



Condominium demand softens as land plot sales shift up amidst rising speculation

New developments push outside of prime Hirafu area

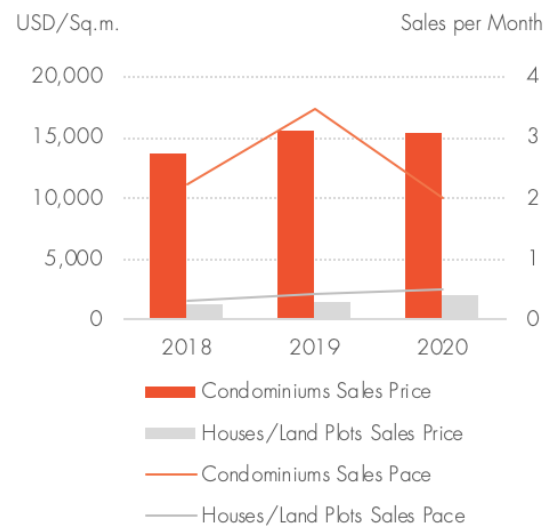
“Niseko’s ski resorts have historically been the primary driver of its real estate market, with the epicenter being the Hirafu area. The property market is rapidly expanding outwards at greater velocity to Higashiyama – Niseko Village, Annupuri, Hanazono, and Moiwa due to the scarcity of prime development land.

The launch of luxury hotel branded properties, namely Park Hyatt Niseko, Aman Niseko, and Ritz-Carlton Reserve have achieved premiums over broader real estate offerings. The hotel brands are also raising the profile of the destination. At the end of last year, the transaction value of primary market condominiums and houses/land plots hit USD1.97 billion resulting in 24% y-o-y growth.

According to the Ministry of Land, Infrastructure, Transport and Tourism, land values in Niseko sharply increased with a y-o-y growth of 60% for commercial properties and 40% for residential properties. Hence, we anticipate land prices are expected to experience muted growth despite the global pandemic, with certain areas experiencing surges when new high-end developments are completed.

The average absorption rate of residential land plots robustly escalated by 38% in FY2019 and still achieved growth of 18% in H12020 despite COVID-19. We expect that land plots in Hanazono, Higashiyama, and Moiwa continue to have potential for appreciation. Also, the nearby alpine resort areas of Kiroro and Rusutsu are attracting resort-grade development, though lower pricing points are a function of less costly underlying land values.

Condominiums, Houses/Land Plots Sales Price & Sales Pace



Source: C9 Hotelworks Market Research

While the condominium market has seen a reduced sales pace due to a sharp uptick in new properties, there are starting to be supply concerns. Some developers have diversified to houses and land plots which are seeing more speculative investment-oriented buyer interest. Our expectation for Niseko real estate is that it will continue to evolve into a more mature and stable marketplace, although it is likely to experience some volatility in the condominium segment.”

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- Four new air routes opened this year from Mainland China to Sapporo New Chitose are Qingdao, Wuxi, Chengdu, and Fuzhou.
- Upscale residential estates are on the rise. Key product offerings include proximity to ski resorts, custom-designed villas, clubhouses with facilities.
- Hanazono is seeing a new wave of development with projects including estates such as Hanaridge, Odin Hills, and Hanacreek.

Forward Outlook

- New Chitose Airport is planning to waive usage fees for new long-haul international flights for three years to attract more flights from Europe and U.S.
- Progress on the Hokkaido Shinkansen expansion, is moving forward, with construction of 28% of the line to Kuchan completed.
- Hakkaisan, a renowned sake brewer, will open a 1,200 square meter distillery in Annupuri by Q4 2020, which will also be a tourist attraction.

