

### First fall in inbound hotel demand in 43 months Some companies now cautious about hiking room rates

#### Reasons for weak hotel demand from foreign visitors unclear

On 7 October the Japan Tourism Agency published data from its accommodation survey (second set of preliminary data for July, first set of preliminary data for August). According to these figures, the number of guests in accommodation facilities was down 0.4% y-y in July (with Japanese guests down 2% and foreign guests up 8.9%) and down 1% in August (Japanese guests down 0.9% and foreign guests down 1.8%). This was the first time in 43 months that the number of foreign guests had fallen y-y, which is a potential negative for hotel operators, which constitute an inbound tourism-related sector. The view among stock market participants has been that accommodation demand would rise despite the end of so-called bulk buying by tourists, which has cast a cloud over spending in Japan by foreigners. With demand from Japanese people weakening too, some hotel operators that had been focusing on hiking room rates through the previous fiscal year have started to rein in rate hikes as they factor in occupancy as well, and hiking room rates will become increasingly difficult if demand from inbound tourists pegs level or even falls. At this juncture it is not clear why the number of foreign guests fell in August, and as we only have the first set of preliminary data, we will be watching to see if the second set of preliminary figures, due for release on 31 October, will have any revisions.

#### Hotel occupancy highest in Osaka

On a Japan-wide level, hotel occupancy was down 90bp y-y at 61.9% in July and down 40bp at 69.5% in August. While it came as no surprise that occupancy was higher in prefectures such as Hokkaido, Tokyo, Kanagawa, Chiba, Saitama, Aichi, Osaka, Kyoto, Hiroshima, Fukuoka, and Okinawa, we note that in July, occupancy was highest for all hotel categories in Osaka, with 91.1% for resort hotels, 89.5% for city hotels, and 88.4% for business hotels. Adding in traditional inns (ryokan) and hostels too, Osaka was the only prefecture in Japan with occupancy above 80% at 86.7% (down 70bp y-y), followed by Tokyo at 79.2% (down 790bp). However, we note that there are no listed companies with a particular focus on hotels in Osaka, and our coverage companies (Seibu Holdings [9024], Fujita Kanko [9722], Imperial Hotel [9708]) are not highly exposed to Osaka either. Imperial Hotel has a higher weighting towards Osaka, with the Imperial Hotel Osaka accounting for 22% of hotel business revenues in 16/3, versus 75% for the Imperial Hotel Tokyo and 3% for the Kamikochi Imperial Hotel. We have to say that we have no stock recommendations that are a good match for strong hotel performance in Osaka. Pressance [3254], which has investment property and condominium businesses based in the Osaka area, has started to develop and sell hotels in Osaka and Kyoto, but it has only eight development properties.

#### Global Markets Research

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# Appendix A-1

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