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CBRE Research Publishes 2020 Hotel Market Outlook for Japanese Regional Cities
(Sapporo, Nagoya, Fukuoka)

Sapporo, Nagoya, Fukuoka – Total New Supply of 15,000 Rooms by 2020; Will Still Face Room Shortage Hotel Demand Growth to Continue in Japan after Olympics

CBRE Research today released “Japan Hotel Market Outlook, Room to Grow II: Rising Inbound Demand in Regional Cities to Drive New Hotel Development,” a continuation of its previous hotels report, “Room to Grow - Hotel Demand Expected to Keep Pace with New Supply”. The follow-up report summarizes the prospects for the hotel market in regional cities in Japan including Sapporo, Nagoya, and Fukuoka.

Highlights

- **Hotel development boosted by growing inbound tourism in regional cities:** Between 2017 and 2020, the supply of new hotel rooms in Sapporo, Nagoya, and Fukuoka is expected to amount to 18%, 31%, and 30% of existing stock, respectively.
- **2020 hotel market outlook for regional cities:** CBRE estimates that, relative to demand, there will be a shortage of around 3,500 rooms in Sapporo, 2,100 rooms in Nagoya, and 1,400 rooms in Fukuoka.
- **New hotel type skewed in regional cities:** At least 55% of new supply in regional cities are business hotels, higher than Japan’s three major hotel markets (Tokyo, Osaka, and Kyoto) where the average is 43%.
- **Post-Olympics hotel market:** The increase in international tourism is a global trend and looks set to continue. Accordingly, hotel demand in Japan is also forecast to continue growing after the Tokyo Olympics/Paralympics.

Development boosted by rising inbound tourism in regional cities

With inbound demand now spreading beyond the three major hotel markets (Tokyo, Osaka and Kyoto), regional cities are expecting a new wave of hotel supply to enter the market. CBRE Research forecasts that in Sapporo, Nagoya, and Fukuoka, where hotel occupancy remains high and hotel business performance (RevPAR*) is still strong, a total of 15,000 rooms will be supplied by 2020, equivalent to 18%, 31%, and 30% of existing stock, respectively.

*RevPAR: Revenue per available room

2020 hotel market in regional cities: Room shortage expected in Sapporo, Nagoya, and Fukuoka

Using the Japanese government’s target of 40 million inbound tourists by 2020, CBRE Research has estimated the number of hotel rooms required to meet this demand. Despite the expected new supply, it is predicted that Sapporo, Nagoya, and Fukuoka will still face a room shortage. CBRE estimates a shortage of around 3,500 rooms in Sapporo, 2,100 rooms in Nagoya, and 1,400 rooms in Fukuoka.

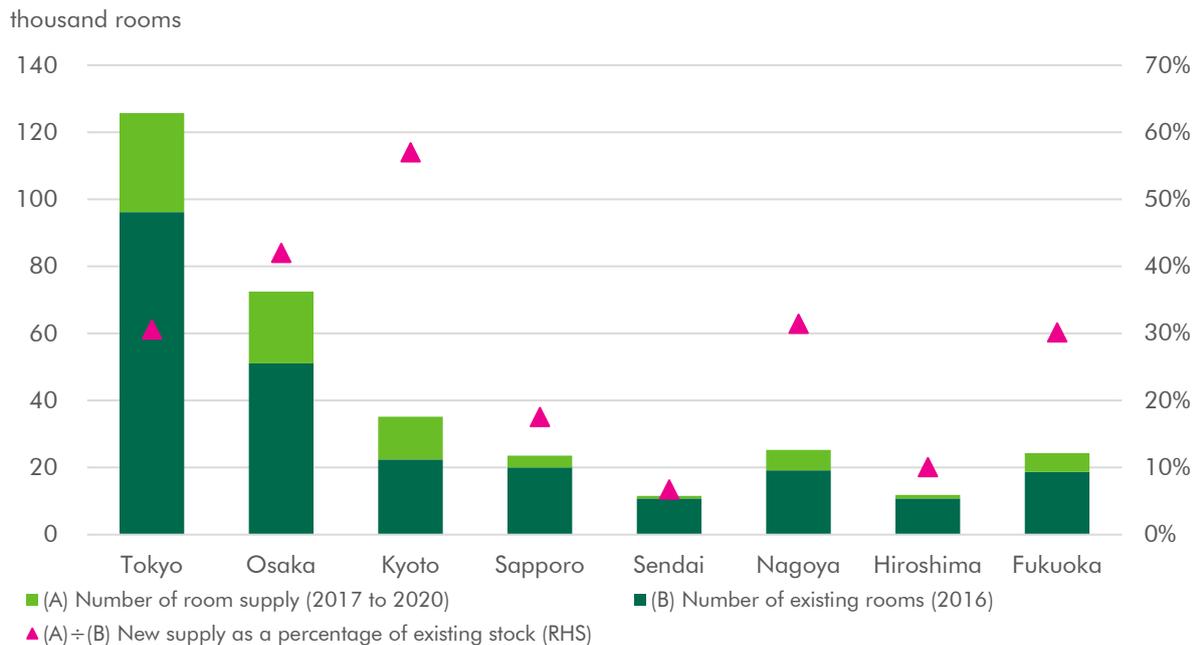
Hotel diversity demanded in regional cities

Inbound tourists’ quest for "experiences" has been cited as a reason behind increased inbound demand to regional cities. Given this backdrop, hotels should offer better (or further diversify) quality of accommodation, as well as facilitating the tourist “experience” beyond bed and board.

Post-Olympic hotel market

The global tourism market remains strong, with inbound demand to Asia Pacific growing at a particularly rapid rate. Demand surpassed the Americas in the mid-2000s and the gap widens every year - a trend that is expected to continue. Accordingly, hotel demand in Japan is also expected to continue its growth beyond the Tokyo Olympics/Paralympics in 2020.

CHART 1: New Supply of Hotel Rooms by City



Source : CBRE, December 2017.

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