



HOSPITALITY CONSULTING

Niseko, Japan

Tourism and Property Market Review

December 2019

Increased direct international flights are fueling Niseko's tourism and real estate market growth

Availability of property financing spurs demand from foreign buyers

"In the past five years, international passenger arrivals at New Chitose Airport achieved a CAGR growth rate of 24%. Rising airlift has also positively impacted the alpine tourism market of Niseko with a CAGR 12% surge in demand. Three factors have contributed to Niseko's positive tourism growth (i) Japan's international tourism promotion campaign, (ii) the ease of visa restrictions and (iii) increasing direct international flights to the gateway airport.

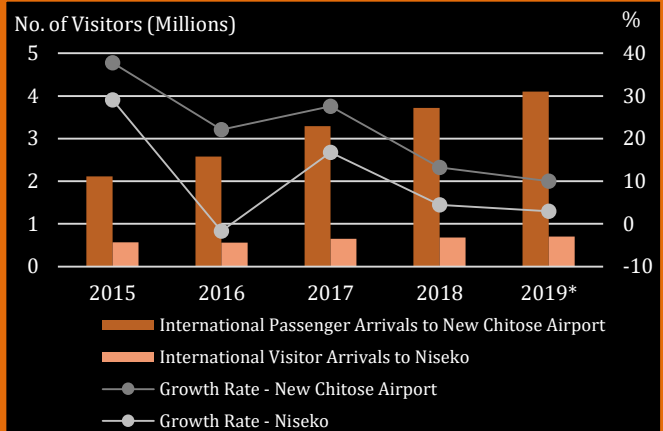
The Niseko property market is currently being fueled by a new wave of investment-oriented purchasers of condominiums units, focused on rental management schemes and expectations of high recurring yields. Another emerging trend is in house lots, where projects are located in areas expecting strong price appreciation.

The limited availability of land with ski-in-ski-out facilities, Mount Yotei views, and prime Hirafu locations is pushing developers into new locations and creating more diversity in the marketplace.

Trends

- Properties with furniture packages or furnished offerings are popular with real estate buyers who look for turnkey transactions.
- New Chitose Airport, the nation's fifth-busiest, now serves 24 direct international flights from 11 countries and 36 airlines.
- Hotel performance in the summer season has improved as the destination has evolved into a year-round resort area and promoted widely in the travel trade.

International Arrivals to Sapporo and Niseko



Source: Niseko Town Office and C9 Hotelworks Market Research; *2019 Projected

Due to premium seasonal rentals and overall demand outpacing supply, the value of prime properties in the secondary market has appreciated on average 40% - 70% over launch prices. Hence, the rental-managed real estate market in Niseko has experienced remarkable growth; though concerns are mounting over speculation concerns."

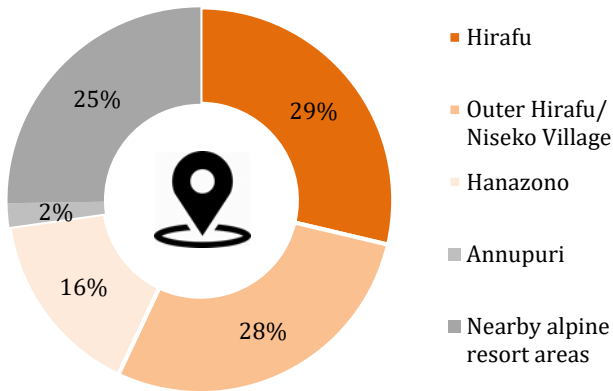
Bill Barnett, Managing Director, C9 Hotelworks

