

## **BUYING**

### **Q1. Can I purchase property in Japan?**

**Yes.**

Any foreign national can legally purchase real estate in Japan without restriction. Permanent residency status is not required. The transfer of title is straightforward and absolute.

All of the property available through Niseko Property is free hold title.

Niseko Property quotes land and building sizes in m<sup>2</sup> and in the Japanese measure of tsubo. One tsubo is approximately 3.3 m<sup>2</sup>. This measure is used as a guide for Japanese Vendors. All official documentation is in m<sup>2</sup>.

## Q2. Why Niseko?

The Niseko Resort Area on the island of Hokkaido, northern Japan has become the most talked about winter resort in Asia.

Due to its proximity to large population bases in Australia, New Zealand, Hong Kong, Singapore, Taiwan, and China, visitation and investment in the area has increased steadily over the last 10 years.

The Niseko Promotion Board reported a substantial increase in international visitor numbers for the Niseko region. In 2001, less than 1000 foreign guests visited the Niseko Resort Area. In the winter of 2009/10 this figure has reached 100,000 guests with visitation expected to rise to 120,000 guests in the winter of 2010-11. The first wave of international guests were primarily from Australia, however in the last 3 years the number of guests from Hong Kong, China, Taiwan, Singapore and Malaysia has been growing at over 100% per annum.

Land and property values in the Niseko Resort Area increased rapidly in the last decade. 2008 saw Niseko prices peak. Although there has been a reduction in some areas in key areas, prices are continuing to rise.

While current world economic conditions have added an element of caution to the local property market, interest in the Niseko Resort Area has remained strong.

Richard Li's Pacific Century Premium Developments (PCPD) company has completed work on stage one of the redevelopment of Hanazono. YTL purchased the Hilton Hotel in 2010 and plan to build 100 apartments and Villas in the next 5 years. They have recently refurbished the Greenleaf Hotel.

The Vale development was completed December 2009. This five star development in Hirafu, alongside the landmark Alpen Ridge apartments, has consolidated the Niseko Resort Area and in particular Hirafu as Asia's premier ski destination. There are new developments currently proposed in Annupuri, Rusutsu and Furano.

The extension of the Shinkansen (Bullet Train) from Tokyo through to Sapporo is well underway and it will have a significant impact on the Niseko Resort Area. This extension includes a planned stop at Kutchan (Hirafu's neighbouring town – 10 minutes by car from Hirafu). Kutchan will see substantial investment by the central government over the next 10 years. It is expected that with the completion of the Shinkansen, the Niseko Resort Area will see a strong increase in domestic and international visitation year round.

## What does this mean to you?

The Niseko Resort Area is a great location to purchase land or a building:

- ✍ As an investment for income and capital growth
- ✍ To use as a four season holiday home

The influx of international visitors has been the main driver for property prices and accommodation demand. The current and proposed development to the region will see domestic and international visitation continue to increase, creating further demand for quality accommodation.

Rental return rates of between 35% for residential apartments, combined with strong capital appreciation and no restrictions on foreign ownership have attracted buyers from Australia, Asia, and ex-pats living in Asia.

There are now a variety of companies providing services to international guests in the English language, including ski rental, lessons, massage, physiotherapy, and child care. This makes the Niseko Resort Area more accessible and user friendly for international visitors.

Although best known for one superlative season, the Niseko Resort Area is blessed with four distinct seasons.

Consistent and plentiful powder snow conditions throughout the winter season with average temperatures of  $-7^{\circ}\text{C}$  make for ideal skiing and snow boarding. The Niseko United Ski Area is internationally recognised with terrain to suit all ability levels.

Lush green rice fields dominate the spring landscape.

Mild, dry summers average  $+25^{\circ}\text{C}$ . Shangri la in comparison with the main island of Honshu which experiences hot and humid weather.

Crisp autumn days with the kaleidoscope of colours from the changing of the leaves rival if not exceed the New England fall landscape.

