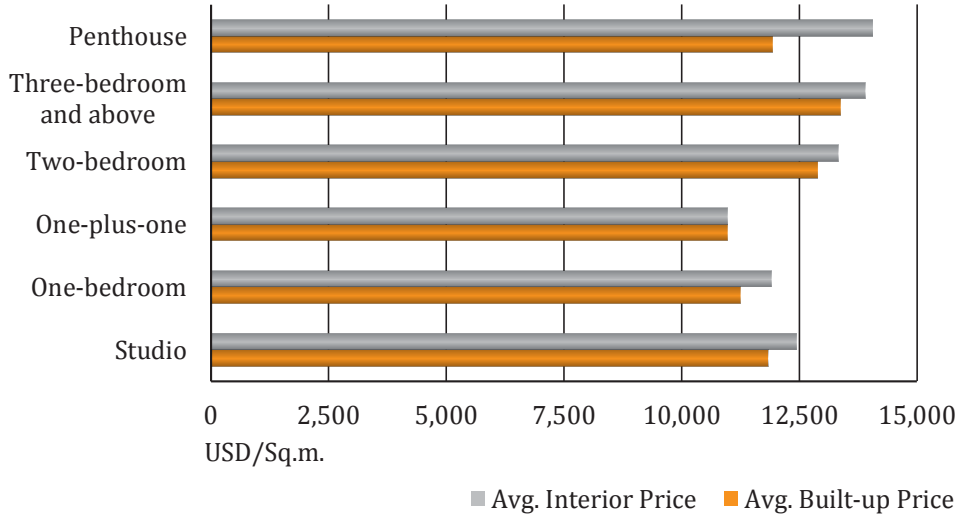
#### Forward Outlook

- There are six developments currently in the pipeline, with an additional 151 units and plots expected to come on stream by 2019.
- Buyers are placing higher emphasis on investment returns, with lifestyle investors representing up to 80% of demand for condominiums and 60% in the housing market.
- Increased accessibility from the new Shinkansen service between Tokyo and Hokkaido as of March last year is expected to increase visitor arrivals and the popularity of Niseko as a year-round destination.

# Condominium Market

- Currently, the brand premium of condominiums with international hotel affiliation can be up to 22% in terms of the built-up sales price, compared to the market-wide average.

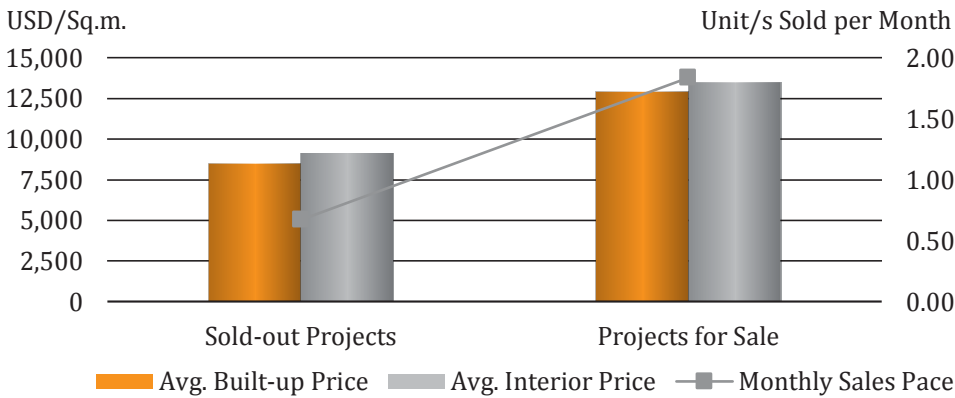
## Average Sales Price by Configuration



*Market-wide built-up sales price averages USD12,787, driven by the high price of larger-sized units*

