

Real Estate Analysis Report

Trend of Inbound Overnight Hotel Visitors from China

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Preface ¹

The number of inbound Chinese visitors to Japan increased to a record 1.413 million in 2010. The increase was encouraged in part by the easing of visa requirements for Chinese visitors on July 1, 2010 by the Ministry of Foreign Affairs of Japan, ² and occurred despite the fallout of the territorial dispute in the East China Sea between Japan and China last September. However, the Japanese government expects to welcome more Chinese tourists as ties between the two nations steadily improve in the future.

This report examines the trend and characteristics of inbound Chinese visitors and overnight hotel stays in Japan based on data from the *Accommodation Survey* published by the Japan Tourism Agency.³

1. Increase of Number of Inbound Chinese Tourists

As part of the New Growth Strategy: Blueprint for Revitalizing Japan⁴ announced in June 2010, the government re-emphasized tourism as a growth industry, and tourism from China in particular. On July 1, 2010 the Ministry of Foreign Affairs of Japan eased visa requirements for Chinese visitors. Many retailers and hotels in Japan have already hired Chinese speaking staff, set up sign boards and launched web sites in Chinese, and started to accept Union Pay Cards.

Since 2004, when the government's Visit Japan Campaign ⁵ was launched, the number of inbound visitors rose steadily until 2009. That year was a particularly bad year due to the recession after the collapse of Lehman Brothers and swine flu epidemic. However, in 2010 the overall number of inbound visitors recovered, surging 27% from the previous year to 8.61 million. The sharp increase can be attributed to the economic recovery in developing countries,

¹ This is a revised report of the [original Japanese version](#) released on July 1, 2010. The author thanks James Parker for help with editing the translation.

² Ministry of Foreign Affairs of Japan, "[Individual Sightseeing Visas for Chinese](#)," May 18, 2010.

³ For an overall statistical analysis on the Japan Hotel Market, please refer to Kazumasa TAKEUCHI, "[Overview of the Japan Hotel Market](#)," NLI Research Institute, May 27, 2010.

⁴ For information on the New Growth Strategy, see "[New Growth Strategy Blueprint for Revitalizing Japan](#)," "[New Growth Strategy-Strong Economy, Robust Public Finances & Strong Social Security System - <Outline>](#)", and the official [website](#).

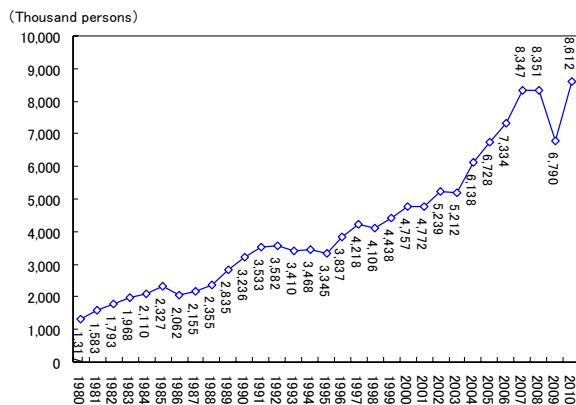
⁵ See "[Inbound Travel Promotion Project \(Visit Japan Project\)](#)" on the website of the Japan Tourism Agency.

relaxation of visa requirements for Chinese individuals, and growth of low-cost carriers (Figure 1).

By source of foreign tourists, Korea ranked first in 2010 with 2.46 million visitors, followed by China with 1.41 million visitors. China, by which is meant mainland China, is the only country to have continuously increased the number of inbound visitors to Japan.

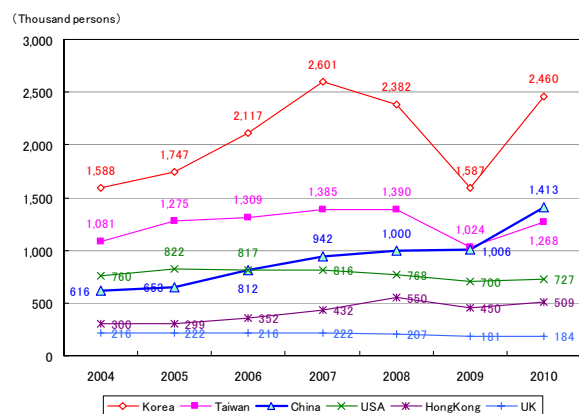
Figure 3 shows the monthly trend of total inbound visitors and those from China (in Figure 4, the same data scaled to 100). Although a decrease usually appears each year from August through December, the decrease in 2010 was unusually large due to the fallout of the clash on September 7, 2010 between Japanese coast guard vessels and a Chinese fishing boat near the disputed Senkaku Islands in the East China Sea. It has been reported that Chinese authorities discouraged Chinese tourists from traveling to Japan following the incident.