There are an abundance of outdoor recreation opportunities outside of the winter season including golfing, rafting, hiking, mountain biking, cycling, horse riding and fishing.

The Niseko Resort Area is approximately 2 hours drive from New Chitose International Airport.

## **Is the Niseko Resort Area's growth sustainable?**

We believe it is.

The apartment and real estate market has only just emerged in the last 7 years and prices are still substantially lower than most Australian and international ski resorts.

There is a limited supply of land and apartments and the sharp increase in visitor numbers has created strong demand for rental accommodation. These factors will underpin the real estate market and they also point to continued strong capital growth in the coming decade.

The Niseko Resort Area averages 15m of snow per year which is about 25% more than Whistler's average. For ski enthusiasts this is what Niseko is all about and it is this fact more than any other single issue that will ensure that Niseko continues to grow.

## Are there alternatives to the Niseko Resort Area in Japan?

Yes.

There are over 500 ski areas in Japan ranging from vast interlinked resorts to small single lift slopes. The best snow conditions are found in northern Japan and in the central Japanese Alps.

The ski industry in Japan is undergoing a revival after a decade long slump. An influx of foreign skiers from Asia and Australia are leading this renaissance. The resorts attracting the most attention are Hakuba (a huge expanse of 10 separate resorts) in central Japan and the northern resorts Furano (host to World Cup downhill races) and Niseko.

The Niseko Resort Area is at the apex of this renaissance due to the combination of:

- ✍ Amount of freehold land for sale
- ✍ Number of international visitors
- ✍ Proximity to an international airport
- ✍ Four season recreation and accommodation options
- ✍ International and English language services
- ✍ Range of bars, restaurants and hot springs
- ✍ Snowfall
- ✍ Terrain

## **What is planned for the Niseko Resort Area?**

Continued growth in the area looks positive as a number of well publicised major capital investments are planned for the immediate future.

Hilton Hotels Corporation has spent millions of dollars renovating and rebranding the former Niseko Higashiyama Prince Hotel into the new Hilton Niseko Village.

Niseko Hanazono Ski Area was acquired by Hong Kong based PCPD. Work on a ski-in ski-out village featuring restaurants, shops, and a housing development began in August 2008. New lifts to increase skier capacity and a magic carpet for learners are also part of the redevelopment plans.

The presence of these international brand names will further contribute to the Niseko Resort Area's standing as an international four season destination.

The proximity of Niseko Moiwa Ski Area to the Niseko United Group opens up the potential for the linking of these two areas. This would greatly increase the skiable terrain and invite further investment to the region.

The Vale development will be completed December 2009. This five star development in Hirafu, alongside the landmark Alpen Ridge Apartments, will further consolidate the Niseko Resort Area and in particular Hirafu as Asia's premier ski destination.

The extension of the Shinkansen (Bullet Train) from Tokyo through to Sapporo is well underway and it will have a significant impact on the Niseko Resort Area. This extension includes a planned stop at Kutchan (Hirafu's neighbouring town – 10 minutes by car from Hirafu). Kutchan will see substantial investment by the central government over the next 10 years. It is expected that with the completion of the Shinkansen, the Niseko Resort Area will see a massive increase in domestic and international visitation year round.

### **Q3. Is finance available ?**

**No.**

The Commonwealth Bank of Australia (CBA) offered financial solutions in the Niseko Resort Area leading up to the 2008/2009 winter season. The CBA launched the Japan Snowfields Property Loan, which allowed investors to borrow up to 50% of the value of their property in Niseko. Three hundred of these loans were issued before the CBA put the product on hold until further notice.

This loan was available to:

- ✘ Permanent residents of Japan
- ✘ Non-permanent residents of Japan (including expatriate residents)
- ✘ Residents of countries where the CBA has a branch

This product has been discontinued.

#### **If you live in Japan,**

Japanese banks require foreign borrowers to be either a permanent resident or married to a Japanese national. Borrowers may need to provide tax receipts of up to 3 years work history in Japan. If you own property offshore, depending on your financial situation, you may be able to secure lending against your offshore asset(s).

