

“JAPAN'S SKI RESORTS IN ATTENTION FROM OVERSEAS AND ITS APPRAISAL”

-Focusing on Hakuba Happo-One Ski Resort Appraisal Case-

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Hakuba Happo-One Ski Resort which locates in Nagano prefecture was one of the venue of 1998 Nagano Winter Olympics. It is the largest ski resort in Japan and has produced many Japanese Olympians. Therefore, it is considered as a “ski sanctuary” in Japan. In recent years, it came to be a recognition by foreign skiers and those are pouring into Hakuba. Because ski resorts are influenced by complex social and economic factors, in this paper, the trends and value factors of ski resorts are discussed, based on the appraisal of seven ski resorts that the author has been involved. Suggestions are made for ski resort appraisal and also advice is made for Licensed Real Estate Appraisers (hereinafter LREAs) who will be involved in such appraisal in the future.

Keywords: ski resort, regional resource, value, due diligence, passing of the baton

1. Introduction

Ski resort boom by foreign skiers that started from Niseko in Hokkaido has already spread to other areas in Japan. It results in difficulty in booking hotels and Japanese inns in ski resorts. Last season, those were fully booked in early summer.

Prior to this boom in 2014, Hokkaido Association of Licensed Real Estate Appraisers held a training course entitled “Foreign investment in Niseko resort”¹.

This training was innovative and epoch-making. The participants learned the street change that is unnoticeable during snow season and the dual price structure between the Japanese and the foreigners in the real-estate market. In addition, the participants recognized the problem that survey conducted by transaction price information provision system (new scheme)² by the MLIT (Ministry of Land, Infrastructure and Transportation of Japanese government) doesn't extend to new owners outside of Japan.

Since this training to today, various changes and movements are observed in Japan's ski resorts, and I have felt that needs of ski resorts appraisal has significantly increased.

¹ Held on July 25, 2014 at Hilton Niseko Village. Sessions “Overview of Niseko Area, Changes in Overseas Investment in Niseko, Trends of Large-scale Development Plans, Condominiums (simulation of return on investment, characteristics and behavior of consumers, etc.), Land Transaction Trends, Effect of Overseas Investment on the Local Economy, Investment in Area Other Than Niseko, Future Forecast and Risks, etc.”, Site Visits “Visit to Cottages by Bus, On-site Explanation of Niseko Hirafu Area, Condominium Inspection, etc.”

² Transaction price information provision system is a system of Japan that collects transaction price information through a questionnaire survey and uses this information while paying attention to protecting personal information. LREAs take care of surveying the properties subject to transaction in this system. This activity is referred to as new scheme, and the transaction case examples prepared by them are used in the appraisal work.

However, to implement ski resort appraisal, LREAs have to clear several issues. From the first step, identification of the subject property, LREAs might find out that ski resorts itself is a regional resources³.

2. Bankruptcy of ski resorts and its significance

Not only ski resorts, the entire resort industry of Japan declined after the burst of the bubble economy in 1991, and a number of resorts went bankrupt. Such bankruptcy created appraisal demand for various purposes, e.g. collateral evaluation, civil rehabilitation, and auction, and many LREAs involved in these activities.

For example, golf courses went bankrupt one after the other, and there was a time that any golf course could be acquired less than 300 million yen. As a result, there was an industry restructuring and surged companies that operate several golf courses, such as Accordia and PGM. Also, there are many golf courses which turned to be a solar power generation sites.

Today, ski resorts are following somewhat similar road. In Nagano prefecture, where holds the highest number of ski resorts in Japan, there were 110 ski resorts at peak and dropped to 85 today⁴.

However, in the recent years, some of the ski resorts have recovered through M&A etc., and/or by foreign skiers and returning of middle-age and elder skiers who had experienced ski boom in their younger days.

These trends and prospects of ski resorts differ from the golf courses. In ski resorts, there is a major change called carving ski in the background, foreigners recognized value of powder snow that is unavailable overseas, and above all, they found most Japanese ski resorts exotic with hot springs and local towns. In other words, 'Bankruptcy of ski resorts is synonymous with the collapse of local economy or culture'.

In relation to this point, Sakurada (2015)⁵ stated that ski resorts have "Historical background of development using snowfall intermountain region (snow country) as the economic resource", and he has pointed out that "For local governments and regional economy, to consider ski resorts as social consumption means (Kenchi Miyamoto) or social common capital (Hirofumi Uzawa) is necessary".

3. Value of Japanese ski resorts

What is the value of ski resorts? Popularity among skiers or their satisfaction or operating company's profit, or public significant in history or culture?

LREAs, who carry out appraisal and make the final judgment of value should consider various factors. In this paper, a point of view that "Japanese ski resorts drawing attraction from overseas" is discussed.

Recent overseas ski visitors in Japan are from Australia, New Zealand, South East Asian countries, and even Europe and the United States.

We often hear from overseas skiers visiting Japan, including Australians, that "Japan has powder snow.", "Japan is nearby.", and "You can see old ladies walking in the ski resorts in Japan."

³ With regard to "regional resource", in addition to "regional industrial resources" in the Regional Resources Utilization Promotion Law (common name) implemented in 2007, it is also connected with the "Economic resources", "Social consumption means (Kenchi Miyamoto)", "Social common capital (Hirofumi Uzawa)", etc. of Sakurada (2015) cited below. However, in this paper, it is used as a term that also connects to humanity characteristics and regional characteristics referred to in real estate appraisal standards.

⁴ Mountain and Highland Sightseeing Department, Tourism Division, Nagano Prefecture, 2015 Survey Report for Ski Resorts etc.

⁵ Sakurada (2015), p101.