Figure 1: Trend of Inbound Visitor Arrivals in Japan



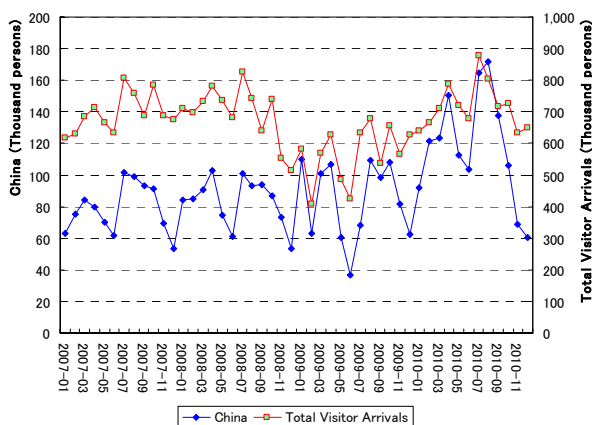
Source: Japan National Tourism Organization

Figure 2: Trend of Inbound Visitor Arrivals by Nationality



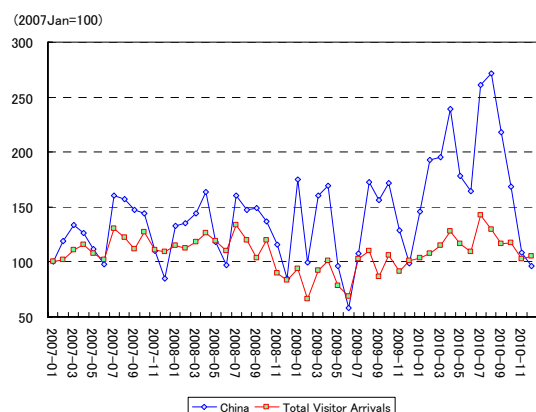
Source: Japan National Tourism Organization

Figure 3: Chinese Visitor Arrivals in Japan by Month



Source: Japan National Tourism Organization

Figure 4: Trend of Chinese Visitor Arrivals



Source: Japan National Tourism Organization

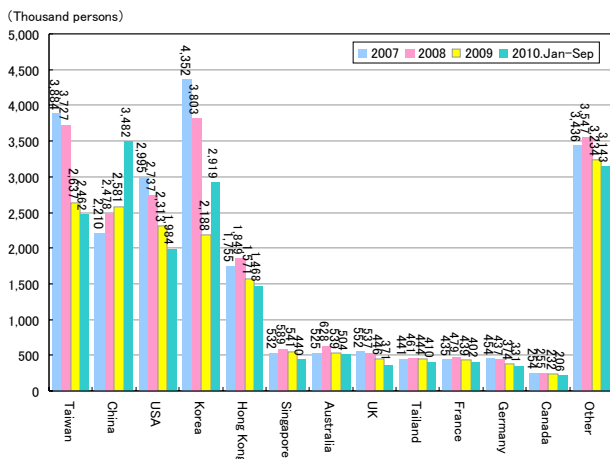
2. Numbers of Overnight Hotel Visitors from China

According to the *Accommodation Survey*, the total number of Chinese overnight hotel

visitors has been increasing, while those of almost all other nationalities have decreased, including Taiwan, USA, Hong Kong, Singapore, and Australia.

The total number of overnight hotel visitors from all countries decreased from 22.654 million in 2007 to 18.698 million in 2010 (Jan-Sept).⁶ By comparison, the number of Chinese overnight visitors rose from 2.210 million in 2007 to 3.482 million in 2010 (Jan-Sept), comprising the largest share by nationality. The Chinese share of total number of overnight hotel visitors continued to increase from 12% in 2007 to 23% in 2010 (Jan-Sept).

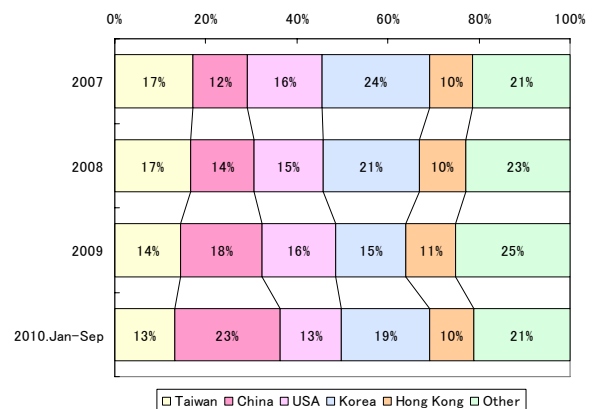
Figure 5: Total Overnight Hotel Visitors by Country



Source: Japan Tourism Agency, *Accommodation Survey*.

Note: Since the universe of the statistical survey was expanded in April 2010 from hotels with more than nine workers to all hotels, direct comparisons cannot be made before and after the change.

Figure 6: Share of Overnight Hotel Visitors by Country



Source: Japan Tourism Agency, *Accommodation Survey*.