#### **If you live in Australia,**

Japanese yen loans using Australian property as security are available from most major Australian banks, for example ANZ and CBA, with interest rates currently at 4% or less per annum.

#### **If you live in Hong Kong,**

HSBC, Westpac, CBA, and major banking organisations can provide yen loans with the appropriate collateral depending on your financial situation.

#### Q4. Are there additional costs associated with my purchase?

Yes.

The price quoted on our website is the listing price that the Vendor has put the property on the market for.

Once a purchase price has been agreed upon by you and the Vendor, there will be additional costs - **Purchase Related Costs**.

The Purchase Related Costs are:

#### Solicitor / Translation fees

#### Niseko Property Commission

3% of the purchase price plus ¥60,000

**Plus** government consumption tax of 5% of the above calculation

The commission is calculated using the following banding system;

Purchase Price	Commission		Commission		
Between ¥1 and ¥2,000,000	5%	or	3%	+	2% of ¥2,000,000 = ¥40,000
Between ¥2,000,000 and ¥4,000,000	4%				1% of ¥2,000,000 = ¥20,000
Over ¥4,000,000	3%				

For simplicity,  
**Niseko Property Commission** is calculated as  $3\% + ¥60,000$

*For example:*

If you purchase a ¥5,000,000 property, the commission will be calculated as follows:

$$\begin{array}{r}
 5\% \text{ of } ¥2,000,000 = ¥100,000 \\
 + 4\% \text{ of } ¥2,000,000 = ¥80,000 \\
 + 3\% \text{ of } ¥1,000,000 = ¥30,000 \\
 \hline
 \text{Total} \qquad \qquad \qquad ¥210,000
 \end{array}$$

This is the same as calculating 3% of ¥5,000,000 plus ¥60,000

Once the commission is calculated we collect an additional 5% of that figure. This is for consumption tax which is paid to the government by Niseko Property on your behalf.

### **Contract Stamp Duty**

A number of government revenue stamps (literally like a postage stamp) which need to be purchased and then affixed to the Sales Contract and Statement of Important Matters documents.

### **Title Registration Stamp Duty**

A duty (or tax) charged by the government which is calculated on the value of the property (not the purchase price).

### **Title Registration Certificate Charge**

A fee of ¥1,500 will apply to every block of land purchased. An additional fee of ¥1,500 will apply if there is a building on that block of land.

*For example:* 1 block of land = ¥1,500  
1 block of land + building = ¥3,000

### **Postal Charge**

During the sales process we must courier documents to you. Niseko Property charges a flat rate of ¥3,000 to all Purchasers.

### **Annual Fixed Assets Tax**

The rateable value of the property determined by the government paid on an annual basis (also known as 'rates' or 'property tax' in other countries).

### **Bank Charges**

Niseko Property over estimates the bank charges to ensure that we will not need to ask for additional funds during the sales process. Any excess monies will be reimbursed on transfer of Title.

## Q5. How long does it take to buy property? How does the sales process work in Japan?

The **minimum timeframe** for transfer of ownership in the Niseko Resort Area with Niseko Property is **89 days**.

- 40 days to contract execution
- 14 days to contract settlement
- 35 days for reconciliation of funds and Title transfer to new owner

Niseko Property manages the process from beginning to end, assisting in all aspects of the sale to overcome any language, legal, and cultural issues that may arise.