Australians have the experience and understanding of ski, and in that sense, ski resorts in Japan might have excellent natural conditions and cultural aspects not found in the ski resorts in their country, and these are ‘New values that Japanese have noticed for the first time after they were pointed out by foreigners’.

On the other hand, there are a number of first time ski tourists from warm countries and regions. They are repeat tourists known as “shopping spree tourists” for their first trip to Japan and now returning to Japan’s ski resorts. It is evident that their visiting purpose to Japan has changed from shopping to enjoying ski.

With more flights operated by low cost carriers (LCC) and depreciation of Japanese yen, Japan is recognized as closer and cheaper. Not only sightseeing and shopping, winter sports facilities started to attract foreign tourists. Hakuba in Nagano prefecture which takes five hours by road from Kyoto is considered “close” by foreigners, which Japanese never thought as close before.

We often hear that affluent people from Hong Kong and the Middle East bring their family retainers and charter a helicopter to ski resorts. Overseas visitors of Japanese ski resorts are spread over a wide range from middle class to affluent class.

Such tendency was reported as a special topic entitled “To world’s most renowned ski resorts” in the monthly magazine “Leisure industry” published in November 2015, and it is expressed as “snow vacation”.

4. Trends of ski resorts and its analysis

What are the differences between the ski resorts that put up the shutters and the ski resorts that are thriving?

If we classify ski resorts into “day trip ski resorts” and “overnight stay ski resorts”, the latter will be the precondition for handling overseas visitors. However, transactions and demand of ski resorts seen recently need not necessarily be biased to overnight ski resorts, rather there are more day trip ski resorts.

With regard to this point, one may say that day trip ski resorts are relatively small and their financial strength is also weak, and therefore there is a high tendency that they are either closed down or sold off during recession. However, in reality, unlike golf courses, there is no specialized magazine that covers information about their bankruptcy or sale in a timely manner that would verify the trends of ski resorts. The only way is to track on the basis of information published in white papers on the leisure industry and information that is independently tracked and published by tourism division etc. of the respective local government, or on the basis of the featured articles published in magazines. “Changes in skiing population”, “changes in the number of visitors”, or critical review etc. are described as general force or market analysis, and these efforts are unfortunately insufficient to be called appraisal.

Besides, according to Kureha (2014)⁶, features of ski resorts that closed down or went out of business are “First is a small-scale ski resort” and “Second is a ski resort where the operating funds for cableway are with municipalities”, and he has presented useful multi-faceted positive analysis even for appraisal. However, unless the material is updated to the latest information from time to time, it is inappropriate to use it for appraisal.

Besides, LREAs handle the actual cases and they are in the position where they must conduct detailed individual analysis in terms of the background of the ski resort that led it to the current situation and operation and asset conditions of the ski resort. In that sense, it is only LREAs who can make realistic assessment of trends.

Well, what do common skiers require from ski resorts? If we search the Internet, we can find the options like scale and

⁶ Kureha (2014), p30.

for family, ski resort with hot spring, convenient transportation, for beginning, spring, and would like to visit once, etc.

In other words, requirements and purposes of skiers are extremely diverse, and considering popularity of snow board among young people and ski resorts where once can easily go, day trip ski resorts are not necessarily a bad option.

These requirements and purposes change with time. Second ski boom which peaked in 1993 was the time where there was a discotheque in ski resorts, where the emphasis would have been on having decent facilities that one can enjoy after ski.

Besides, for this to evolve to the stage where we can call it a boom, various background factors are required. In addition to favorable economy, there was a super hit movie “私をスキーに連れてって (Take me to ski)”, and introduction of five-day work week. In that time, everyone wanted to go to a ski resort.

However, the boom was over after that and many skiers disappeared from ski trails. The underlying background for this was just like golf, ski is also an expensive sport and this sport is such that anyone would find it hard to become skillful.

After that, it led to the present situation where the ski industry saw a major change called carving ski. This changed the ski board from a “straight shape” to a “curved shape”. In the beginning, it was just a type of board, but now it is said to be “reinvention in 100th year of ski” and the former straight shape boards are no longer produced.

Carving ski is an extremely well designed vehicle and in simple terms, one can easily take a turn. Furthermore, it is not scary even when skiing at high speed. This transformed ski to a sport that anyone can comfortably and dynamically enjoy.

Besides, boarding costs came down due to deflationary economy and popularity of stud-less tires created the environment where everyone can easily enjoy the ski.

For handling these changes, the present day ski resorts developed ski trails with compacted snow vehicles, operated artificial snow machine for ensuring stable operations, and developed parking areas near ski trails. Furthermore, it has become a pressing need to put information boards and setup ATMs for overseas visitors.

In other words, the largest factor for accommodating a large number of visitors having diverse requirements and purposes is building robust facilities as a ski resort. However, while this is easily understandable, management of most of the ski resorts could not make both ends meet. I think one of the reasons for this is characteristic of ski resorts as regional resource.

With regard to this point, Sakurada (2015)⁷ has pointed out that “Expanding the framework of regional administration from facility management to area management (comprehensive management of economic and cultural resources including sightseeing resources) will become the key to solving the present difficulties”.

5. Discussing points on ski resorts appraisal

Purpose of appraisal of ski resorts is not to review good and bad points of the ski resort as in a guidebook. In terms of analyzing value factors of the subject property and presenting the appraisal value, it doesn't differ in any way from general appraisal.

However, appraisal of a ski resort doesn't mean just determining the value of an object; it is rather a valuation of assets of the cableway company (ski resort management company).

⁷ Sakurada (2015), p101-102.

(1) Will the contents of appraisal or appraisal value change according to the purpose of appraisal?

This proposition is often heard in a general appraisal too. Although there are people who say “It is strange that it changes according to the purpose”, I boldly reply “it is natural that it changes. It would be strange if it doesn’t change.”