The data shows that Chinese visitors prefer to stay in Hokkaido, Tokyo metropolitan area (Tokyo, Chiba, Kanagawa), Tokai area (around Mt. Fuji, Yamanashi, Shizuoka, Aichi), and Kansai Area (Osaka, Kyoto, Hyogo) (Figure 7). In particular, Hokkaido, Chiba and Aichi prefectures have seen a consecutive increase in total Chinese overnight hotel visitors over the last few years (Figure 8).⁷ Figure 9 shows that from 2007 to 2009, Chinese overnight hotel visitors grew significantly in Hokkaido and Chiba even as total overnight hotel visitors from abroad decreased (Figure 9).

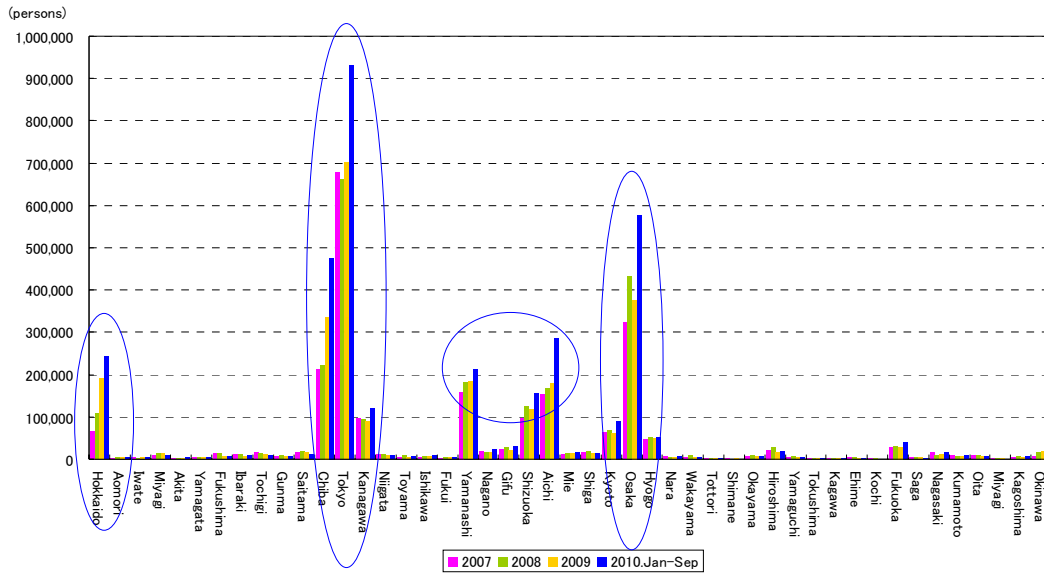
The *Accommodation Survey* also reveals differences in destination preference by nationality (Figure 10).⁸ For example, Korean tourists prefer to stay in Kyushu (Fukuoka, Nagasaki, Kumamoto, and Oita), while Taiwanese tourists prefer to stay in Hokkaido and Wakayama, and U.S. tourists strongly prefer to stay in Kyoto.

⁶ Since the universe of the statistical survey was expanded in April 2010 from hotels with more than nine workers to all hotels, direct comparisons cannot be made before and after the change.

⁷ The cause of the rapid increase of Chinese overnight visitors in Hokkaido in recent years is said to be attributable to the Chinese film, "If You Are The One," (非诚勿扰) a major box office hit from 2008 to 2009 in China that was filmed on location in Hokkaido.

⁸ See the reference figures at the end of this paper.

Figure 7: Total Chinese Overnight Hotel Visitors by Prefecture



Note: See footnote 6.

Source: Japan Tourism Agency, *Accommodation Survey*.

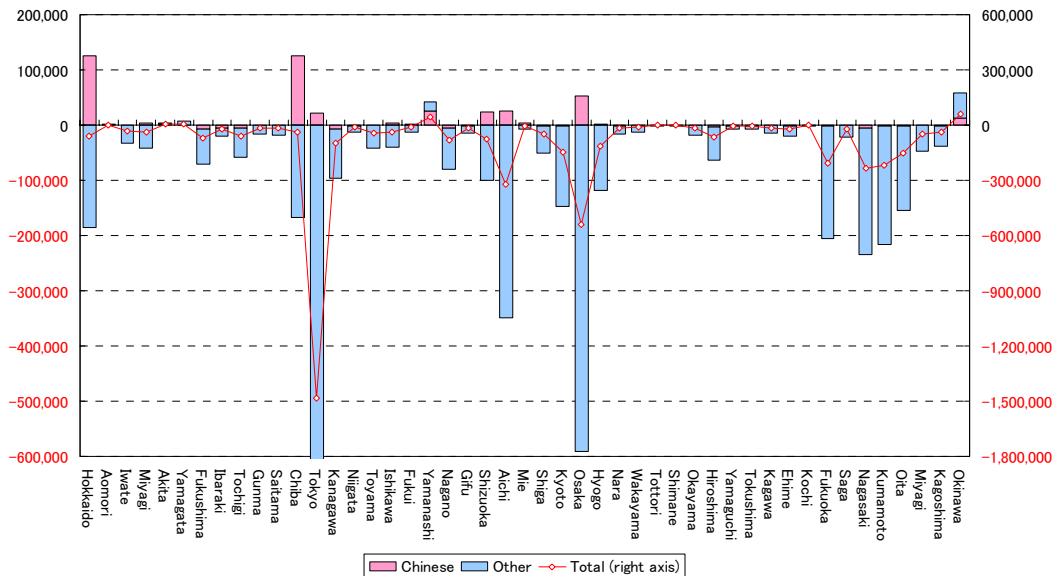
Figure 8: Number of Chinese Overnight Hotel Visitors in Major Prefectures

