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International Opportunities: Investments at altitude

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Investing in overseas ski resorts is an effective way of diversifying your investment portfolio without plummeting your money into a high-risk offshore venture. YIP investigates the top opportunities in Niseko, Japan, and Big White, Canada

Developers are enticing Australian investors to the slopes with the promise of solid returns and substantial growth in capital gains. Two ski resorts to keep an eye on are Niseko, Japan, and Big White, Canada. Australian developers are poised to invest more than \$750m into two large-scale projects in Niseko in the next few years, while Big White is tipped to experience a 25% increase in ski home development by 2009.

The recent growth and trend towards investing in ski resorts has been largely attributed to a growing number of wealthy, asset-rich buyers in their 50s and 60s. "With more free time and disposable income, the Baby Boomer generation is buying into recreational real estate," confirms Canadian developer Christopher Solaris. "The focus for them is becoming more about experiences, rather than possessions."

Colin Hackworth, president of Nihon Harmony Resorts, agrees that investors have demonstrated a demand for buying into mountain resorts that provide both recreational and investment opportunities. "The Niseko area continues to enjoy remarkable growth," Hackworth says. "Investment returns have been incredible in recent years, with further capital growth expected. Niseko is clearly a world-class ski location, with its real estate still a fraction of the price of comparable international destinations."

Niseko, Japan

Niseko is located on Hokkaido, the northernmost and least developed of Japan's four main islands. Comprised of three ski resorts, Hirafu, Higashiyama and An'nupuri, Niseko is placed 93km from Sapporo, the capital of Hokkaido and home of the 1972 Olympic Winter Games. With a little under two million people living in Sapporo, it's Japan's fifth largest city. According to the 2005 Japan National Census, Niseko's population of 30,000 swells to around 1.5 million throughout the year, as visitors take to the 61 runs offered over 47km of groomed slopes.

Why invest in Niseko?

In recent years, Australians have become particularly taken with Niseko. It's cheaper to get to and ski at than North America or Europe, and it's located in the same time zone as Australia – the seven-hour flight from Cairns, or nine hours direct from Sydney, compares favourably against the jet lag associated with long-haul journeys further east or west. As a result, the number of visitors to Japan is on the rise, with the Japan National Tourism Organization (JNTO) reporting that the level of overseas tourists is increasing by 9% per year.

The growth in tourism is having a direct impact on property values. Developer Hokkaido Tracks reports that its previous projects in Niseko have enjoyed capital growth since original purchase of between 32–71%. "In 2003, a three-bedroom apartment located in the upper village sold for 31,620,000 JPY. A three-bedroom apartment in our latest upper village development, Yama Shizen, is selling between 48,000,000 JPY and 78,300,000 JPY," says Simon Robinson, president of Hokkaido Tracks. "So as you can see, there has been strong capital growth in the area in the past few years."

To ski enthusiasts, Niseko's main selling point is reliable snow. Designated as a 'special heavy snowfall region', Niseko receives roughly 590 inches (15m) of fine powder snow annually – roughly five times more snow than ski fields in Australia and New Zealand. As a result of the heavy snowfall, below-zero temperatures and frozen seas, just 5% of Japan's population live on the island. In the summer months, however, Hokkaido's climate is not as hot and humid as in other parts of Japan. With its cool breezes, unspoilt surroundings and abundance of outdoor activities such as hiking, rafting, golf, mountain biking and horse riding, Niseko is a priority domestic summer holiday destination for mainland Japanese tourists.

Why is now a good time to invest in Niseko?

Locally, the snow season appears to be decreasing – the 2006 Australian season experienced the least natural snow fall in around 70 years, with Nick Noble, creator of www.snowflirt.com, describing it as "one of the toughest challenges that the industry has faced in decades".

In Niseko, however, the climate is characterised by lengthy winters and shorter summers. The winter season officially runs from December to April, although in 2005 the snow season started in November and finished mid-May.