What are the applicable final terms and conditions anaphoric to the objective of request? What is required from the appraisal? Is it the going concern value of the ski resort? Is it the disposal value? These shows convincing grounds for the value, and therefore it would be strange if the description and the appraisal value doesn’t change.

Besides, as an actual problem, information that can be used for appraisal and judgment would greatly change depending on how much cooperation can be obtained from the ski resort management company during the implementation.

While conducting appraisal of a ski resort that would have undergone various changes so far, in any cases it is found that there is already an appraisal report, which was obtained for some purpose. However, even if it is presented as a reference, in some reports one would find that only a part of the land is appraised separately. This is intriguing, and even if one asks the person in-charge, the person may just say that he doesn’t remember LREA visiting and conducting the survey.

I think we LREAs do our best to the extent possible for addressing various requests. However, the appraisal report must make sense on the standalone basis even when it is presented to an unexpected recipient. In that sense, with regard to special properties like ski resorts, adhering to “General Guideline for Real Estate Appraisers on Determination of Purpose and Scope of Valuation and Contents of Report”⁸ etc. and conducting “Appraisal according to appraisal standards”⁹ is a work where hurdles are extremely high.

However, social trust in the appraisal system will be built purely on the basis of work that achieves this. Therefore, when handling such cases, LREAs must start their work with the sense of responsibility and the complete understanding of what they are about to do.

(2) Dilemma of market value of ski resorts and the appraisal value in appraisal report

Most of the ski resort operating companies has accumulated debt because of large initial investment or subsequent additional investments, and they are in losses because of depreciation and amortization expense, but despite of that they have remained in business so far. This is mainly because of benefits obtained with the passage of moratorium period¹⁰ such as rescheduling of debt repayment. In other words, the existing ski resorts have already taken commensurate efforts for improved management.

However, if we go through the civil rehabilitation cases so far, things that should have been sorted out were sorted out

⁸ Real Estate Appraisal Standard is “Technical Code of Conduct” to be used when LREAs conduct appraisal. Value Survey Guideline is “Procedural Code of Conduct” to be used when LREAs and real estate appraisers conduct appraisal.

⁹ According to Value Survey Guideline, appraisal work in Article 3.1 of Act on Real Estate Appraisal can be divided into appraisal conducted as per the appraisal standards (the so-called normal appraisal) and value survey work not following the appraisal standards (the so-called simplified assessment).

¹⁰ After the collapse of the bubble economy, Japan adopted the administrative policy of quickly recovering bad debts. However, because of a spate of corporate bankruptcy cases, Japan implemented Act Concerning Temporary Measures to Facilitate Financing for SMEs, etc. in 2009 (the so-called Moratorium Act). This act was extended until 2013 and it was a temporary statute. However, irrespective of whether the act is applied or not, it became common and easy for corporations and individual to reschedule the debt repayment, and this has been expressed as moratorium period.

and a lawyer would temporarily manage the entity. However, in terms of whether the actual business improved or not, there were many cases where this didn't happen. There are many entities that have remained in recession even the essential problems have remained unsolved.

Transactions of ski resorts these days don't expect only capital gains. New business operators have emerged who take responsibility of passing on the ski culture to the next generation'. The leaders are Nippon Ski Resort Development Co., Ltd. and Macearth Co., Ltd.

Such market players have appeared, appraisal involving transactions of ski resorts can be classified into the appraisal prior to the sale and the appraisal after the sale. However, in both the cases, the appraisers will face the dilemma of transaction price, which is the fact and the appraisal value, which they decide.

Nonetheless, appraisal prior to the sale is done at the stage where sale of the resort is a confidential information, and appraisers have to work in secret without any official information disclosure. Appraisal after the sale cannot ignore the transaction fact, and in general, it is very much possible to come up with diverse appraisals in the respective aspect.

Here, I would mention one notable value factor. What is the actual transaction price of ski resorts these days? Basically, there is recession and it is a buyer's market, and transactions are done in terms of profitability of the investment. However, in terms of whether the highest bidder gets the property as a result of competition between multiple buyers, the answer is "NO".

Ski resorts transactions made these days, there are cases where the buyer's attributes, plan or proposal, etc. were the key factor instead of the price offered.

Is the transaction price a market value? Price quoted by the buyer after conducting due diligence over a reasonable period is rational for the buyer, and the buyer selected by the seller after reviewing and deliberating upon the price is considered to be the most feasible, and in general, it must be called market value.

In other words, the typical buyers of the subject property and the highest and the best use of the subject property is determined in real market.

With this fact, can LREAs conduct appraisal? Even if there is dilemma between the transaction price and the appraisal value, what is the dilemma?

Transaction price in the actual market (M&A market) of ski resorts is the business value, not the asset value, which is a constituent element of the company value. In other words, as a result of appraisal of the assets owned by the company, if there is any difference from the amount equivalent to asset value derived from the transaction price, it can be either a positive or a negative amortization of goodwill.

Besides, in many cases, ski resorts own inactive assets. Even their registry has delated already and they have no value, we consider a negative value because "demolition" is required for the highest and best use" of the subject property. Or else, items such as the risk of restoring to the original state upon expiry of land lease where we have no option but consider them in asset should be recognized as asset removal obligations in the books of account.

This lack of uniformity of handling or applying price of objects or events causes dilemma, and unless LREAs recognize that they are operating in this kind of mechanism, they will not be able to explain to the requesting party and the society in general.

(3) Position and approach of LREAs

Implementation of ski resorts appraisal, in the first place, it is important for LREAs to set up their scope of work with

their client.

Usually, the client's employees are responsible for their request. However, in a large project such as ski resort acquisition, questions or opinions are made from financial department, legal department, and even corporate auditor. Work cannot progress if the actual situation changes because of that. In other words, in general, the only way forward is for LREAs to take the lead and proceed with the appraisal work.