	Total Numbers of Chinese Overnight Visitors						Index (2007=100)					
	Total	Hokkaido	Chiba	Tokyo	Kyoto	Osaka	Total	Hokkaido	Chiba	Tokyo	Kyoto	Osaka
2007	2,209,860	65,580	211,500	679,740	64,170	323,060	100	100	100	100	100	100
2008	2,474,050	104,950	220,840	676,490	70,180	424,240	112	160	104	100	109	131
2009	2,580,870	190,320	337,110	701,520	62,970	375,560	117	290	159	103	98	116
20010.1-9	3,482,010	244,170	474,970	932,070	88,070	578,000	158	372	225	137	137	179

Note: See footnote 6.

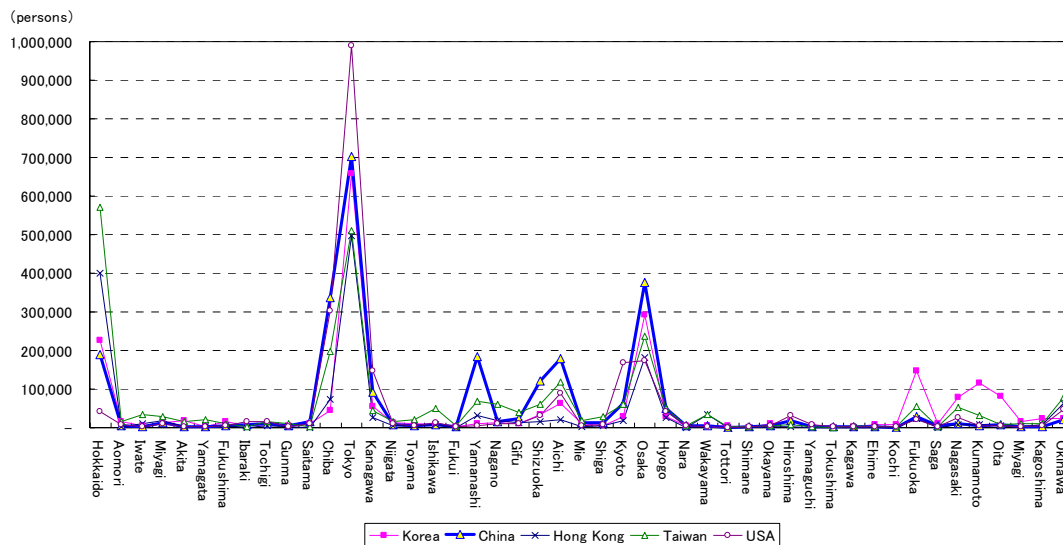
Source: Japan Tourism Agency, *Accommodation Survey*.

Figure 9: Increase of Chinese Overnight Hotel Visitors by Prefecture (2007-2009)



Source: Japan Tourism Agency, *Accommodation Survey*.

Figure 10: Total Overnight Hotel Visitors in Each Prefecture by Nationality in 2009



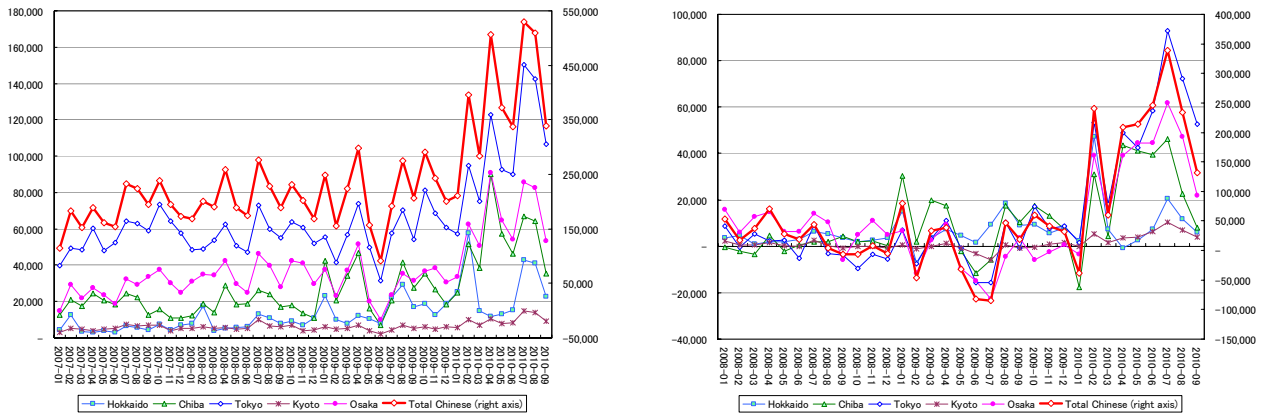
Source: Japan Tourism Agency, *Accommodation Survey*.

