

Land price trend in Kutchan Town, Hokkaido

In declared land prices of Japanese Posted Land Price System at January 1, 2019 announced in March, 2019, it becomes the topic that two standard sites of Posted Land Price System located in Kutchan Town, Hokkaido became the first and the second in Japan in terms of the yearly climb rate of land price.

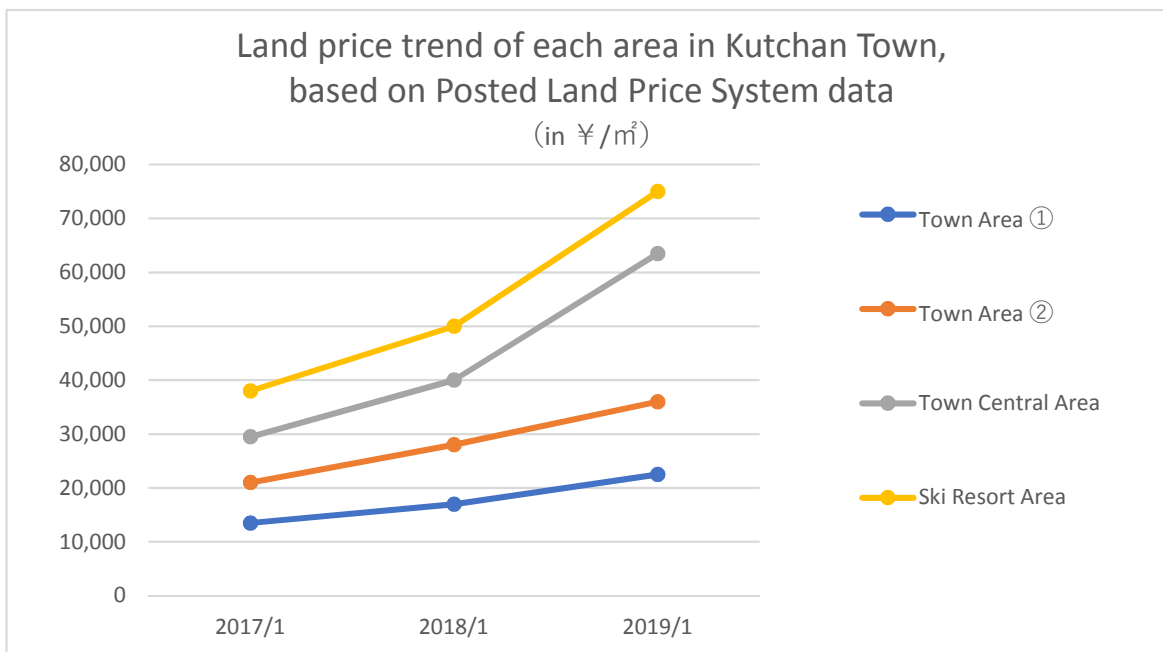
The site that became the first place is located in the commercial areas facing the main street in front of JR Kutchan Station, and the land price rose 58.8% compared with the previous year. The site that became the second place is a villa place located in the ski resort area of Kutchan Town, and its land price rose 50.0% year on year. The third place was the site located in the commercial areas in Chuo-ku, Osaka City, and its land price rose 44.4% year on year.