Moreover, people accompany the site inspection are often employees of the operating company to be sold. These people naturally are not favorable about the acquisition, and they worry about their future. LREAs must assess the surrounding situation in terms of how they should act for fulfilling their job duties. Such unfavorable feeling can be observed from local government offices and tourist associations.

That is because "bankruptcy of ski resorts is synonymous with collapse of the local economy and culture", and unless the acquiring company and the LREAs involved in appraisal make efforts for getting recognized and accepted by the local community, they will not be able to do a good job.

Would the LREAs skillful with golf be good at golf course appraisal? With regard to this point, while knowledge and experience of golf would be required, they need not be skillful players. This also applies to ski resorts. If LREAs are inapt, they would not be able to conduct site inspection at some places.

Would the local LREAs be better at the appraisal of ski resorts? While I live in Kyoto, I never visit the local tourist points, and many people from outside are much more familiar with Kyoto. Depending on the case, the local appraisers may be reluctant to put himself in the shoe of the person who has come from outside and then conduct the appraisal.

Would a large appraisal company be good at the ski resorts appraisal? Even if there is a specialized department in a university hospital, it is individual surgeons who conduct detailed examination or surgery etc.

I do not intend to say what kind of LREAs would do a good job. This would amount to assessing other people. This is the very reason that I would check how other professionals approach such cases and how they were involved. Depending on the situation or steps taken, they may not trust me at times and work may progress at all, and I would fall short of expectations of my client

Indeed, there are cases where appraisal done by other company is available. Many times people react, "There is attorney that I deal with. However, I was really surprised this time that LREAs brought their own snow boots". I keenly become about the prevailing misunderstanding or low awareness of the appraisal system. Besides, in general, I think the only way forward is to explain the purpose and significance of the work that I would be doing from hereon and then start by obtaining their understanding and cooperation.

(4) Identification of the subject property

Ski resort appraisal means appraisal of the cableway company's asset. In other words, as long as the company is earning by operating the lift etc., apart from land and building, all these assets would also become the subject property.

The gist of this work boils down to the market value in the books of account. Therefore, the assets are first grouped, and the appraisal is conducted after removing real estate that function independently, fixed assets such as vehicles, and other movable assets from the subject property in terms of ski resort.

It is impossible that details of the subject property would be shared at the time of receiving the request. These details would be cleared only after the identification is done by LREAs. This work would require a few weeks to a few months, and it wouldn't be an exaggeration to say that most of the effort is actually spent on this activity.

With regard to land (owned land), the first point would be to check what exactly the fixed assets described in financial statements. As for the breakdown of this, asset ledger, registry book, fixed assets evaluation, etc. are checked and lot classification is done for conducting the appraisal. Identification of the subject property presents the clients (new operator) the constitution and asset breakdown to be acquired. Therefore, in addition to similarities and differences in various materials, incorporate various information and summarize the list of assets so that the new operator can understand by matching them against the names of assets used on the day-to-day basis by the operator of the ski resort.

Similarly, for the leased land also, the starting point would be understanding what land rental described in the financial statements indicate, and then matching contract documents, expense vouchers, and other documents. It can be very much said that this work is somehow working into a labyrinth.

Sometimes, there are senior employees who are the historical witness of the resort. For continuing the operation of ski resorts, it is essential to obtain as much as information as possible from them. One may think that this activity should be done by general affairs and finance staff of the operator based on the instructions of the client (new operator). However, this is not a simple prepare of a list, and it is LREAs who are the most suitable for the work that requires deciding appropriate titles and summarizing the required information related to real estate.

The same activity is also done for buildings, structures, facilities, etc. Facilities pertaining to ski resorts include various items such as cableway (gondola, lift), snow-making machine, water tank, pump, and oil depot.

Concerning about the equipment and facilities appraisal, there are industry associations in this field. However, even if the appraisal conducted by experts from these associations is available, I don't think it can be used as it is for the appraisal of ski resorts. In other words, unless these experts have come up with the market value on the precondition of going concern after surveying the entire ski resort just like us, appraisal value arrived at on the individual basis cannot be immediately adopted, and for us it is equivalent to treating it as the book value in the asset register.

In addition, with regard to the pros and cons of LREAs conducting appraisal of assets such as facilities and equipment, instead of waiting for some kind of appraisal system or practical guidelines, I think that LREAs should actively get involved using day-to-day operating performance as the basis, that is, data such as acquisition price, maintenance and management cost etc. of each asset, and output of the surveys done by the LREAs. At least, considering that if it is appraisal work of a tourist facility association¹¹, it is not appropriate to ignore these facilities and equipment.

Subject property identification is completed after site inspection. However, for ski resorts, inspection before and after snowfall are required. Prior to snowfall where lifts are not in operation, climb up the inclined slopes without any proper road and check facilities and equipment located on dangerous cliffs. After snowfall, slide down the forest to check the assets. Appraisal involves such difficult work.

Clients (buyer) would not conduct prior inspection to this extent before the transaction. Besides, seller doesn't disclose information to this extent. It is natural that dilemma would occur between the transaction price formed in the market which this is natural and the appraisal value arrived at after the detailed survey.

Compliance is emphasized and any natural disaster etc. will become a social problem. Moreover, above all, considering that assets of cableway business operators involving people's lives are the subject property, even if it doesn't lead to the appraisal work, asset survey (due diligence) by LREAs as peripheral work¹² will be regarded as a piece of

¹¹ According to the Sightseeing Facility Mortgage Act, out of the facilities offered for use to tourists, amusement parks, zoo, ski resorts, etc. fall under this, it is possible to form a foundation for land and machined objects, machinery, tools, and fittings, animals, plants, and exhibits, leasehold rights of objects where there is lessor's consent and surface rights, rights to use ships, vehicles, aircrafts and accessories, and hot springs.