Forward Outlook

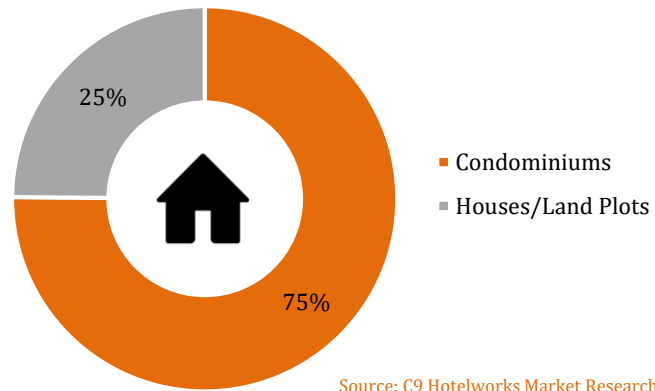
- New international terminal expansion at New Chitose Airport will open in Q2 2020. It's facilities include a new terminal and hotel.
- Hokkaido Shinkansen's further extension via Kutchan is targeted for completion in 2030. It will connect Niseko with Sapporo in 30 minutes.
- Plans to privatize New Chitose Airport operations by utilizing private-sector expertise is expected to push more commercial traffic that will benefit the tourism sector.

PROPERTY MARKET

Real Estate Development by Area

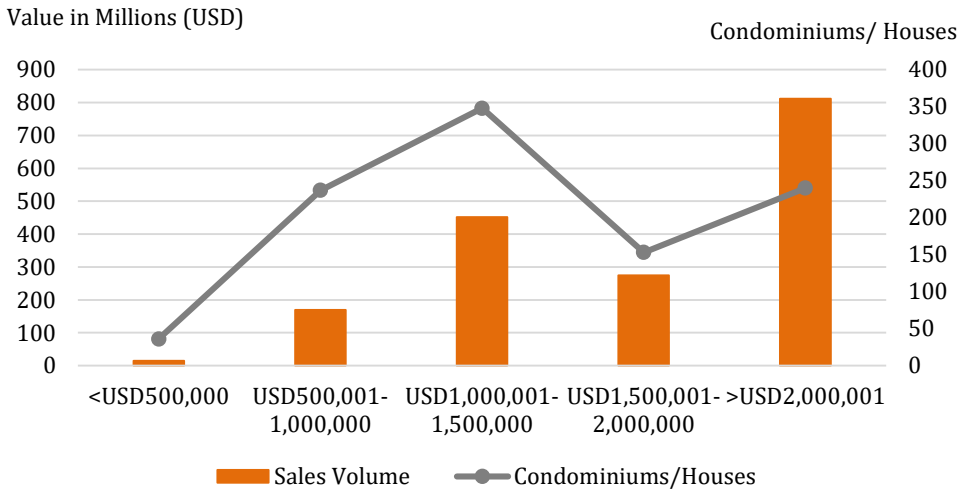


Real Estate Development by Type



Source: C9 Hotelworks Market Research

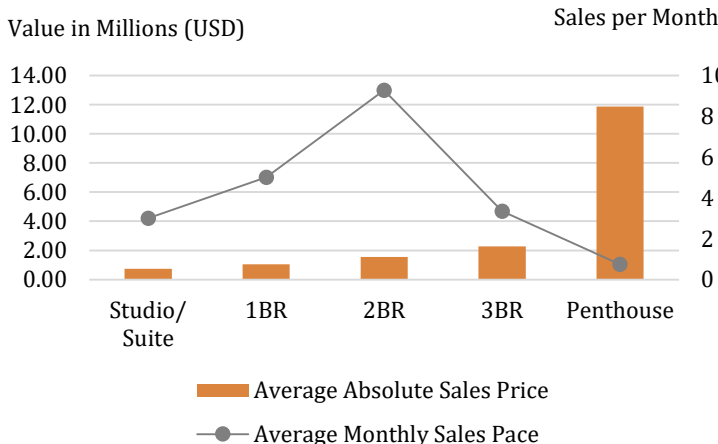
Pricing Strata and Sales Volume



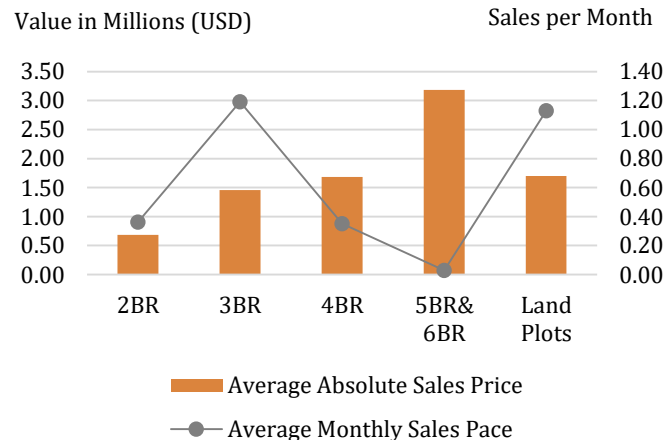
Average market selling price between USD1,00,000 to 1,500,000 has strongest demand