Supply Overview



Real Estate Development by Area

- 46% - Hiraifu and Outer Hiraifu
- 23% - Rutsusu and Kiroro
- 31% - Hanazono, Moiwa, Annupuri, and Higashiyama

Real Estate Development by Type

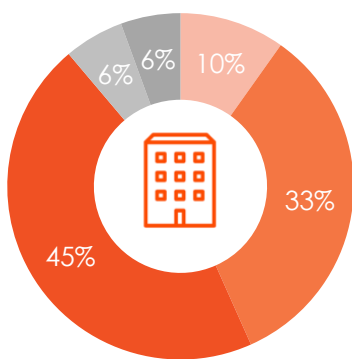


73% - Condominiums



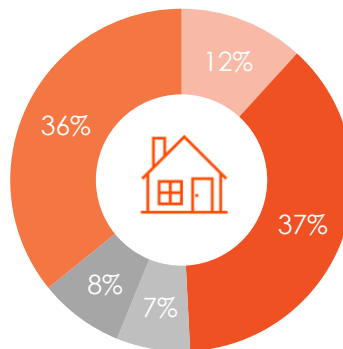
27% - Houses/Land Plots

Condominiums Average Built-up Area



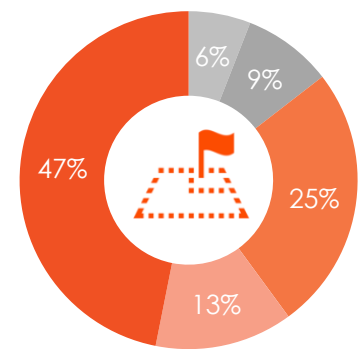
- <50 sq.m.
- 51-100 sq.m.
- 101-150 sq.m.
- 151-200 sq.m.
- >201 sq.m.

Houses Average Built-up Area



- <100 sq.m.
- 101-300 sq.m.
- 301-500 sq.m.
- 501-700 sq.m.
- >701 sq.m.

Land Plots Average Area



- <200 sq.m.
- 201-500 sq.m.
- 501-800 sq.m.
- 801-1,100 sq.m.
- >1,100 sq.m.

Condominiums Size Mix & Configurations



Houses/Land Plots Size Mix & Configurations



Configuration	Average Built-up Size (Sq.m.)
Studio/Suite	45
One-Bedroom	77
Two-Bedroom	107
Three-Bedroom	157
Four-Bedroom	280
Penthouse	352

Configuration	Average Built-up Size (Sq.m.)
Two-Bedroom	105
Three-Bedroom	276
Four-Bedroom	314
Five-Bedroom	401
Land Plot	1,547