¹² Peripheral work in Article 3.2 of the Act on Real Estate Appraisal means conducting survey or analysis in relation to various factors influencing

valuable work. This is similar to a medical health check, and it should be conducted before a major illness strikes.

6. Appraisal case - Hakuba Happo-One Ski Resort

Hakuba Happo-One Ski Resort starts its operation in 1929, and it was the venue for high-speed alpine skiing and multiple competitions in 1988 Nagano Winter Olympics. Its size is approximately 300ha and is the largest ski resort in Japan.

Even though this ski resort have a long history, it could not remain unaffected by the flow of time. In 2011, Hakuba Resort Development Co., Ltd., the operator of this ski resort was acquired by Nippon Ski Resort Development Co., Ltd., and I conducted appraisal of the ski resort after their acquisition. At that time, Hakuba was already getting a significant number of overseas visitors. Apparently, the interest of overseas skiers, who had been to Niseko, had shifted to Hakuba, which is also having a town where one can see elderly women walking on the streets. [Refer to Table 1]

Table 1) Trend of number of overseas tourists boarding in Hakuba village¹³

区 分 (国 名)		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
アジア Asia	韓 国 KOR	4,203	15,710	14,283	11,562	8,929	4,220	5,901	2,448	1,831	1,098	955
	台 湾 TPE	408	2,070	1,559	5,538	6,091	6,152	6,124	6,051	5,929	6,047	7,558
	中 国 CHN	285	186	263	653	702	823	934	442	407	459	968
	香 港 HKG	539	2,899	3,036	2,113	2,885	3,129	3,667	3,434	2,987	4,032	4,834
	シンガポール・SIN・マレーシアMAS			1,207	1,722	2,248	2,368	2,615	2,279	1,959	2,487	7,734
	タイ THA			46	252	274	289	186	145	137	345	489
	その他 Other	479	2,152	315		227	344	312	303	199	301	
小 計	5,914	23,017	20,709	21,840	21,129	17,208	19,771	15,111	13,553	14,667	22,839	
ヨーロッパ Europe	イギリスなど欧州 EU		973	1,024	1,442	1,660	1,877	2,187	2,422	1,986	2,720	3,264
	北 欧 North Europe		129	126			326	351	846	855	1,017	1,322
	ロシア RUS		261	541			1,486	1,587	1,672	1,739	1,512	1,134
	その他 Other	102	1,140	254			269	165	315	290	117	97
小 計	102	2,503	1,945	1,442	1,660	3,958	4,290	5,255	4,870	5,366	5,817	
南北アメリカ North&South America	アメリカ USA	153	1,259	2,636	2,332	4,018	2,854	3,215	3,125	3,375	2,700	3,456
	カナダ CAN	0	51	147	133	221	198	336	586	645	696	814
	その他 Other	1,489	54	406			298	238	344	347	537	139
	小 計	1,642	1,364	3,189	2,465	4,239	3,350	3,789	4,055	4,367	3,933	4,409
オセアニア Oceania	オーストラリア AUS	2,429	5,558	7,250	12,138	17,921	17,163	14,903	29,497	20,057	34,096	43,094
	ニュージーランド NZL		40	54			303	284	846	838	896	703
	その他 Other	69	0	345			10	15	0	15	30	0
	小 計	2,498	5,598	7,649	12,138	17,921	17,476	15,202	30,343	20,910	35,022	43,797
その他	在日外国人 Foreign residents in Japan				—	—	—	—	924	776	1,171	795
	国籍不明 Nationality Unknown				3,082	4,715	703	458	336	343	397	67
合 計 (延べ宿泊者総数)		10,156	32,482	33,492	40,967	49,664	42,695	43,510	56,024	44,819	60,556	77,724

Reaction of the local community, Happo onsen town, was divided into two, positive group and cautious group in accommodating foreign tourists. But the concern was focused on the acquisition of the ski resort, and I felt their future expectations. During the inspection and investigation, we stayed at and visited different lodging facilities and collected their feedbacks. Government office was suspicious about the massive survey items. However, I honestly conveyed our position and significance of our work, and I could obtain their cooperation in terms of various information and documents.

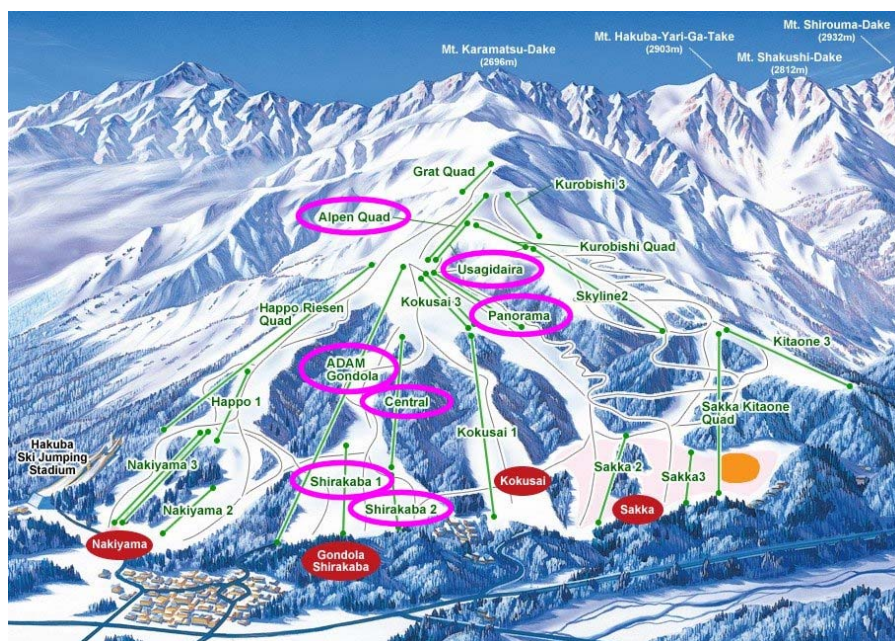
This ski resort was jointly operated by Hakuba Resort Development Co., Ltd. and two cableway companies, and revenue generated from cableway operations was divided according to the points set for each lift and gondola and the number of users. In other words, this appraisal is a partial appraisal¹⁴ regarding one cableway company pertaining to the ski resort. [Refer to Figure 1]