Monthly data from the *Accommodation Survey* shows that from February 2010, the number of Chinese overnight hotel visitors in major prefectures has drastically increased in the major prefectures (Figure 11). Although we cannot directly compare data for 2009 and 2010 due to enhancement of the universe of the survey in April 2010, it seems safe to assume that the increase of Chinese overnight hotel visitors from 2009 to 2010 is due to the increase of Chinese inbound visitor arrivals.

As we already saw in Figure 3 (and Figure 12), arrivals from China decreased sharply after the maritime territorial dispute between Japan and China in September 2010. The number of Chinese overnight hotel visitors is likely to have plunged in 2010Q4 in accordance with the sharp decline of Chinese arrivals.

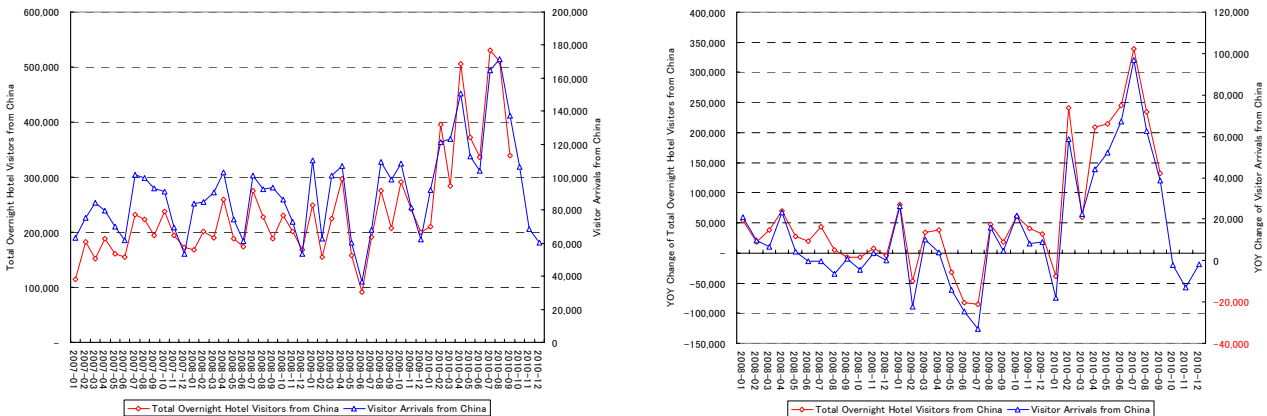
We can find a correlation among the number of Chinese inbound visitor arrivals, total number of Chinese overnight hotel visitors, and number of Chinese overnight hotel visitors in major prefectures. This means the government’s policy to encourage Chinese inbound visitor arrivals may have helped to increase the number of Chinese overnight hotel stays in major prefectures.

Figure 11: Chinese Overnight Hotel Visitors in Major Prefectures by Month
Number **YOY Change**



Note: See footnote 6.
 Source: Japan Tourism Agency, *Accommodation Survey*.

Figure 12: Chinese Overnight Visitors and Inbound Visitor Arrivals
Number **YOY Change**



Note: See footnote 6.
 Sources: Japan Tourism Agency, *Accommodation Survey*; Japan National Tourism Organization.

3. Conclusion

Japan's aging and decreasing population has made real estate investors pessimistic toward medium to long-term investment in Japan. However, we think that Japan's inbound hotel sectors may be free from the constraint of decreasing domestic demand. In fact, the inbound hotel sectors stand to benefit from the rising income levels of Asian economies.

In particular, the number of inbound visitors from China has continued to increase even after the Lehman shock. Previously, many Japanese hotel brands and retailers had expected to welcome even more Chinese arrivals. However, Chinese arrivals and overnight hotel visitors have decreased severely from the fallout of the maritime territorial dispute between Japan and China. Still, in the medium term, the relationship between Japan and China is expected to recover, leading to the further growth of Chinese visitors.

On the other hand, the growth of Chinese travelers to Japan has lagged far behind

compared to Korea and other countries (Figures 13 and 14). These figures show that the Japanese government and Japanese hotels should do much more to further boost the number of Chinese visitors.