Source: C9 Hotelworks Market Research

Condominium Sales Price & Sales Pace



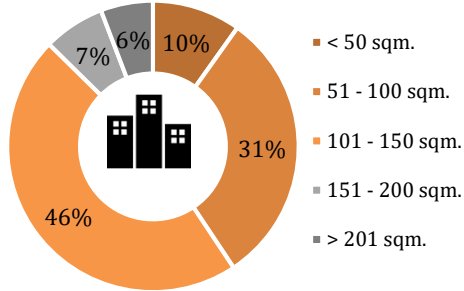
House/Land Plot Sales Price & Sales Pace



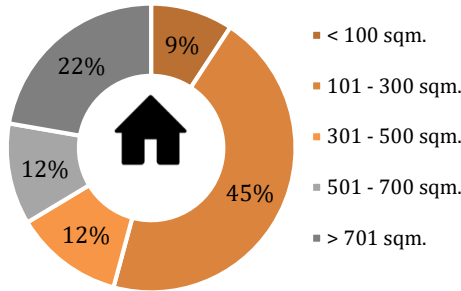
Source: C9 Hotelworks Market Research

PROPERTY MARKET

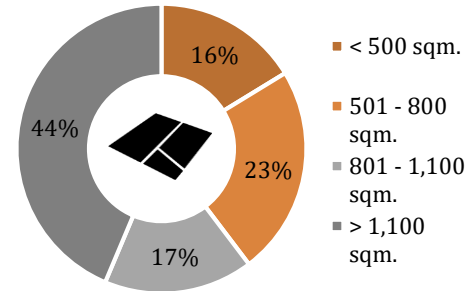
Condominiums Average Built-up Area



Houses Average Built-up Area



Land Plots Average Area



Source: C9 Hotelworks Market Research

Hotel and Property Development Pipeline

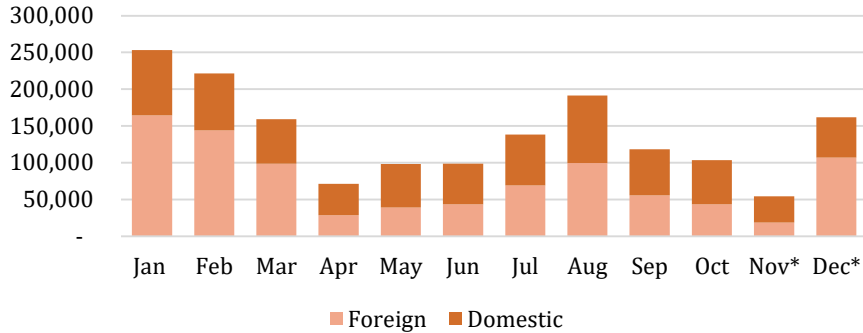
Development Name	Location	Keys	Type	Opening Date
Haku Villas	Upper Hirafu	4	Condominium	Dec 2019
YU Kiroro	Kiroro	108	Condominium	Dec 2019
Panorama Niseko	Outer Hirafu	12	House/Land Plots	Dec 2019
Tellus Niseko	Middle Hirafu	9	Condominium	Dec 2019
Park Hyatt Hotel and Residences	Hanazono	214	Hotel and Residences	Jan 2020
Koa Niseko	Higashiyama	20	House/Land Plots	Jan 2020
Ritz-Carlton Reserve	Niseko Village	50	Hotel and Residences	Sept 2020
Intuition Niseko - Phase 2	Outer Hirafu	32	Condominium	Nov 2020
14432120	Lower Hirafu	12	Condominium	Dec 2020
The Vale Rusutsu	Rusutsu	148	Condominium	Dec 2020
DRIFT Niseko	Outer Hirafu	14	House/Land Plots	Dec 2020
Kabayama Niseko	Kabayama	4	House/Land Plots	2020
Sansui Niseko	Upper Hirafu	60	Hotel	2020
Hanaridge	Hanazono	12	House/Land Plots	2020
Tellus Villas	Outer Hirafu	17	House/Land Plots	Dec 2021
Setsu Niseko	Middle Hirafu	190	Condominium	Dec 2021
Odin Hills	Hanazono	34	House/Land Plots	2021
The Pavilions Niseko Resort	Outer Hirafu	49	Hotel and Residences	2021
Aman Niseko	Moiwa	31	Hotel and Residences	2023
Aruku-zaka	Middle Hirafu	168	Condominium	2024
Amari Niseko	Middle Hirafu	126	Hotel	2024
Aruku-zaka	Middle Hirafu	60	Retail	2024
Aura Niseko	Higashiyama	51	Condominium	TBA
Kashi Niseko	Middle Hirafu	46	Condominium	TBA
Zia	Outer Hirafu	N/A	Condominium	TBA
Tellus Hirafu	Outer Hirafu	N/A	Hotel and Residences	TBA
Kasara Phase II	Niseko Village	N/A	Residences	TBA