the objective value of a real estate, or providing counseling related to use of real-estate, transactions, or investments. This area should draw attention in future because LREAs can leverage their skills and extensively work in the society

¹³ Survey of the number of overseas tourists boarding in Hakuba conducted by Tourism Department of Hakuba Village. It is the number of overseas tourists boarding in the accommodation facilities available in the village during January 1 – December 31 every year.

¹⁴ When a real-estate is comprised of a combination of land and building etc., given this condition, the constituents of real-estate are included in the scope of appraisal.

Figure 1) Parts of Hakuba Happo-One Ski Resort that are operated by Hakuba Resort Development Co., Ltd.¹⁵



Furthermore, for cableway business, Hakuba Resort Development Co., Ltd. has subsidiary companies Iwatake Resort Co., Ltd. and Tsugaike Gondola Lift Co., Ltd., and it also operates the adjacent Iwatake snow field (jointly operated by Hakuba Resort Development Co., Ltd. and Iwatake Resort Co., Ltd.) and Tsugaike Kogen Ski Resort (jointly operated by total four companies including Hakuba Resort Development Co., Ltd. and Tsugaike Gondola Lift Co., Ltd.), and for these assets, in some cases they are owned as integrated sightseeing facility and in some cases this is not the case. Amid this, for each ski resort, it was necessary to conduct appraisal of assets of Hakuba Resort Development Co., Ltd. and its subsidiaries. [Refer to Table 2]

Table 2) Brief configuration of 3 mountains in Hakuba

(1) Cableway business	Hakuba Happo-one Ski Resort			Iwatake Snow Field			Tsugaike Kogen Ski Resort		
	Gondola	Lift	Sales	Gondola	Lift	Sales	Gondola	Lift	Sales
Hakuba Resort Development Co., Ltd.	1	7	37%	1	10	100%	0	9	28%
Iwatake Resort Co., Ltd.				0	1				
Tsugaike Gondola Lift Co., Ltd.							2	1	33%
Others (outside the scope of appraisal)	0	16	63%				0	13	39%

(Includes lifts out of service. Sales figures are actual allocation of 2011-2012 winter season)

(2) Ski slope	Hakuba Happo-one Ski Resort	Iwatake Snow Field	Tsugaike Kogen Ski Resort
Hakuba Resort Development Co., Ltd.	Usagidaira, Panorama etc.	All	Hannoki, Shirakaba etc.
Iwatake Resort Co., Ltd.			
Tsugaike Gondola Lift Co., Ltd.			—
Others (outside the scope of appraisal)	Riesen slalom etc.		Kanenonaruoka etc.

(3) Restaurants, retail sales, hot spring etc.	Hakuba Happo-one Ski Resort	Iwatake Snow Field	Tsugaike Kogen Ski Resort
Hakuba Resort Development Co., Ltd.	Usagidaira terrace etc.	Sky arc, Iwatakenoyu etc.	Yukinohiroba etc.
Iwatake Resort Co., Ltd.		—	
Tsugaike Gondola Lift Co., Ltd.			Tsuganoyu etc.
Others (outside the scope of appraisal)	Snow plaza Sakka		Tsugaike Rest House

¹⁵ This was plotted after obtaining the permission to use the image from Happo-One Cableway Operators Association.

With regard to income, in the cableway business, there were a considerable climbers in the summer season in addition to skiers in the winter season. Furthermore, there were other businesses such as restaurant, sales of goods, and hot spring, and allocating the revenue and expenditure of Hakuba Resort Development Co., Ltd. that operated the aforementioned three resorts in the integrated manner and revenue and expenditure of its subsidiaries according to each appraisal category (ski resort) was known to be difficult even with the cooperation of the operator.¹⁶

Besides, this appraisal is a partial appraisal conducted in the situation where actual assets, revenue and expenditure of other cableway companies are unknown. Therefore, there was a limit to the accuracy of appraisal. Even if this information were provided, it is difficult to say that the integrated value analyzed up to the actual situation of other companies can be rationally allocated to the subject property, and this is because of limitations of theory, technology, and capability.

Earlier we discussed about day trip ski resorts. Even if they are small and their status is low, in addition to cableway earnings, if the ski resort can earn revenues on all avenues including restaurant, sale of goods, parking space, and boarding facilities, in some sense it would be a cash cow.

Against this, the subject property 's main income is from cableway business, and even if makes efforts for bringing new customers, it is other cableway companies or hot spring town that would benefit, and it will have only limited effect on the earnings of the company. The constitution is such that the other way round is also possible, and business could be greatly affected by external effects. In other words, it can be said that there were difficulties in the appraisal of regional resources.

By the subject, the subject property of Hakuba Happo-One Ski Resort included 34 parcels about 23,000 m² of owned land, 61 plots about 800,000 m² of leased land, 34 buildings, and 15 cableways and other equipment. Breakdown of these assets included grouping of assets in terms of land, building, gondola, lift, etc. constituting the ski resort, and dedicated parking space, attached stores, employee quarters etc. [Refer to Table 3]

As a result, thickness of appraisal report of this ski resort turned to be 3 cm. Besides, appraisal report of Iwatake snowfield became 6cm thick, and that of Tsugaike Kogen ski resort became 3 cm thick. The appraisal report was like the comic magazine "Shonen Jump".