Source: C9 Hotelworks Market Research

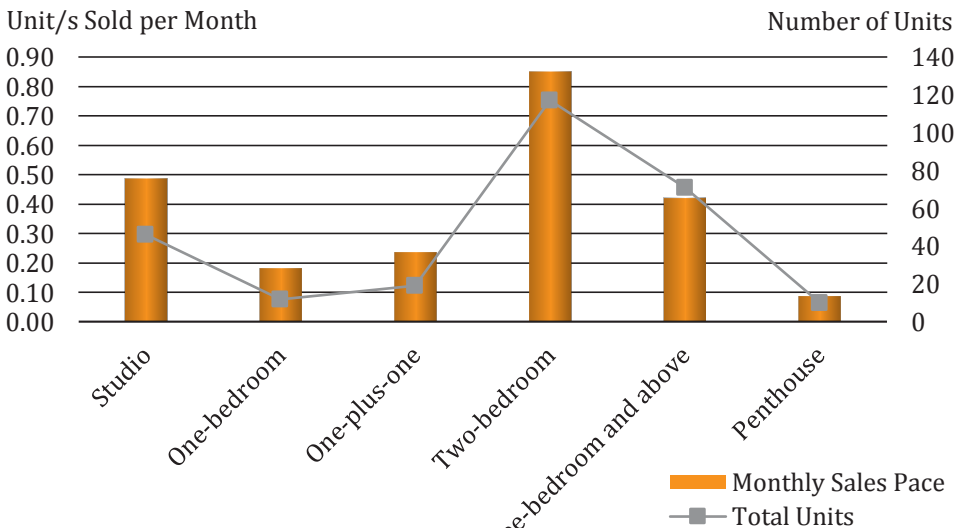
## Sales Performance of Sold-out Projects vs. Projects for Sale



*Built-up sales prices have surged 52%, while absorption rate more than doubled versus sold-out projects*

Source: C9 Hotelworks Market Research

## Monthly Sales Pace by Configuration



*Two-bedroom configurations are the most popular for condominiums, achieving an average of 0.85 unit sold per month*

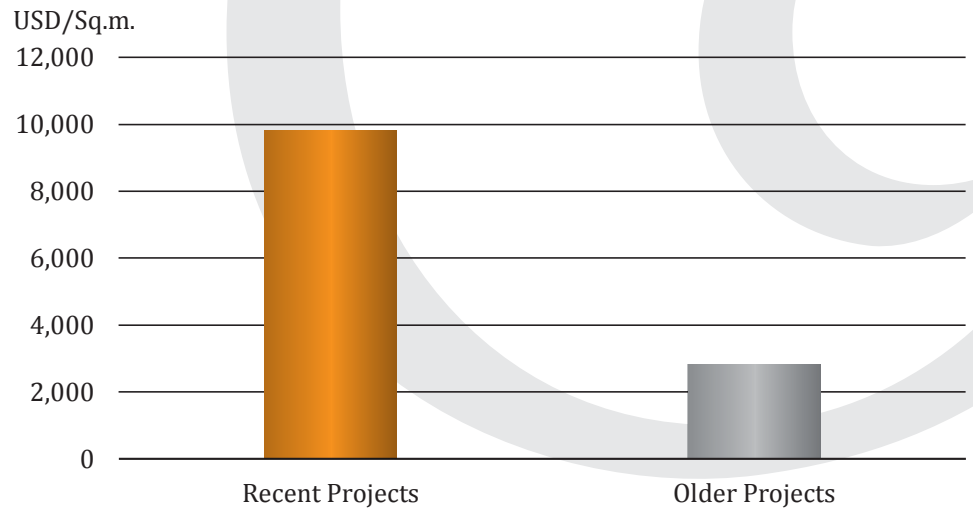
Source: C9 Hotelworks Market Research

# Housing Market

- There are two types of product offering in the housing market: inclusive land and house packages and separate land plot sales. The all-inclusive type typically offers house configurations of two - or more bedrooms.

*New developments offering land and house packages have an average built-up sales price of USD9,820*

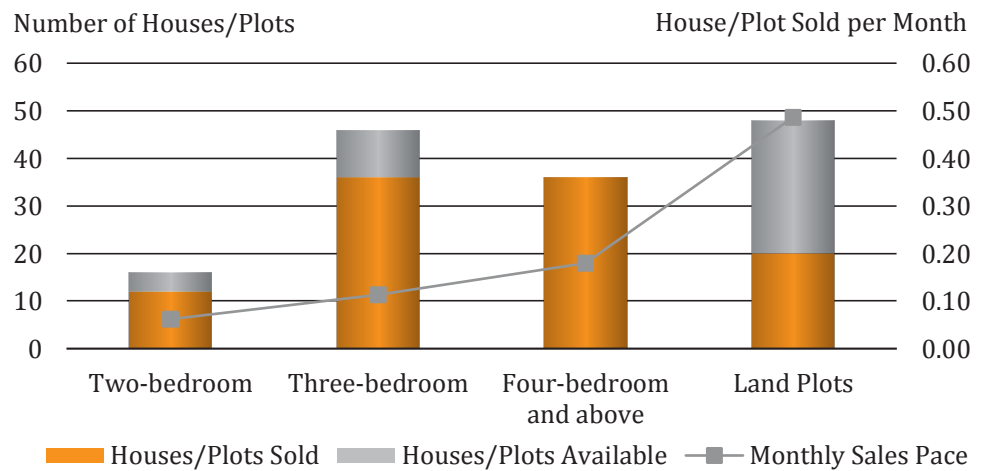
## Average Built-up Sales Price of Recent vs. Older Projects



