TEXTINATION NEWSLINE

STRONG INVESTMENT IN NEW HOTELS IN JAPAN

HUNDREDS OF NEW PROJECTS PLANNED, ESPECIALLY UNTIL 2020

Tokyo (GTAI) - More and more tourists are visiting Japan. The demand for accommodation is increasing accordingly, as is investment in hotel capacities. A number of industries is benefitting from this. Japan has become a tourist magnet. Arrivals of foreign visitors have been increasing for several years. Tokyo will also attract many curious visitors as the venue for the Summer Olympics 2020. The Land of the Rising Sun is preparing for this. Investments in new accommodations have exploded and existing hotels are being modernized.

According to the trade magazine "HOTERES", which regularly reports on the development of the hotel and catering industry, up to 750 new hotels of various categories will be built between 2018 and 2022 according to currently known plans. This should increase the number of rooms by 109,000 units. This includes 600 hotels and more than 90,000 rooms until the Olympic Games 2020.

The Capital needs many new hotel rooms
Tokyo is certainly a focal point, but a number of hotels are also being built in Osaka and Kyoto. The three largest cities of the country form the so-called "golden route" of the tourist flow. They are also important economic centers where business people need accommodation. Not to forget the domestic tourism as a source of income too.

Photos: Pixabay
This results in a multitude kind of business opportunities. Apart from the construction industry, hotel operators are looking for new furnishings for hotel rooms and restaurants as well as for entertainment and activity areas. According to Japan Tourism Agency, about three-quarters of the travelers' accommodation used in Japan is western style, followed by about 19 percent in Japanese style.

According to a sector report by the real estate service provider CBRE, a total of around 80,000 new rooms will be built in the country's eight largest cities by the end of 2020. This is 30 percent more than at the end of 2016. Despite the boom in new construction, a shortage of hotel rooms is still expected for Tokyo in 2020.

**Extensive investments to be expected**

According to statistics from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), investment costs in hotel buildings have already increased eightfold in 2017 compared to 2012, and the newly built area has increased fivefold. The new building area for hotels reached around 3 million sqm in 2017. With investment costs of around USD 940 billion in 2017, this was more than 50 percent higher than in 2016. Investments will continue to rise with the many hotel construction projects in the pipeline. Japanese hotel groups, such as Route Inn Hotels and APA Hotels & Resorts, are at the forefront as investors. In addition, Japanese property developers are diversifying into the hotel sector, as the office property portfolio is already showing signs of oversupply.

Another real estate developer, Sumitomo Fudosan, is planning two major hotel construction projects, both scheduled for completion in 2020. These include a hotel at Haneda Airport with approximately 1,700 rooms and a hotel in Tokyo's Ariake area with 800 rooms. The company has not disclosed the investment costs for this.

**Selected hotel projects between 2018 and 2021**

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International chains want to establish themselves more strongly
In addition, some international operators are also interested in hotel openings in Japan. These include, for example, the Best Western Hotel Group. According to an interview in the Nikkei business newspaper of April 30, 2018, it plans to increase its inventory in Japan from 13 hotels at present to around 30 by 2020. The American hotel chain Hyatt is planning to expand its portfolio to ten locations in Japan by 2020.

Marriott International is also already on the market and plans to open its first W-brand hotel in Japan in 2021. This luxury hotel with 337 rooms is to be built by the Japanese construction company Sekisui House. With a luxury hotel of 98 rooms Bulgari wants to expand its presence in Tokyo in 2022. This will be located on the upper floors of a new mixed-use building planned by Mitsui Fudosan in the Yaesu district.

While the international hotel operators focus more on luxury, Japanese hotel investments are more focused on facilities with limited services, such as business hotels. However, in the view of the large flow of visitors this is likely to change somewhat. The experience value and the length of stay are to be increased in order to increase the occupancy and the yield per overnight stay.

Foreign tourists are important guests
After all, the fastest-growing category of guests are foreign tourists, rather than business travelers or domestic tourists. The government expects about 40 million foreign tourists to visit the country in 2020. According to an estimation of the governor the capital Tokyo will be visited by 25 million tourists alone.

At the end of 2017, the Japan National Tourist Organization registered 28.7 million foreign visitors. Over 7 million tourists each from China and South Korea as well as almost 4.6 million tourists from
Taiwan came to Japan. With 13.1 million foreign visitors, less than half of the international tourists visited Tokyo exclusively.

Source:
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