Source: C9 Hotelworks Market Research

Demand Indicators

Condominiums Price Strata



65% USD500,000 - 2,000,000



23% USD2,000,001 - 10,000,000

House/Land Plots Price Strata

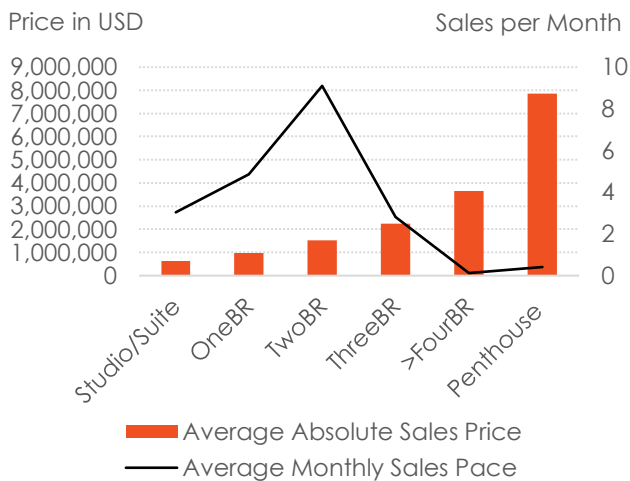


62% USD1,000,000 - 2,000,000

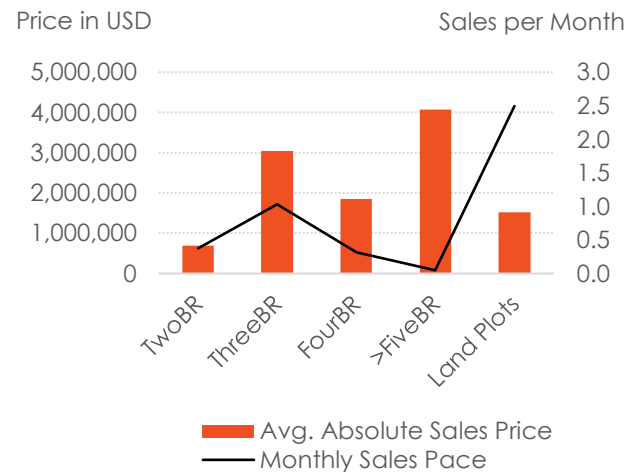


23% USD2,000,001 - 20,000,000

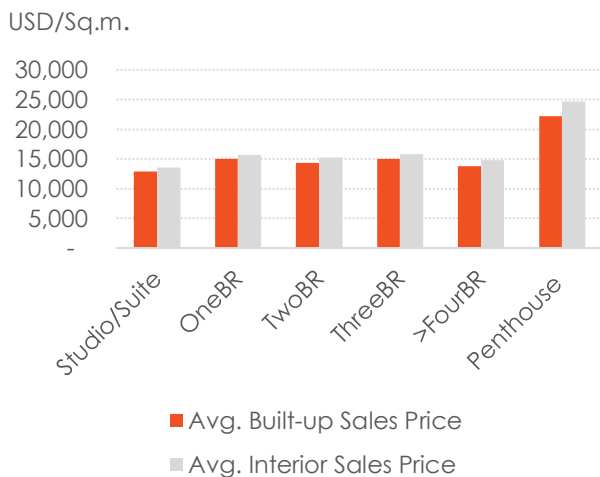
Condominiums Sales Price & Sales Pace



Houses/Land Plots Sales Price & Sales Pace



Condominiums Average Sales Price by Type



Houses/Land Plots Average Sales Price by Type



Source: C9 Hotelworks Market Research

Hotel and Property Development Pipeline

Development Name	Location	Units	Type	Opening Year
Sansui Niseko	Upper Hirafu	60	Hotel	Q3 2020
Chatrium Niseko (Rebranded)	Middle Hirafu	76	Hotel	Sept 2020
Shinka Niseko	Middle Hirafu	12	Residences	2021
Aruku-zaka	Middle Hirafu	168	Residences	2024
Aruku-zaka - Amari Niseko	Middle Hirafu	126	Hotel	2024
Aruku-zaka	Middle Hirafu	60	Retails	2024
Aozora	Middle Hirafu	N/A	Hotel	TBA
Kashi Niseko	Outer Hirafu	50	Residences	Q4 2020
The Pavilion Niseko Resort	Outer Hirafu	42	Hotel and Residences	2021
Shin Hotel	Outer Hirafu	18	Hotel	2021
Daiwa House	Outer Hirafu	34	Residences	TBA
Tellus Hirafu	Outer Hirafu	N/A	Hotel and Residences	TBA
Snow Dog Chalets	Higashiyama	12	Residences	Q4 2020
Aura Niseko	Higashiyama	51	Residences	TBA
Ritz-Carlton Reserve	Niseko Village	50	Hotel and Residences	Q4 2020
W Hotel	Niseko Village	N/A	Hotel	2021
EDITION Hotel	Niseko Village	N/A	Hotel	2021
Kasara Phase II	Niseko Village	N/A	Residences	TBA
Moxy Hotel	Niseko Village	N/A	Hotel	TBA
Aman Niseko	Moiwa	31	Hotel and Residences	2023
Somoza	Hanazono	N/A	Hotel and Residences	TBA
Raku Ichi Residences	Outer Hirafu	12	Residences	TBA
Soga Development	Annupuri	N/A	Residences	TBA

Source: C9 Hotelworks Market Research

Area Pipeline



80% of developments are in Hirafu and Outer Hirafu

Type & Mix Pipeline



35% Hotels



42% Residences



23% Mixed-use

Branded vs. Non-branded



41% of pipeline are branded properties

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 35 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.