



HOSPITALITY CONSULTING

Niseko

Property Market Review

July 2016

New cycle of market upturn led by Asian investors

International buyers drive 90% of the sector demand

"Set in the southwestern part of Hokkaido Japan, Niseko is one of the most popular ski destination in Asia. Its residential market is concentrated in the Hirafu, Annupuri and Hanazono areas.

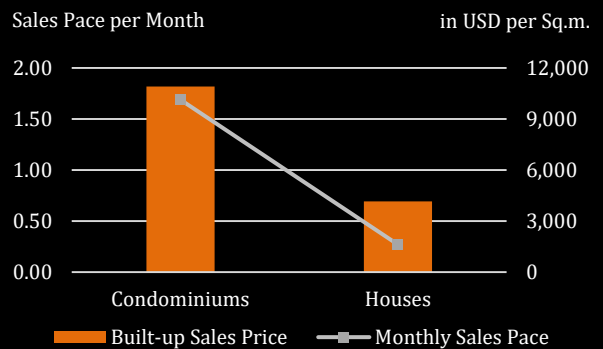
Escalating demand from Asia-based ski enthusiasts and lifestyle investors have fueled a recent influx of next generation residential products offerings with much of the velocity centered on hospitality services and rental returns.

Condominium transactions represented over 78% of new property sales activity between 2007 through 2016. Demonstrated sales volume has been twinned by a marked increase in unit prices of 21% CAGR for the three-year period 2014-2016. The knock on effect has been a rapid rise in land prices that signals a high capital appreciation environment.

Trends

- Prime condominium attributes including ski-in-ski-out access, onsen facilities, and locational preferences are instrumental in driving sale pace.
- Condominium rentals with limited services and facilities are now seeing new competition from more hotel focused offerings.
- Studio or hotel rooms with sizing between 29 and 33 square meters and unit configurations with dual-key or lock-offs are capturing high sales demand.

Sales Performance Comparison



Source: C9 Hotelworks Market Research

It's expected that continued capital inflow from foreign institutional investors will result in headroom for sales transactions and broader product offerings. The rising popularity of both the winter and summer seasons is elevating Niseko to become a year-round destination which will create a 'new normal' for the property sector moving forward."

Bill Barnett, Managing Director, C9 Hotelworks

Forward Outlook

- The legacy Australia, Hong Kong, and Singapore source real estate markets are being bolstered by new buyers from Eastern Europe, China, Malaysia, and Thailand.
- Development and construction costs are escalating at hyper-inflationary levels as a result of the build-up for the Japanese Olympics in 2020.
- Pipeline integrated hotel and residential offerings by international hotel brands such as The Ritz-Carlton and Hyatt are creating positive investor sentiment.

Condominium Market

- Nine key upscale condominium projects in Hirafu offering a total of 337 units were launched between 2007 through 2015. Properties featuring ski-in and ski-out locations enjoy high absorption rates and command premium pricing in the secondary market.

Key Projects

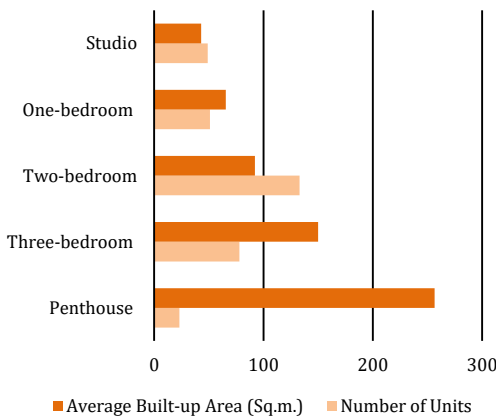
Property	Total Units	Location	Launch Year
1 The Vale Niseko	49	Upper Hirafu	2007
2 Akazora	26	Middle Hirafu	2011
3 Kizuna	10	Upper Hirafu	2012
4 Ki Niseko	57	Upper Hirafu	2013
5 The Loft Niseko	4	Middle Hirafu	2013
6 AYA Niseko	79	Upper Hirafu	2015
7 Kozue	7	Middle Hirafu	2014
8 Skye Niseko	94	Upper Hirafu	2015
9 Aspect Niseko	11	Middle Hirafu	2015