We have outlined the trend and characteristics of Chinese overnight visitors in Japan based mainly on the *Accommodation Survey*, which may not been utilized adequately in the analysis of Japan's hotel market thus far. In addition, a new standardized survey, *Kanko Irikomi Kyaku Toukei*, provides data on the number of tourists and consumption expenditures of tourists by prefectures nationwide.⁹ Going forward, the *Accommodation Survey* and the new survey are expected to yield more precious data from which we can analyze the demand of inbound tourists in more detail.

Figure 13: Chinese Overseas Travelers and Chinese Arrivals in Japan

	Number		Growth rate		Chinese arrivals in Japan / Chinese overseas travelers
	Chinese overseas travelers	Chinese arrivals in Japan	Chinese overseas travelers	Chinese arrivals in Japan	
2004	28,852,900	616,009	42.7%	37.3%	2.1%
2005	31,026,300	652,820	7.5%	6.0%	2.1%
2006	34,523,600	811,675	11.3%	24.3%	2.4%
2007	40,954,000	942,439	18.6%	16.1%	2.3%
2008	45,840,000	1,000,416	11.9%	6.2%	2.2%
2009	-	1,006,085	-	0.6%	-

Source: Japan National Tourism Organization

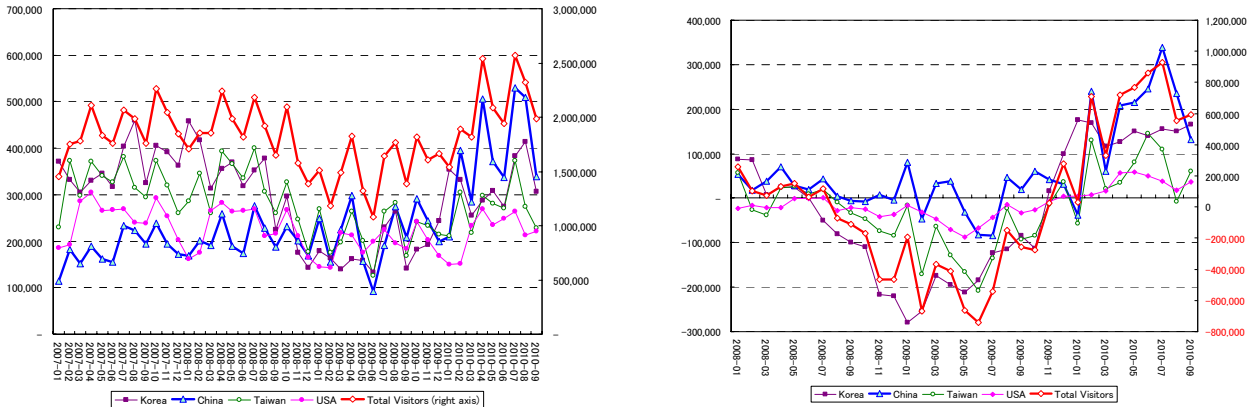
Figure 14: Chinese Overseas Travelers by Destination

	Numbers of travelers					Growth rate	Increase
	2004	2005	2006	2007	2008		
Hong Kong	7,793,900	8,029,700	8,434,300	9,092,700	9,379,700	20.3%	1,585,800
Macao	2,190,736	2,369,738	2,627,460	2,806,714	3,057,093	39.5%	866,357
Korea	627,264	709,836	896,969	1,068,925	1,167,891	86.2%	540,627
Singapore	880,259	857,814	1,037,201	1,113,956	1,078,742	22.5%	198,483
Japan	616,009	652,820	811,675	942,439	1,000,416	62.4%	384,407
Malaysia	550,241	352,089	439,294	689,293	943,787	71.5%	393,546
Rosia	813,142	798,661	765,336	765,120	815,469	0.3%	2,327
France	375,000	453,000	717,000	744,000	688,000	83.5%	313,000
Vietnam	778,431	752,576	516,286	566,369	650,055	-16.5%	-128,376
USA	202,544	270,272	320,450	397,405	492,958	143.4%	290,414
Germany	387,375	418,235	441,495	462,293	421,452	8.8%	34,077