Source: C9 Hotelworks Market Research

TOURISM OVERVIEW

Seasonality 2019 – Foreign vs. Domestic Visitors

Niseko Visitor Arrivals

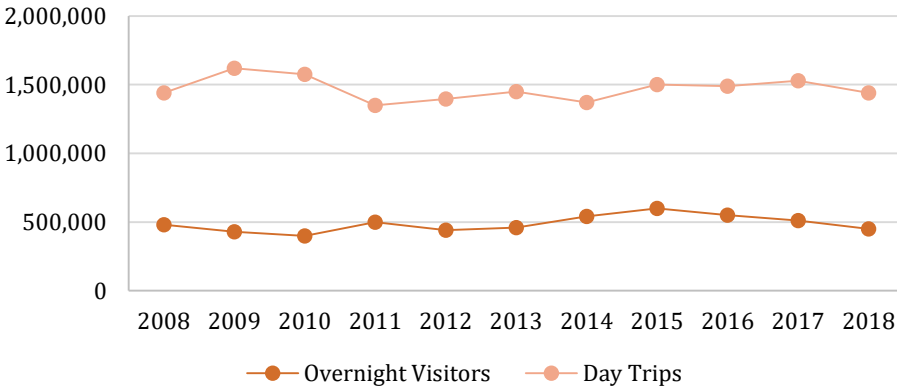


Source: Niseko Town Office and C9 Hotelworks Market Research *Projected

Peak visitor arrivals for winter are December to March and in summer, July and August

Overnight Visitors vs. Day Trips

No. of Visitors

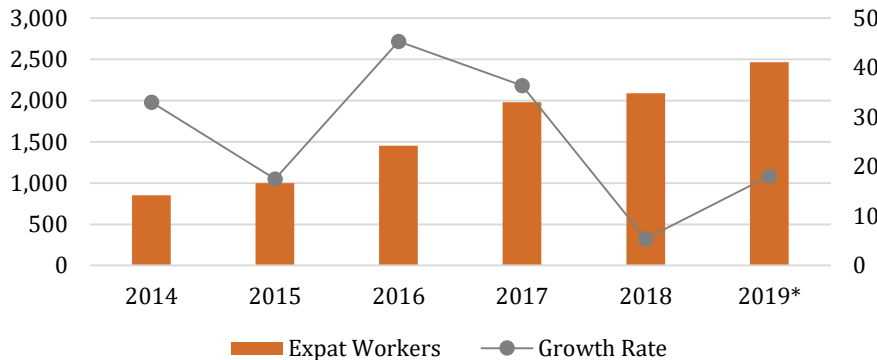


Source: Niseko Town Office and C9 Hotelworks Market Research

Day-trip visitors growing in popularity with higher visitor arrivals during summer

Expatriates Working in Niseko

No. of Expatriates



Source: Niseko Town Office and C9 Hotelworks Market Research; * 2019 Projected

Marked increase in expatriates from Southeast Asia and Western countries due to influx of seasonal staff

International Direct Air Routes to Sapporo/New Chitose Airport



Source: New Chitose Airport and C9 Hotelworks Market Research



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