Australian-run tour operators based in Niseko have also assisted in breaking down the language barriers between English-speaking tourists and Japanese-speaking providers. As a result of their success, many Japanese-run businesses have also begun catering to English-speaking tourists. This progression has played a major role in

growing Niseko's popularity with tourists and, as the number of visitors increase, so does the level of interest from investors.

Peter Morrow, development director of Citimark – the company behind the \$150m Niseko Mountain Village project – also points to Japan's stable economy as an important growth factor. "The currency is stable and there's the strong attraction of world-class skiing in Niseko and limited land supply," he says. "Japan is coming out of a 15-year recession and is embracing investment by foreigners."

Where to invest

Youtei Tracks

Built to withstand Hokkaido's heavy snowfall and provide insulation, Youtei Tracks apartments are located in the upper village of Hirafu. The modern development, which completed construction in January this year, includes 32 one, two and three-bedroom apartments, with large open foyers, owner's storage, underground parking and a dual key design to maximise rental potential. The building also features four penthouses.

Youtei Tracks is developed by Hokkaido Tracks. The company's president, Simon Robinson, says that historically their properties have brought between 4.5–6% net return. "The majority of the annual income is earned during winter months, December to April," he explains, "and owners only pay a letting management fee when their apartment is being rented, so they're not charged during periods of no occupancy."

www.hokkaidotracks.com

Hanazono Ski Village

Australian-run Nihon Harmony Resorts KK (NHR) recently bought a portion of the Grand Hirafu area called Hanazono. The developers have since announced plans to spend more than \$600m to develop an 8,000-bed world-class resort village at its base, with ambitions to become "one of the most popular four season resorts in Japan".

NHR president Colin Hackworth says the project is expected to commence shortly in terms of architecture and documentation, with pre-sales coming on line towards the end of the year. Construction is expected to begin in March 2008.

www.harmonyresorts.com

Yama Shizen

Yama Shizen is a boutique condominium development located in an exclusive upper village location. Situated between Hirafu Gondola and Ace Quad lifts, with easy access to ski lifts and majestic views, Yama Shizen is within walking distance of restaurants, shops and nightlife.

Stage 1 of Yama Shizen is completely sold out; construction has commenced and is on schedule for completion on 15 December 2007, with occupation by owners from 28 December. Limited opportunities remain in Stage 2, on sale now, with properties starting from \$490,000.

www.yamashizen.com

Niseko Mountain Village

Brisbane-based developer Citimark announced it is teaming up with global investment firm Babcock & Brown on a \$150m mixed-use project in Niseko, Japan.

Niseko Mountain Village will be Hirafu's first international, fully integrated retail and residential development. Situated on a prime position in Hirafu Upper Village, the precinct will feature 150 exclusive apartments with the closest proximity in Hirafu to the ski lifts and gondola, Niseko's first day spa, a boutique hotel, restaurants and bars and a shopping and lifestyle precinct, Onsen.

"Construction is slated to commence at the end of 2007, from about September onwards, with settlement in late 2008," says Adrian Harris, Citimark Properties marketing director.

www.nisekomountainvillage.com

Big White, Canada

Regarded as one of the top family friendly ski and snowboard resorts in North America, Big White Ski Resort Canada – located 45 minutes from the nearest international airport at Kelowna, British Columbia – welcomes hundreds of thousands of visitors each year. As the second-largest ski resort in British Columbia, development on Big White is quickly moving forward as the 17,000 on-mountain beds struggle to keep up with increasing demand from the growing number of holiday-makers to the mountain.

Why invest in Big White?

First and foremost is the potential for capital growth. Jason Neumann, sales representative at Century 21 Assurance Realty, Kelowna, has recently been working with the condo development, The Aspens at Big White. "The Aspens project started approximately five years ago – phases 1 and 2 sold out quickly, and Phase 3 shows the same signs of a quick sell out. Properties have certainly seen a dramatic increase in capital gain, some as much as 100%."