### The Sales Process

#### Offer & Acceptance Stage

- ? Ensure you have the necessary funds available
- ? Contact us to discuss your potential purchase
- ? An offer is made and communicated to the Vendor
- ? A purchase price and payment schedule is agreed upon by both parties

#### Contract Execution Stage

- ? We will send you the cost of acquisition information for the purchase of your property
- ? You will transfer the 1<sup>st</sup> payment to the Niseko Property Trust Account. The 1<sup>st</sup> payment includes the Vendor's deposit payment plus the relevant charges to initiate the sales process
- ? A draft Sales Contract document and a draft Statement of Important Matters document will be sent to both you and the Vendor for consideration and approval
- ? Once approved, hard copies will be sent to the Vendor to be signed then to you to be signed
- ? 7 days prior to the agreed contract execution date you will have returned the signed Sales Contract and Statement of Important Matters documents
- ? 7 days later the contract is executed

**The minimum timeframe for contract execution to take place is 40 days**

### **Contract Settlement Stage**

- ? We will send you the Power of Attorney and Statutory Declaration documents to sign and have notarised
- ? We will send you the 2<sup>nd</sup> payment information for the purchase
- ? 7 days prior to the agreed contract settlement date you will have returned the signed Power of Attorney and Statutory Declaration documents, **AND** transferred the 2<sup>nd</sup> payment to the Niseko Property Trust Account
- ? 7 days later the contract is settled

**The minimum timeframe between contract execution and contract settlement is 14 days**

### **Title Transfer & Ownership Stage**

- ? The Title is sent to the Title Registration Office
- ? The new Title naming you as the owner is sent to Niseko Property
- ? Niseko Property couriers the Title, Sales Contract, and Statement of Important Matters documents to you
- ? Any excess monies will be reimbursed on transfer of Title
- ? Congratulations, you now own property in the Niseko Resort Area

**The minimum timeframe for Title transfer and receipt of new Title is 35 days**

## **Q6. I now own in the Niseko Resort Area, what happens next?**

Approximately 6-12 months after you become the new Title holder you will be responsible for an acquisition tax payment. This is a one time payment charged by the government on the purchase of property in Japan.

In addition you will be responsible for an annual fixed assets tax of 1.4% of the statutory valuation of the land. Statutory valuations are generally 50% lower than the purchase price.

If you do not reside in Japan, you are required to nominate a 'Tax Manager' to pay the annual fixed assets tax.

## **Who will manage my property?**

If you have a question about management or would like to enquire about commercial leasing please contact us.

Niseko Property recommend Niseko Consulting for the management of your property.

## **Property Management for Holiday Accommodation**

Niseko Property understands that investment owners want to ensure maximum return on their investment and require a professional, experienced management company to efficiently handle bookings, cleaning, snow clearing, and guest management.

Niseko Property recommends the services of Ski Japan Management, part of the [SkiJapan.com](http://SkiJapan.com) group.

## **Taxation**

The following information is intended as a guide only. We recommend that you seek advice from a tax professional if you have more specific questions.

## **Japanese Personal Income Tax**

Japan and Australia have a taxation treaty so you will not be taxed twice on income earned in Japan.

Non-residents who own property in Japan are required to file a tax return and pay the relevant taxes at the applicable rate.

Rental income may be subject to withholding tax. This may be offset against the income tax accrued and is refundable if no income tax is payable in Japan.

The rules regarding negative gearing in Japan are different from those in Australia. Please obtain professional advice before purchasing.

Income earned as rent is taxable as personal income. However, it is possible to offset taxes with accelerated depreciation expenses during the first five years. Interest payments may also be offset against rental income.

Please contact us if you would like a more detailed explanation.

### **What about depreciation?**

The contents of your property may be depreciated over 10 years at a rate of 10% per annum.

New developments are depreciated over a 39 year period at a rate of 2.6% per annum.

### **Independent Taxation Advice**

#### **Forest Accountability**

The Sydney based accounting firm of Forest Accountability provides both Japanese and Australian tax consultation (planning) and compliance (tax return) services.

Over the past three years they have assisted approximately 100 Australian investors or developers in the Niseko Resort Area. They work closely with associated tax agents and solicitors in Japan, and they also communicate directly with the Japanese authorities on behalf of clients.

Forest Accountability is the only practice in Australia with a team of five bilingual qualified accountants, led by Aki Forrest, a Japanese CPA with a solid knowledge base of the international taxation and domestic tax laws of both countries.

