

## “Hotel Occupancy Rate” is Rising Sharply

“Hotel Occupancy Rate” is calculated by dividing the number of booked rooms by the rooms available. It shows the utilization rate and is used to measure the degree of how busy the hotel is. Also, “Capacity Operation Rate”, dividing the actual number of guests staying by full complement, is used to evaluate profitability. Although it depends on types of facilities and their locations, in general, the occupancy rate drops on Sundays and off-season.

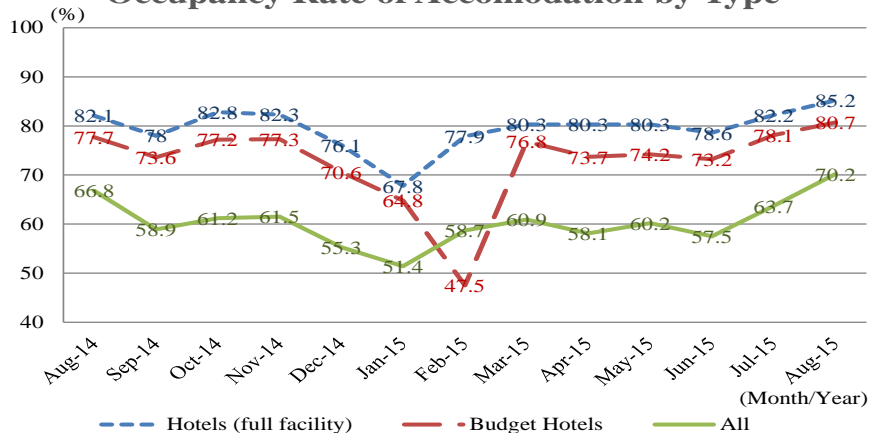
### Point 1

#### Increase of foreign visitors is the driving force

Occupancy rate is around 90% in Tokyo and Osaka, a record high since the survey started

- The Increase in the number of foreign tourists is the main reason for the sharp rise in the “Hotel Occupancy Rate”. The number of foreign visitors is likely to surpass 20 million (+49% YoY) which is a target initially set by the Japanese government to be achieved in the year 2020. For this reason, the rise in the “Hotel Occupancy Rate” in famous sightseeing spots such as Kyoto and large cities such as Tokyo and Osaka is prominent.
- Occupancy rates of hotels (full facility) and budget hotels nationwide were 85.2% and 80.7% respectively, in August. Many hotels in Tokyo and Osaka surpassed the occupancy rate of 90% which was in effect ‘fully occupied’, except for Sundays. Even the average occupancy rate of nationwide accommodations was 70.2% in August which is a record high since this survey started in the year 2010.

Occupancy Rate of Accommodation by Type



(Note) Data period is from August 2014 to August 2015.

(Source) SMAM, based on the Ministry of Land, Infrastructure, Transport and Tourism.

### Point 2

#### Hotel room charges also shot up

More than 10% hike in FY2015

- Hotel room charges are sharply rising due to the tightening of demand and supply as it is believed that room charges start to rise when the hotel occupancy rate surpasses 80%. According to the Services Producer Price Index released by BOJ, “Hotels” rose almost 10% YoY since April 2015 which is the highest amongst items of the Services Producer Price Index.
- The background of this phenomenon is that supply is limited as building new hotels takes time and on the other hand, demand is expanding significantly. This is why hotel related stocks were selectively bought as Inbound Consumption related stocks in the Japanese stock market.

## Hotel room charges are likely to continue rising, however, regional disparities exist

### ■ Inbound tourism consumption is likely to continue to increase in the future

Hotel room charges are likely to continue to rise in the future as strong growth in the number of foreign tourists is expected going forward. The increase in internet reservations by individual guests (generally prices are higher compared to that of a package tour from the hotel's point of view) seems to be the reason of the hotel room charge hike.

### ■ Strong demand in large cities and sightseeing spots

However, large regional disparities have been pointed out. While accommodation demand is strong in large cities and famous sightseeing spots, the increase in the number of guests and room charges are not so eminent in regions where only a few foreign tourists visit. The important point is having a good plan to call in foreign tourists.

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