Table 3) Outline of the subject property

Hakuba Resort Development Co., Ltd. Iwatake Resort Co., Ltd. Tsugaike Gondola Lift Co., Ltd.	Hakuba Happoone Winter Resort	Iwatake Snow Field	Tsugaike Kogen Ski Resort
Owned land	34 parcels 23,000 m ²	169 parcels 159,000 m ²	3 parcels 5,000 m ²
Leased land	61 plots 80,000 m ²	100 plots 820,000 m ²	37 plots 293,000 m ²
Building	34 buildings	74 buildings	62 buildings
Gondola, lift, facilities, etc.	15	24	21

¹⁶ In Guidance Notes on the Real Estate Appraisal Standards "V1.(4)③ Business Purpose Real Estate", leisure facilities such as golf courses are presented, and ski resorts will also be treated as business purpose real estate, according to this. Besides, in Practical Guidance Concerning Price Adjustment for Financial Statements "II- II -8-3(5) Adjustment of estimated price", it is stated that earning value should be emphasized for "Real estate with limited use where there is a high possibility of decline in marketability", that is business purpose real estate such as golf courses and ski resorts.

7. Next steps for the appraisal of regional resource such as ski resorts

(1) Importance of continuous involvement

Although the subtopic of this paper is “Focusing on Hakuba Happo-One Ski Resort Appraisal Case”, I would like to emphasize not only on appraisal techniques etc., but also the ideal approach to be taken by LREAs dealing with this kind of cases.

Appraisal of ski resorts has significant implications because it involves unraveling the complex reality of assets while feeling the local pulse, and it facilitates the continued existence of Japanese culture and industry. Getting involved in such cases is a very fulfilling and happy thing for LREAs.

Besides, even after the submission of appraisal report, I do consultation such as how to handle land lease renewal and what to do if the leased land (limited proprietary right of land) is seized and it is put up for auction. The work requires that I act as their family doctor, and my involvement is still continuing in this case. I think this also indicates one of the ideal approaches to be taken by LREAs.

During the process of extending such support after the appraisal, I ultimately end up visiting Hakuba several times a year, and there are also influences that I finally notice and matters that I realize once again as a result of this.

In Nagano prefecture, beside the famous Nozawana (coleseed greens) and buckwheat noodles, there are also delicious food such as wine and Shinano Yukimasu (coregonus maraena)¹⁷ etc. There are hot-spring inns. I enjoy all of these. Besides, overseas tourists already know this, and Shiroumaso, which is a hot spring hotel in Hakuba Happo hot spring, was first Japanese hotel to become the global winner of the World Luxury Hotel Award in 2012. This award is conferred on the hotels with outstanding performance. And the hotel has been winning several awards every year.

When I check such developments on the ex post facto basis, I realize that Hakuba Happo-One Ski Resort is appraised as a ski resort that truly deserves to be regarded internationally.

Besides, visitors declined because of the accident involving collapse of ceiling in the Sasago Tunnel on the Chuo Expressway in December 2012. In November 2014, Kamishiro fault earthquake of seismic intensity level 5 and above struck in Nagano Prefecture and Hakuba suffered severe damages because of this. Last season witnessed a record breaking warm winter and ski resorts all over Japan faced difficult conditions.

At the time of conducting appraisal in 2011, I naturally surveyed zonal regulations in the disaster system, and I also surveyed up to Magna Fossa¹⁸. Moreover, I also checked the relation between events that occurred in past few years and the number of days of operation, and the number of visitors. However, when so many unforeseen events continue to occur, you wonder why you appraise high risk business assets. It makes me realize once again the magnitude of LREAs' responsibility. Even when my appraisal report is presented to an unexpected recipient at a later stage, it must hold true as an individual appraisal, and it will not work if I say that the aforementioned risks are outside the scope in the appraisal of ski resorts.

In last few years, I have been taking residual ski training with my fellow LREAs. This is the so-called come back of middle-aged and elderly customers. In continuation of the previous year, we visited Hakuba Happo-One Ski Resort this year also. On our way to Hakuba, we talked about good and bad points of ski resorts, good and bad points of hotel, and

¹⁷ It is a fish of the salmon facility that lives in lakes, and Shinano Yukimasu is a popular name in Nagano Prefecture. Sashimi of Shinano Yukimasu grew in snowmelt in Nagano is a delicacy.

¹⁸ The Fossa Magna is a great rift valley that divides the Japanese archipelago in east and west. Hakuba is located on the Itoigawa Shizuoka Tectonic Line on the western edge.

general topics of the ski industry. Even when in this situation, I would verify my appraisal. I unintentionally end up collecting feedback about trends at the site. This thing and another, I also ended up having my preferred hot spring inn and bar. Developing such affinity is also one of the ideal approaches to be taken by LREAs.

(2) Awareness of the multiface nature of the economic society

Recently, I read an article about Hoshino Resort Tomamu selling Tomamu Ski Resort in Hokkaido to a Chinese fund for 18.4 billion yen, and this was highly acclaimed as a typical success story of turnaround of a loss making business.

My impression is “Gee whiz! Is that the exit?!”

Tomamu resort had collapsed after self-bankruptcy and civil rehabilitation of two business operators. It finally recovered to the level where it could be operated by one company Hoshino Resort. 80% shares of Hoshino Resort Tomamu were owned by a foreign fund. Therefore, the only remaining problem was that of business and it may not be something to be concerned about. Besides, this could have happened because it was a resort facility with a splendid hotel.