Source: C9 Hotelworks Market Research

*The monthly sales pace for land plots is driven by properties with the flexibility for buyers to customize houses*

## Monthly Sales Pace by Configuration



Source: C9 Hotelworks Market Research

## Hospitality-Managed Residences Pipeline

Name	Type	Total Units	Expected Launch	Hotel Affiliation
Park Hyatt Hanazono Residences	Hotel and Condominium	114	Q4 2019	Hyatt Hotels
Panorama Niseko	Houses	12	Dec-17	Niseko Real Estate
The Ginto Residences (Phase 2)	Land Plots	15	2019	Pavilions Hotels & Resorts
Intuition	Houses	10	Dec-17	N/A
Kasara Niseko (Phase 2)	Townhouses	N/A	N/A	YTL Hotels
The Ritz-Carlton Residences	N/A	N/A	N/A	Marriott International

Source: C9 Hotelworks Market Research

# Niseko

## Tourism Overview

### Access by Air

New Chitose Airport is the main gateway to Niseko, with inbound passengers totaling 10,585,025 in 2016. Arrivals via international flights experienced a 10-year CAGR of 13.9%, compared to 0.8% for domestic passengers.

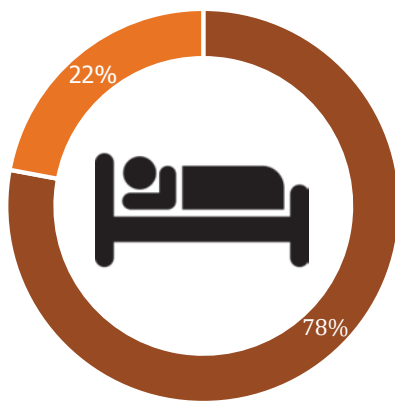


### Top 10 Air Routes to New Chitose Airport by Passenger Traffic

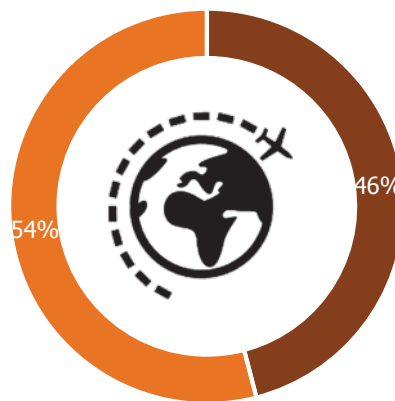
Rank	Route	Passengers	% of Total Passengers
1	Tokyo (Haneda)	9,669,891	45%
2	Tokyo (Narita)	1,727,155	8%
3	Nagoya (Chubu)	1,411,685	7%
4	Osaka (Itami)	1,162,205	5%
5	Osaka (Kansai)	1,157,861	5%
6	Seoul	769,995	4%
7	Sendai	757,924	4%
8	Taipei	732,063	3%
9	Fukuoka	535,442	3%
10	Kobe	495,983	2%

Data as of FY2016

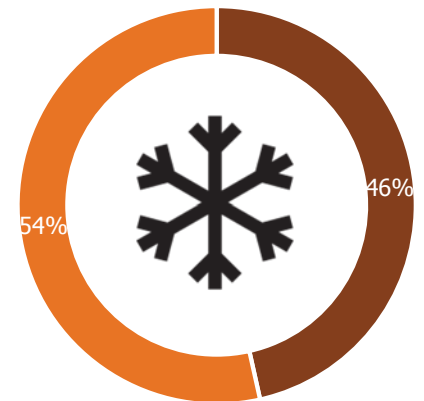
### Niseko Tourism Characteristics



- Day Trips
- Overnight Visitors



- Travelers from within Hokkaido
- Travelers from outside Hokkaido



- Summer Visitors
- Winter Visitors

Source: Japan Ministry of Land, Infrastructure, Transport, and Tourism, Niseko Town Office and C9 Hotelworks Market Research



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