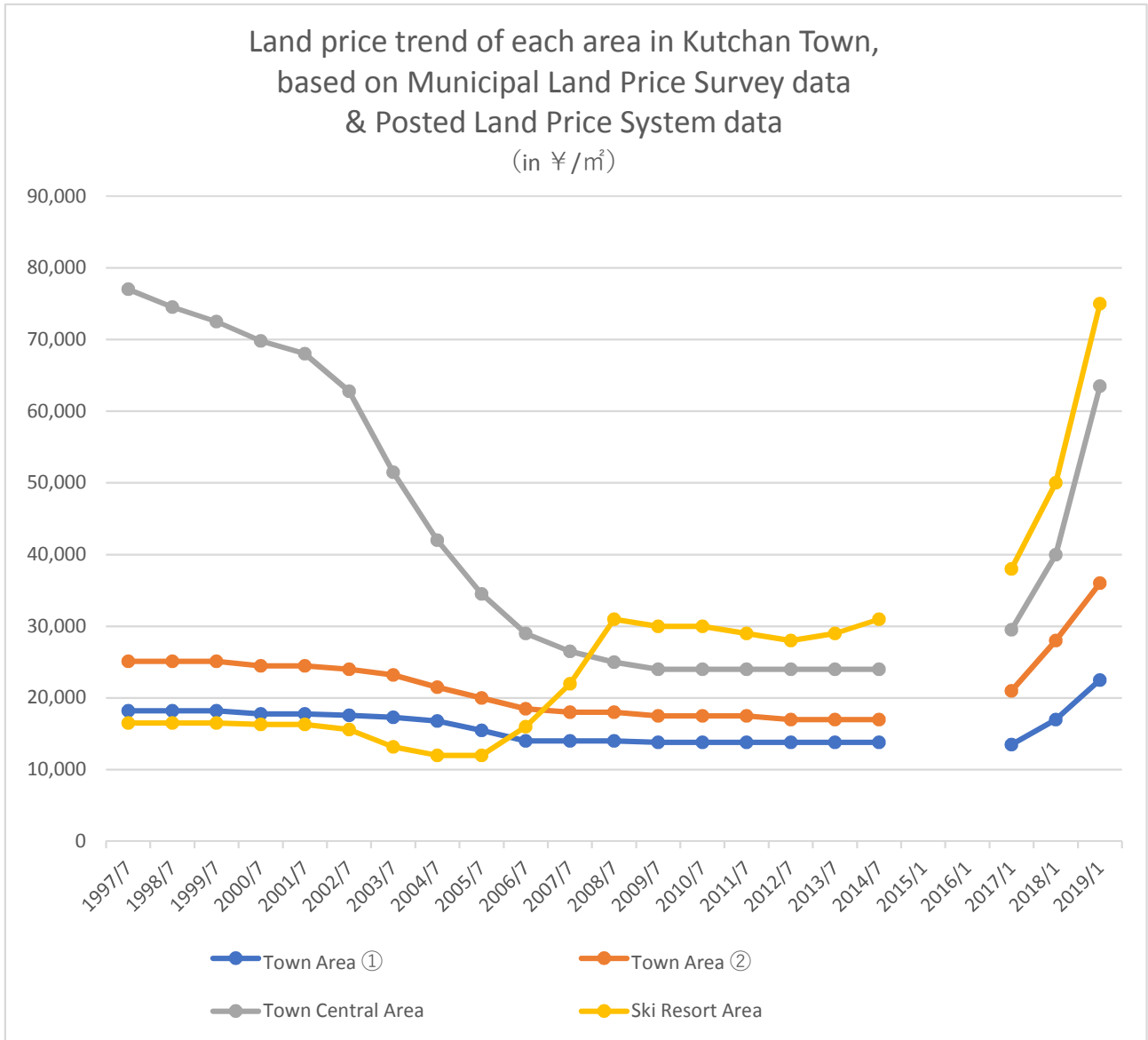
The remarkable rise of land price in recent years in Kutchan Town started in around the year 2005, when an Australian real estate developer deeply impressed with the snow quality of the Kutchan, Niseko area built villas and sold those mainly to Australians, and unused villas were leased to the visitors for skiing. Then the construction of hotels, villas for lease and condominiums for lease were carried out by the invested money from many countries including Australia, and the number of the ski visitors increased as well. As a result, at first the land price of the ski resort area rose, and then land price of the whole Kutchan Town rose as well.

The trend of the land price in Kutchan Town was analyzed as shown in the following two graphs based on Posted Land Price System data and Municipal Land Price Survey data under the conditions from ① through ③ listed below.

- ① The standard sites of Posted Land Price System were established for the first time in Kutchan Town in 1994, and the first standard site in the commercial area facing the main street was established in 1995.
- ② Municipal Land Price Survey data have been provided since 1997.
- ③ As for some of the standard sites of Posted Land Price System and Municipal Land Price Survey, the placement changes have been carried out. Although the placement changes are basically carried out between areas having high similarity, for the period from 2017 through 2019, it was fairly difficult to keep sufficient consistency between data of Posted Land Price System and the data of Municipal Land Price Survey because of the placement changes carried out for some of standard sites.

Two following graphs show the land prices of the standard sites of Municipal Land Price Survey and Posted Land Price System which are placed in Kutchan Town. The price in the period from 1997 through 2014 is based on the data of Municipal Land Price Survey, and the price in the period from 2017 through 2019 is based on the data of Posted Land Price System.





As shown in the above graph, in 1997, soon after the bursting of the economic bubble in Japan, the land price of the central area of Kutchan Town was still at a high level, and the land prices of the other town areas and the ski resort area were at a much lower level. Since then, the land prices of Kutchan Town fell in general and the land price of the central area in particular drastically fell. As for the ski resort area, its land price significantly rose in the period from 2006 through 2008, and became higher than the central area's land price in 2008. This situation happened mainly because of the increase in ski visitors and real estate investment money from Australia.