For more information please contact:

Aki Forrest MCom CPA FFin FTIA

#### ***Forest Accountability***

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## **BUILDING OR DEVELOPING**

### **Q1. I've bought property in the Niseko Resort Area and I would like to build or renovate. What are the general costs of building?**

The cost of building in the Niseko Resort Area can vary considerably depending on the quality of building materials. As a guide, current costs are between ¥190,000 and ¥255,000 per m<sup>2</sup>.

We can also assist you with project management, design, and the tendering process. Our experience in this area will ensure that you not only build your dream home but that your home or apartment is marketable.

**Q2. Are there any building regulations or restrictions in the Niseko Resort Area?**

**Yes.**

The Niseko Resort Area has been designated a "Special Heavy Snowfall Region". Building regulations for the climate and a local scenery preservation ordinance are in place.

The following building regulations are currently in place for the Niseko Resort Area.

<b>Location</b>	<b>Minimum Block Size m<sup>2</sup></b>	<b>Maximum Footprint (%)</b>	<b>Maximum Floor-Area Ratio (%)</b>	<b>Maximum Height (m)</b>
Upper Hirafu Village	-	40	300	22
Middle Hirafu Village	-	50	200	13
Lower Hirafu Village	-	50	200	13
St Moritz I & II	330	40	200	13
Kabayama	330	40	200	13
Izumikyo I, II & Stage	330	40	200	13
Outer Hirafu (Ruheil)	330	40	200	13
Hanazono North Hills	1000	30	100	13
Yotei Village	330	30	100	13
Spring Valley	500	40	300	22

*For Example:*

If you purchase/own a 330 m<sup>2</sup> block in Kabayama (minimum block size allowed for building), the maximum allowable footprint size is 132 m<sup>2</sup> (40% of the block size). Based on the above calculation, the total floor area of your building could be up to 264 m<sup>2</sup> (132 m<sup>2</sup> multiplied by 200%).

If you wanted to use all 264 m<sup>2</sup> you could have a building of 2 floors with 132 m<sup>2</sup> on each floor or a building with 3 floors with 88 m<sup>2</sup> on each floor as long as you did not exceed the maximum height restriction of 13 metres for this location.

Building set-back and eaves restrictions also apply. These rules vary depending on the location, size of the block, and may affect the maximum allowable floor size. Please contact us for further details.

New building regulations are currently being drafted for the Higashiyama and Annupuri areas.

## SELLING

### **Q1. I've bought property in the Niseko Resort Area and I would like to sell. How do I go about doing this?**

Please contact us directly and we can provide you with recommendations based on our previous sales and the current market in the Niseko Resort Area.

Niseko Property lists a broad spectrum of real estate options in the Niseko Resort Area and beyond. This includes luxury apartments; condominiums; commercial operations; land; and family homes.

Our listings are promoted year round in all major local magazines and selected international magazines.

The Niseko Property team attends international real estate conventions and expos and regularly visits Hong Kong, Australia, and Singapore to meet with clients to promote our listings.

Our extensive client base and marketing programs give our Vendors excellent market exposure for their properties.

Non-Japanese Vendors please contact:

Ruskin McLennan  
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Japanese Vendors please contact:

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**For your information:**

**Withholding Tax**

Withholding tax is 10% of the sales price, in lieu of capital gains tax made to foreign transfers of sales proceeds. Withholding tax maybe refunded wholly or partly after the sellers final taxation is calculated. Niseko Property can assist with Japanese capital gains tax enquiries.

**Capital Gains Tax**

Net gains realised from selling properties held for less than five years are subject to a minimum capital gains tax of 30%.

The taxable gain is computed by deducting the acquisition costs and related expenses, improvement costs, and transfer costs from the gross sales price.

Net gains from the sale of properties held for more than five years will be taxed at a minimum of 15%.

For independent professional taxation advice, please contact:

Aki Forrest MCom CPA FFin FTIA

***Forest Accountability***

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