Upper Hirafu is the key area of development activity

Source: C9 Hotelworks Market Research

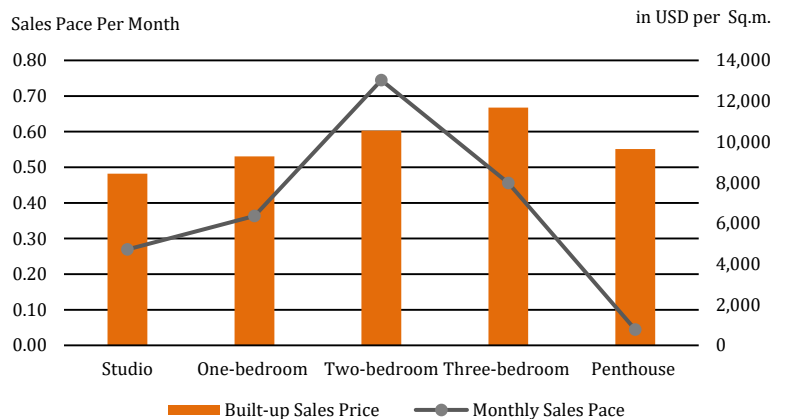
- Larger unit types including two- and three- bedroom configurations represent more than two-thirds of the current market offerings. Two-bedroom demand has traditionally been the most popular though smaller hotel-type entry level units are now rising in profile.
- Total value of units remaining for sale in these projects stands at USD 352 million.

Unit Mix and Configuration



Source: C9 Hotelworks Market Research

Sales Performance



Source: C9 Hotelworks Market Research

Average market absorption rate stands at 1.69 units per month

More than 50% of product offerings are priced above USD 1 million

House Market

- A total of 144 house units in residential projects are located in the peripheral areas of Hirafu. Majority of the properties offer off-plan houses but a small number sell land plots within the developments for prospective owners to construct and design according to their specifications.

Key Projects

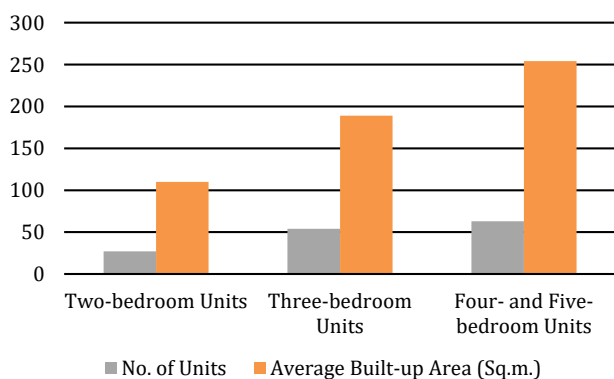
Property	Total Units	Location	Launch Year
1 The Chalets at Country Resort	51	Kabayama	2008
2 Escarpment Estate	25	Lower Hirafu	2009
3 The Orchards	45	Kabayama	2012
4 Kasara Niseko Village Townhouse	8	Niseko Village	2014
5 The Cabin	8	Hirafu Village	2015
6 Foxwood Niseko Higashiyama Homes	7	Higashiyama	2016

Foreign buyers can have freehold tenure for residential land and property purchases in Niseko

Source: C9 Hotelworks Market Research

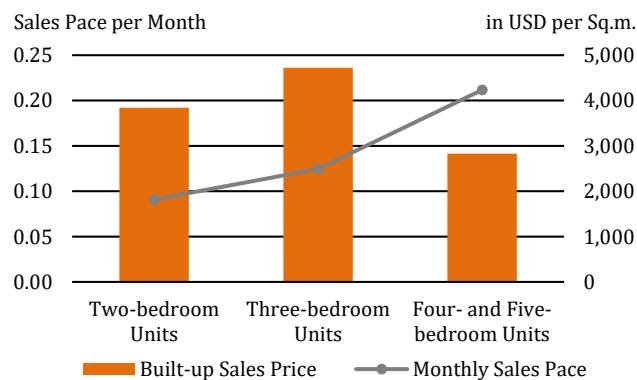
- Residential house product offerings generally range from two- to five-bedroom configurations, with an average built-up price of USD 4,158 per square meter. This pricing level is significantly lower than condominiums and is led by developers who drive profitability from land sales.

Unit Mix and Configuration



Source: C9 Hotelworks Market Research

Sales Performance



Source: C9 Hotelworks Market Research

Residential Project Pipeline

- There are currently 330 residential units that will be developed by 2020. Integrated hotel and branded residence projects managed by Ritz-Carlton and Park Hyatt are expected to move the market into a further cycle of maturation and set the stage for larger scale offerings.

Project Name	Location	Units	Property Type	Completion Date
GoKisetsu	Upper Hirafu	160	Condominium	2017
Kamui	Annupuri	7	Condominium	Dec 2016
Elevation	Hirafu	13	Housing Estate	Q4 2016
Park Hyatt Hotel and Residences	Hanazono	100	Mixed-use	2019
Ritz-Carlton Reserve Resort	Niseko Village	50	Mixed-use	2020

Source: C9 Hotelworks Market Research

About C9 Hotelworks



Bill Barnett
Managing Director

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.



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C9 Hotelworks Company Limited

9 Lagoon Road, Cherngtalay, Thalang, Phuket, 83110, Thailand

(Office located at the entrance of Laguna Phuket)

T: +66 (0)76 271 535

F: +66 (0)76 271 536

www.c9hotelworks.com

info@c9hotelworks.com