Source: Asia Pacific Tourism Exchange Center, UNWTO

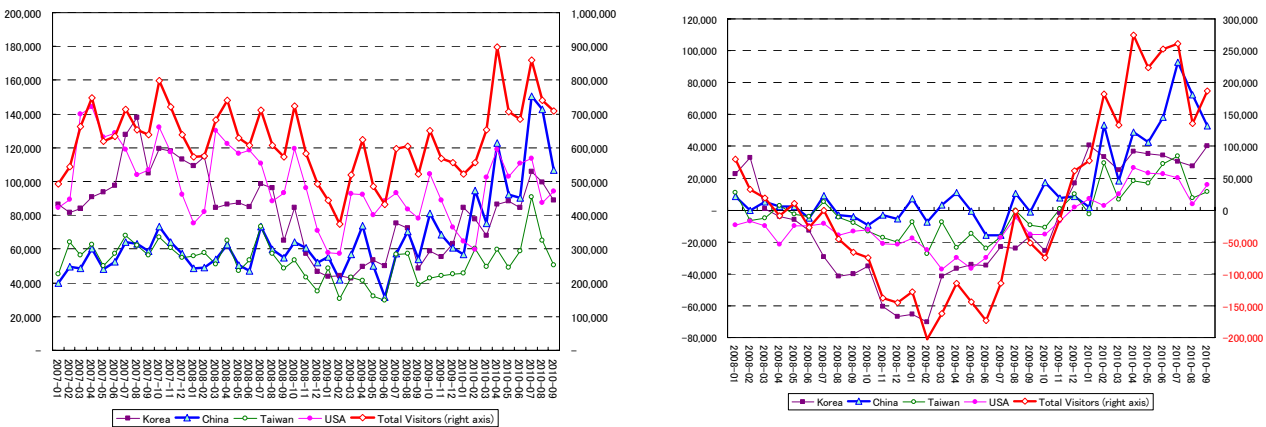
⁹ The new prefecture-by-prefecture *Kanko Irikomi Kyaku Toukei* survey (観光入込客統計), which does not have an official English name yet, has already been started in all prefectures except for Osaka and Fukuoka. Survey results are expected to be available by March 2011. However, we do not know when the nationwide statistics will become available.

Reference Figure 1: Overnight Visitors in Japan by Nationality (Monthly)
Number **YOY Change**



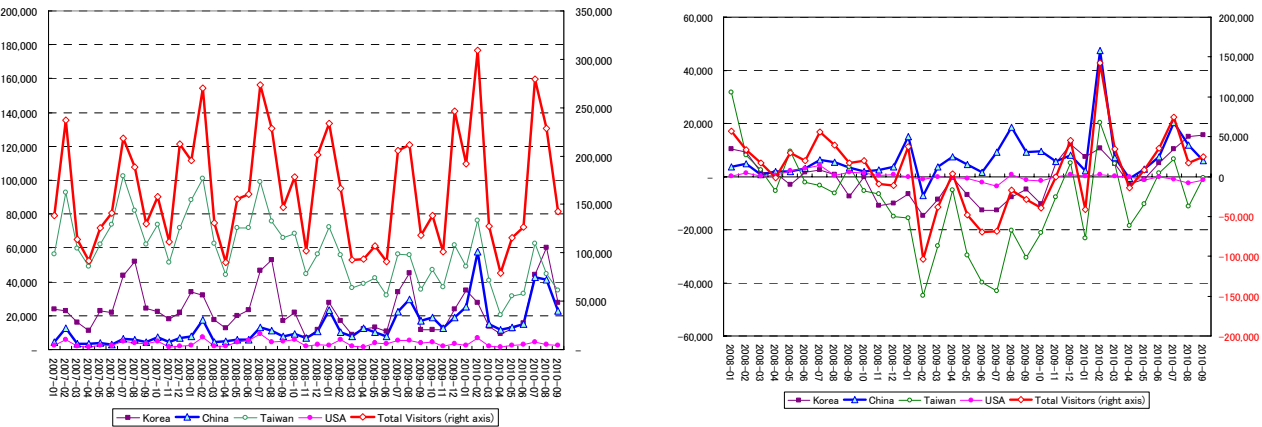
Note: See footnote 6.
 Source: Japan Tourism Agency, *Accommodation Survey*.

Reference Figure 2: Overnight Visitors in Tokyo by Nationality (Monthly)
Number **YOY Change**



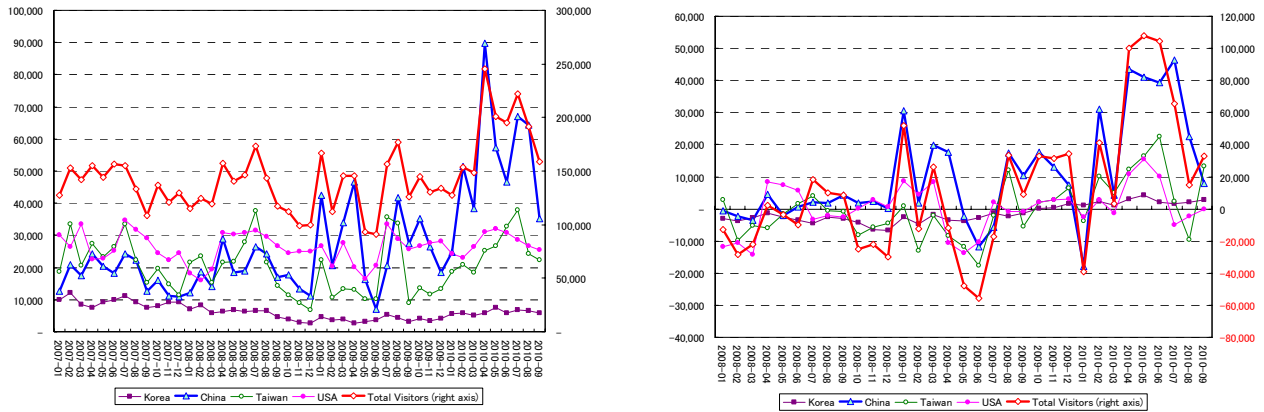
Note: See footnote 6.
 Source: Japan Tourism Agency, *Accommodation Survey*.