After 2009, the land prices of Kutchan Town continued some falls or the sideways movement. As for the ski resort area, its land price started to rise in 2013.

After 2017, the land price of each area continued to rise at a fast pace. As for the town central area and the ski resort area, the land prices continued to rise at a very fast pace. It seems that the land prices of Kutchan Town will continue to rise for the time being at a more moderate pace than now since the current land prices of the town central area and the ski resort area are approaching the land price level of the town central area at the time of the last economic bubble.

Opportunities of the real estate investment in ski resort areas in Hokkaido

As analyzed in the previous page, for the last three years, the land prices of Kutchan Town have sharply risen not only in Ski Resort Area but also in other areas as well. Generally speaking, it may be riskier to invest in real estate when its market is booming.

According to the data announced by Hokkaido District Transport Bureau, annual ridership of the cableway (ski lifts and gondolas) in the skiing areas of Hokkaido peaked at 96million in 1991 and decreased down to 51million in 2006. Since then, in relatively larger skiing areas such as Niseko or Furano, the increase in foreign skiers made up for the decrease in Japanese skiers so that the decreasing trend of the total skiers seems to be slightly improved.

As for the regional small scale skiing areas with less resources attracting foreign skiers, the number of ski visitors continues to decrease. For example, the number of annual ski visitors in Ashibetsu skiing area, that is to be closed after the skiing season of 2020, decreased down to 69,000 in 2015 from 113,000 in 2011.

In Hokkaido, the number of skiing areas peaked at 142 places in 1993 and 1994, and then due to the decrease of ski visitors, the number of skiing areas decreased down to 106 places in 2007. More than 80% of the skiing areas, that were closed during three years until 2007, were relatively smaller scale skiing areas having only one or two ski lifts.

The public skiing areas have been constructed to contribute to improving the health status of local people, and most of them are small or medium scale skiing areas which have less attractive points for ski visitors from outside areas compared with larger scale skiing areas. Accordingly, in these public skiing areas, the ratio of the skiers from outside areas is fairly low and the number of skiers continues to decrease because of the decrease in young population by low birthrate and aging in each locality. Under such situation, it seems that the number of public skiing areas terminating operations will increase in future. According to "Hokkaido pocket statistics 2019 ," the number of the local skiing areas that cities, towns and villages run becomes 92 places in the whole Hokkaido.

In the snowy district, although the residents' age distribution has changed quite much, the local public skiing area that is available to local people easily at low cost is still necessary for them to keep their health status in good condition, and it is lively argued how a local skiing area should be revitalized.

It is often said, "the snow quality is powder snow in any skiing areas if it is the depth of winters in Hokkaido". It seems to be really good about the snow quality even if it is a small scale local skiing area. Since the local skiing areas in Hokkaido have such a strength, if other necessary conditions are met, these local skiing areas may be able to attract relatively many ski visitors from external areas, and their ski business will go well.

Some of required conditions to succeed in the revitalization of a local skiing area in Hokkaido, and some of the merits of investing a local skiing area in a project to revitalize are listed below.

① Required conditions to succeed in the revitalization of a local skiing area in Hokkaido

It should be necessary to take some measures to meet the conditions listed below.

a. To keep the amount of investment at relatively low level

An example to meet this condition would be to revitalize under-utilized real estate such as abolished school buildings.

b. To attract many tourists from Japan and abroad

In order to meet this condition, the category of the tourist to target should be decided first, then attracting plans for that particular tourist category should be made. As for Japanese tourists, it is most likely that aged people would be selected as the first target.

c. To create the tourism resources in addition to snow sports

Since local skiing areas are usually small with one or two ski lifts, some other tourism resources available during a period from spring to autumn should be created in order to attract sufficient number of tourists.

d. To cooperate with neighboring local skiing areas

In reality, it would be difficult that each local skiing area creates new tourism resources and markets them by itself. It would be more practical that some neighboring skiing areas cooperate to plan and create varied new tourism resources and attract many tourists from Japan and abroad.

② Merits of investing a local skiing area in a project to revitalize

The investment might have the following merits.

- a. Necessary investment amount would be relatively small.
- b. This revitalization project would be carried out every each local skiing area in cooperation with neighboring other local skiing areas, so that the entire project could be flexibly adjusted against various condition changes.
- c. Since the investment amount of each project would be relatively small, new finance technique such as the crowdfunding might be applicable.

As mentioned above, it seems that there are a lot of investment opportunities in revitalizing the real estates which are currently not utilized effectively.

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