Compounding the potential for capital growth is the fact that ski resorts are physically limited regarding the number of properties that can be produced. Property developer Steve Hyndman, who is behind the luxury townhouse project SouthPoint at Big White, points to this as a positive for potential investors. "Ski resort property is very limited as there is simply not a lot of new ski resorts being developed in North America – mostly due to the difficulty of clearing

numerous environmental hurdles in having a ski resort approved. So we have a fairly finite number and increasing demand from Baby Boomers for these types of property," Hyndman explains.

<sub-subhead> Why is now a good time to invest in Big White?

According to Hyndman, there are three distinct reasons why investors should look into Big White right now. "2007 will be, I believe, looked back on in the future as a watershed year at Big White, [due to] three major announcements," he says.

The first is Chateau Blanc, a proposed \$200m development – featuring 600 hotel units, a large conference centre and a number of commercial businesses – with an application in for a casino license. Big White Ski Resort has also commenced design negotiations for an 18-hole Greg Norman signature golf course, tentatively titled the 'Great White at Big White'.

However, the third and most significant announcement for Big White is that funding has been secured and tenders put out to bid for a huge expansion of the nearby Kelowna International Airport. "Of the three announcements, the airport expansion is the most important, as it is the reason for the first two," Hyndman explains. "These events, as they unfold over the next three years, will definitely drive prices higher at Big White. Timing right now is exceptional before prices start to react."

Jason Neumann agrees that now is the time to buy into the mountain. "With the recent announcements of a golf course and hotel/casino, Big White is certainly perched for year round activities," he says, adding that the Big White Ski Resort has existing plans for a further 25% growth in the number of ski homes to be built.

Where to invest

SouthPoint at Big White

SouthPoint offers an exciting investment opportunity due to its ski-in/ski-out slope-side location and enviable position as one of the top-renting developments at Big White. "With major growth on SouthPoint's doorstep, it has the best potential at Big White for eventual summer revenue as well, which will result in significant capital gains," Hyndman explains.

Phases 1 and 2, consisting of 15 townhouse-style units, have sold out, but construction of phase 3 is currently underway. Six of the 13 available condos have sold and the remaining suites are primarily two-bedroom, two-bathroom properties priced between \$395,000 and \$425,000. One premium penthouse suite also remains; the luxury 2,000 sq ft, three-bedroom property is on the market for just under \$1m.

www.southpointatbigwhite.com

The Edge

Located in Happy Valley near the gondola station, restaurants and proposed golf course, The Edge is a modern, innovative project that will consist of 26 single family apartments. Properties will range in size from modest three-bedroom units to a five-bedroom property with a wine cellar, theatre room, loft and private home gymnasium.

Priced between \$800,000 and \$3m, Solaris says the central location and "unique design and style" will prove very appealing to investors. "One other particular feature is the land zoning," explains Solaris. "These homes can be four storeys high – no other single family properties in the area allow this height." The project will be released eight properties at a time across three phases, with anticipated rental returns reaching \$3,000 per night.

www.solido-edge.com

Stonegate Spa

Tucked away in the village centre on the Hummingbird Run, Stonegate Spa offers resort attributes including two outdoor spas, indoor/outdoor pools, a plush theatre and a fitness centre. The apartments feature heated approaches and walkways, oversized steam showers, hot tubs and heated underground parking.

"Our homes offer a superb balance of prestigious mountain property and rustic alpine charm, with uncompromising quality and craftsmanship," says spokesman Tara Trottier. Prices start at \$385,000.

www.stonegatespa.com

The Aspens at Big White

The Aspens features 95 units including a duplex, townhouses and two buildings with luxury condos. Stage 1 and 2 are sold out, with stage 3 currently under construction.

The luxurious properties include heated slate floors in the entry and bathrooms, hardwood floors throughout and floor-to-ceiling fireplaces. "The Aspens occupies the highest address on the mountain and, because of this lofty location, we offer direct ski access to five major lifts and seven ski runs, with unparalleled uphill and valley views," says sales representative Jason Neumann.

Ranging in size from 705 sq ft to 4,000 sq ft, the properties are priced between \$280,000 and \$1.6m.

www.theaspensatbigwhite.ca

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