Reference Figure 3: Overnight Visitors in Hokkaido by Nationality (Monthly)
Number **YOY Change**



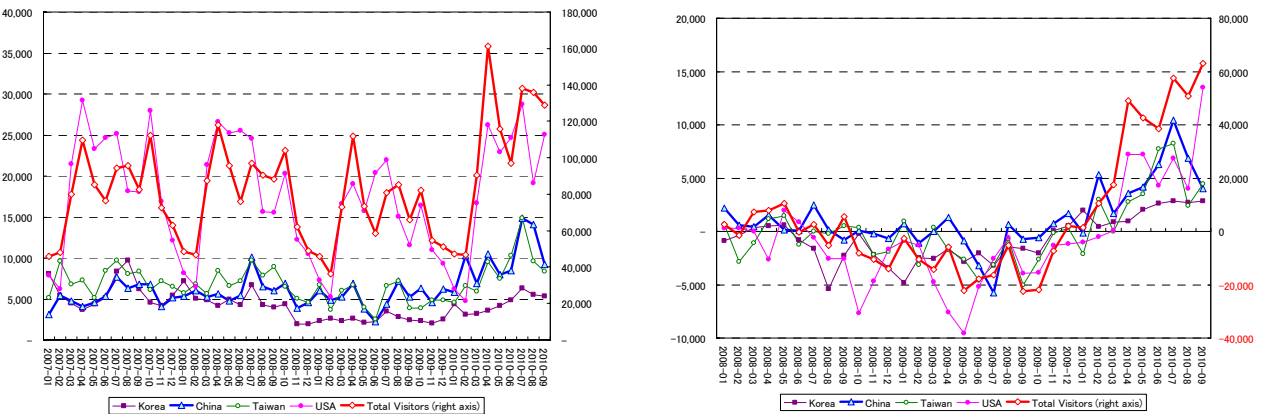
Note: See footnote 6.
 Source: Japan Tourism Agency, *Accommodation Survey*.

Reference Figure 4: Overnight Visitors in Chiba by Nationality by Month
Number **YOY Change**



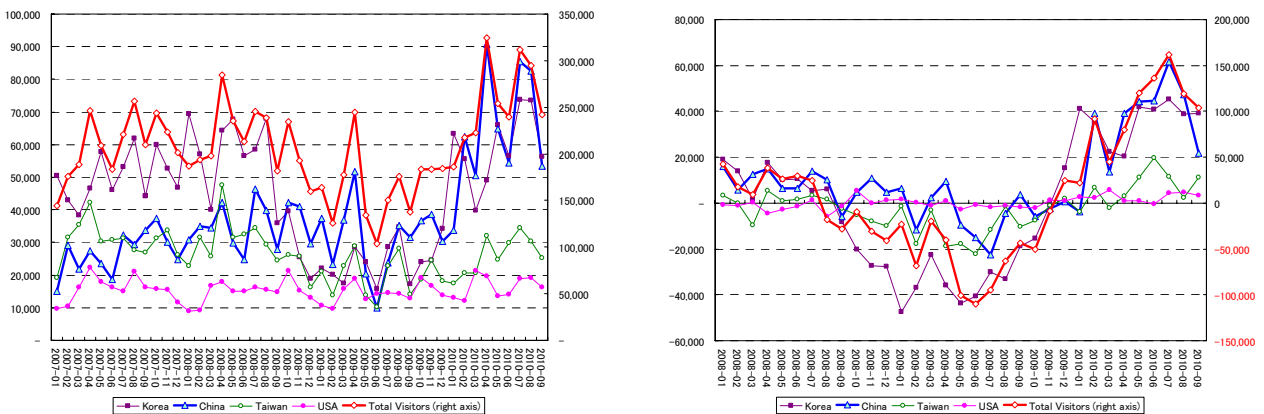
Note: See footnote 6.
 Source: Japan Tourism Agency, "Accommodation Survey"

Reference Figure 5: Overnight Visitors in Kyoto by Nationality by Month
Number **YOY Change**



Note: See footnote 6.
 Source: Japan Tourism Agency, "Accommodation Survey"

Reference Figure 6: Overnight Visitors in Osaka by Nationality by Month
Number **YOY Change**



Note: See footnote 6.
 Source: Japan Tourism Agency, "Accommodation Survey"