Not only ski resorts, foreign capital has already found its way in various fields in Japan. Even we Japanese were on a shopping spree all over the world at the time of the bubble economy, and all these is completely natural in economy.

If we think in that way, with the actual transaction value of 18.4 billion yen in the global market in front of our eyes, appraisal conducted from the position of doing a correct appraisal should hold true.

However, I think that foreign tourists visiting Japan these days certainly see value in ski resorts in the present Japanese culture. While sellers knew that they can sell at high price if they can sell to foreign funds, they were worried that the local economy or culture may get collapsed. Therefore, they passed on the baton to business operators that can pass on the ski culture to the next generation.

Backed by the spirit and integrity as professionals, LREAs tend to get preoccupied with meeting the purpose of request. However, they must constantly take a wide view, continuously gather information, and they must not forget the position of their work in the multi-faced economic society.

(3) Pursuing professional expertise

Chapter 1 “Foundation of Real Estate Appraisal” of Real Estate Appraisal Standards starts with “Because of its utility, land is the indispensable basis of all human activity”, and it suggests that one of the characteristics that sets land apart from other properties is socio-economic characteristics¹⁹.

However, with regard to distinguishing socio-economic characteristics that can be mentioned in Chapter 1, while they are understood as distinguishing socio-economic characteristics, they are prone to be simply treated as theoretical concepts. In Chapter 3 “Forces and factors on Real Estate Value”, specific social force, economic force etc. are listed as General force. However, it is difficult to interpret the regional social characteristics or regional economic characteristics felt through the appraisal of ski resorts. Despite of that, in Chapter 9 “Appraisal Report”, ‘Market characteristics of the subject property understood through regional analysis and individual analysis’ are stated as the matters required to be described.

¹⁹ Socio-economic characteristics of land are characteristics that would come up in terms of relation between us and land when we are taking various steps with respect to land. In Real Estate Appraisal Standard, socio-economic characteristics are described as “changeable social and economic utility and status (potential uses may be competitive or complementary; uses may also be changed), and physical adaptability (land parcels can be divided or consolidated).”

Change that Japan became closer is positively because of socio-economic characteristics (variability of social and economic position). From the time of late Mitsuo Kushida²⁰, several changes that occurred roughly during that time were automatically process in the concept of marketability or common value without drilling down further, and research works related to these basic considerations have been started and ended in pursuing the market value in the daily appraisal work.

In various appraisal reports, description of only general value force is extensive, and regional value factors and individual value factors are just mentioned as bullet points. I wonder whether this can be really called analysis. Besides, this is also the cases when we arrive at appraisal as per SS. Chap. 3²¹, and in a way, LREAs have a limited scope of making judgment. One may think that if it is about preparing such appraisal document, even a skilled staff member can do it.

Transactions for passing of the baton and transactions worth 18.4 billion yen are phenomena that occur in the actual economic society. However, if these phenomena occurred by necessity, I think it should be possible to conduct some kind of logical analysis or verification regarding value factors, and that is the real appraisal. In other word, it is LREAs judgment and opinion, and appraisal report is the summarized outcome of this.

Real estate appraisal standards were revised several times in these few years. Besides, practical guidelines are issued from time to time. However, as practitioners, many LREAs think that the standards become more segmentalized and elaborate, and one may tend to lose what the essence is.

In the appraisal of ski resorts, I feel just one sentence of focusing on productive value will not solve the situation because the present day situation is a result of the path already traveled by golf courses etc. so far. I think it has come to the stage where it is necessary to deeply consider about some theoretical ordering and practical steps to be taken.

To the extent I know on the basis my visit to Hakuba Happo-One Ski Resort last season, I heard that a condominium still under construction near the international ski trail was sold by 100 million yen. Besides, there are talks of development going to happen in Nagiyama area. From the expressions of local people who talk about this, I felt everything is not content about this.

In addition, due to increase of visitors, cases involving police matters also increased, and in December 2015 “Anti-Nuisance Ordinance (Ordinance of protecting the comfortable living environment in Hakuba)” was enacted. Businesses where serving liquor after 2 AM are banned and other acts such as smoking on road and littering is also regulated.

The reality is not simple. Value admitted by someone may not be accepted by million people. Besides, it cannot keep going as it is without doing anything. Amid the unstoppable flow, passing of the baton is also happening in terms of shift of generation of the local community. There are several views and ideas about this, and society and economy are moving amid the involvement of such people.

LREAs feel the worth and difficulties in their work because they are dealing with people and society on merely some objects. I think aggressively going after the worth and difficulties and continuing to deal with the society essentially means pursuing professional expertise.

²⁰ He is the author of “不動産の鑑定評価に関する基本的考察” (Issued by Japan Real Estate Institute, First Edition Released in 1966. At present it is a public information on the website.) that can be called as the origin of appraisal, and he is a very respected professional who built the foundation of the appraisal system in Japan.

²¹ SS. Chap. 3 is appraisal of real estate subject to securitization, and it is generally understood as the work that required the most detailed survey and analysis.

8. Conclusion

I conducted the appraisal of Sugadaira Hare ski resort in Nagano Prefecture in 2015-2016 season. Just likely every appraisal, it was a long term work from October last year until March this year.

Gaining experience and building track record are required for doing better work. However, this ends up evolving up to policy or greed for work. If I have to speak selfishly, I want to receive enough money and time and produce thorough outcome even in 10 cm width or 20 cm width. However, that would be ego outside the purpose of request. My work is to produce maximum required outcome within limited conditions, and in that sense, I am grateful to Japan Ski Resort Development Co., Ltd. and its chairman and director Mr. Taro Ujiie, who are my client for this appraisal, for providing this opportunity to me on the basis of their maximum understanding of the appraisal system and allowing me to present this case example in this paper.

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