



PHOTOGRAPHY PINESEI KANJANKAKARON

Having grown from sleepy ski slopes to a world-renowned luxury ski destination, what's next for Niseko's real estate market? Avid skier turned accidental developer Jonathan Martin shares how he has shaped this slice of Hokkaido and what to look forward to.

MOVING MOUNTAINS

by CLAIRES NELSON

JONATHAN
MARTIN
PHOTOGRAPHED
ON LOCATION AT
THE VALE NISEKO
PENTHOUSE

Two decades ago, Jonathan Martin traded a life in finance on Australia's sun-soaked shores for the powder-rich peaks of Hokkaido, drawn in by the potential of what he saw as Asia's hottest snow-sports frontier. And as with all true frontiers, it takes a pioneer to lead things forward.

In 2006, Martin launched Niseko Alpine Developments (NISADE), the company behind many of Niseko's luxury properties, chalets and high-end homes, including the renowned The Vale Niseko in Hirafu. But NISADE hasn't just built beautiful spaces — it's reshaped Niseko into a premier alpine destination. For Martin, who leads the company as its chairman, NISADE's success has come from its joint pillars of design integrity and functionality. "It has to look good, but more importantly, it has to function well," he says.

We sat down with Martin to collect his insights for investors looking at Niseko, hear about the things he loves most about life in the mountains and find out what's next in his vision for this evolving region.

You came before the great Niseko boom. How did you go from being a suit-and-tie wearing fund manager to Niseko's first luxury property developer? It came about at one of those pivot points in life. I was years deep in the corporate world in Sydney, but the days immersed in ski-town life were not forgotten. So when an opportunity to invest in a Niseko development appeared in my inbox, I jumped in as a passive investor.

I have an exacting drive and passion for design so the relocation to Niseko didn't feel insane to me (especially given my children were still preschool age). From there, it morphed into a full love story with the snow, people and Japanese culture. That fundamental

driver for design was curated in early projects and then consummated in The Vale Niseko. My then partner Kal taught me to never assume, never stop improving. That propelled NISADE into the limelight as a key developer in Niseko.

The Vale Niseko remains iconic in the Hirafu landscape and has maintained its popularity. What is the secret to its success? The secret is simple: functional design coupled with a long-term vision to ensure the building remained relevant for decades. We stayed true to our vision of capturing the natural earth elements knowing that with the "beachfront" location of the building they would underwrite its future. Of course we knew the future would bring bigger and better products, so our drive was to ensure the building held its rightful place, not top of the podium but certainly on the podium.

As a new developer, what was the market like back in 2007 and 2008? One of our advantages was everything being so young — we could step back and design to a specific demographic, and the early signs pointed us at Hong Kong and Singapore, which were relatively new investor markets back then. We researched those markets in depth; both are very sophisticated real estate markets, design-driven and happy to invest in premium-grade products. Perhaps that's another reason for its longevity.

THE SECRET
IS SIMPLE:
FUNCTIONAL
DESIGN
COUPLED
WITH A
LONG-TERM
VISION...



THE VALE NISEKO



HANACREEK
HANAZONO
TOWNHOUSES



HANACREEK
HANAZONO

How do you approach balancing new developments with the local community? When we started, the market was in such infancy that it had no depth — with no comparables to follow, designing and developing was very speculative. The area has since developed so fast that it's never had a cohesive, long-term development master plan, and over many years my team and I have worked with Kutchan town and Niseko town to try and steer their understanding and vision. The majority of residents have struggled to understand and keep pace with resort development. What's needed is a combination of urban and resort planning to come together and refine what Niseko is and what it represents.

What makes Niseko an attractive investment location today? Of all the resorts and destinations in Japan, Niseko is underwritten by institutional grade investment, both domestically and — more importantly — internationally. With PCPD and YTL book-ending the ski mountain, the destination's future was put in place many years ago and you can see that now with tier-one investors like Park Hyatt, Nikko Style, Moxy Hotels, Hilton. This allows infill development and attracts companies of size and scale such as SC Global, Six Senses and Dragon 101 or tier-two investors. While not of similar global reach, in a local context NISADE is in this group.

What advice would you give to first-time investors considering Niseko? Each year my team and I meet excited first-time investors who came on a ski holiday, fell in love and want to invest. My advice is to work with the right people to understand the whole market and the core motivation: is it a straight investment, or a mix of investment and personal use?



NISEKO KYO

STATS SOURCE: CG HOTELWORKS MARKET REPORT TD2023



NISEKO KYO

The latter tends to be the primary motivation, and we suggest investors look at the metrics: what is the property generating in net income? Work through available inventory within the targeted ROI and then explore the emotive side of location, design and amenity. The market is driven by new-release products but there are considerable opportunities in the secondary (resale) market.

What can you tell us about the region's economic health? Niseko remains a winter-centric market, so investment return really is driven by 100 days of winter. While summer is growing, it will take a few more years for it to start driving returns. The net yield to investors entering the market today remains around 1 to 3%, and I don't see that changing in the short term. Early investors are enjoying solid yields with the rise of nightly rental rates; some would be close to 10%.

A core issue for Niseko is that it's expensive to construct. This underwrites what products can sell for, so there's an imbalance between the cost to purchase real estate and the price operators can rent the property for. But one has to be cognisant of what rental rates will be in future years and, to date, the physical environment has ensured nightly rental rates are at the upper levels within Japan, and comparable globally.

What steps are being taken to develop Niseko into a year-round destination? The secret to Niseko's future is as a wellness destination. Fresh air, fresh food, fresh water. It can't compete with Whistler, Aspen or the European Alps for activity — we don't have the local user base — so it must be a destination offering.

Our target markets live in dense, urban environments, which are super hot and muggy through summer, so an offering to enjoy or even relocate to Niseko for summer is compelling.

And how do you see its luxury real-estate market evolving? I believe Niseko could become a centre for design. The depth and talent in architecture is staggering. We already have works by Pritzker Prize award-winners Tadao Ando, Kengo Kuma, Shigeru Ban and Riken Yamamoto, and there are many other amazing designers actively in the market.

The projects I see bringing the most in the coming years are Odin Hills, Hanacreek and the upcoming villa offerings by PCPD along with the Hoshinoya hotel, which is now a syndicate of heavyweight Japanese companies. These properties will be of a global standard in luxury and, when overlaid with full services, will re-benchmark Niseko.

What have 15 years in Niseko meant to you professionally? The journey has been remarkable; myself and other key pioneers grabbed this blank canvas with both hands, and started the brushwork to create a global phenomenon. It's a testimony to the physical environment and the people behind it — we've worked through big events like earthquake disasters, the global financial crisis and, of course, Covid. The micro and local challenges are, in hindsight, no different to anywhere else: a fear of over-development, rising building costs and trying to keep pace with a rapidly changing market.

And on a personal level? Returning to Niseko never fails to disappoint. The landscape is stunning 365 days a year, and there are so many simple experiences to enjoy — it brings me no end of joy to put on my snowshoes and go walking in the forest, especially at night, under the stars.

Culturally, I like to think it has rounded me, that the core tenements of respect and loyalty that underwrite Japan have rounded my "western" edges and helped me build into the community. *W*

NISEKO IN NUMBERS

