

Hotel Boom

The room occupancy rate of leading hotels in the Tokyo area in the first half of 1989 rose about 5% over the corresponding period of 1988, thanks to vigorous demand generated by businesspeople coming to Tokyo, the opening of the YES '89 exposition held in Yokohama and the great popularity of Tokyo Disneyland. In the Osaka area, too, the room occupancy rate rose about 4% over the same period of the year before due to brisk use by businesspeople. In regional cities, the occupancy rate as a whole rose above the 1988 rate, though there was regional disparity. In some areas, however, the rate dropped in the aftermath of the hotel boom brought on by the many regional expositions held in 1988.

Demand for rooms has been picking up steadily since the second half of 1987 due to three factors: 1) an increase in businesspeople using hotels consequent to the general business recovery, 2) the nationwide exposition boom to commemorate the centennial of the municipality system, and 3) a recovery in the number of foreign visitors, mainly from Southeast Asia. Business demand for hotel rooms is expected to remain brisk also this year. The International Garden and Greenery Exposition to be held from April through September in Osaka is expected to support this demand.

The number of hotels, including moderately priced hotels known as "business

hotels" in Japan, has more than doubled in the past 10 years. As of the end of 1988, there were 4,563 hotels (an increase of 9.2% over the preceding year) with 343,000 guest rooms (up 7.8% over the year before). In 1989, large hotels were opened throughout the country. The Royal Park Hotel was opened in Tokyo, the ANA Hotel in the neighborhood of Narita international airport and the Hotel Okura in Kobe. A hotel construction rush is continuing nationwide.

Moves to construct hotels will remain in high gear from this year. In the Tokyo metropolitan area, four or five mammoth hotels are to be built as part of redevelopment programs. In the neighborhood of Narita airport, many plans to build new hotels or expand existing hotels are materializing with an eye to the expansion of the airport. Many hotel construction projects are also under way in Yokohama, where a giant town-building scheme is progressing under the "Minato Mirai 21" development project, and in the Maku-hari area of Chiba Prefecture where a new nucleus business city is being developed.

In Osaka, there are vigorous moves to build hotels in preparation for the opening of the new Kansai International Airport. Hotel construction is also picking up momentum in such regional nucleus cities as Sapporo, Hiroshima and Kumamoto amid growing domestic demand.

The enactment of the Law for Develop-



Modern hotels are springing up in many places in Japan.

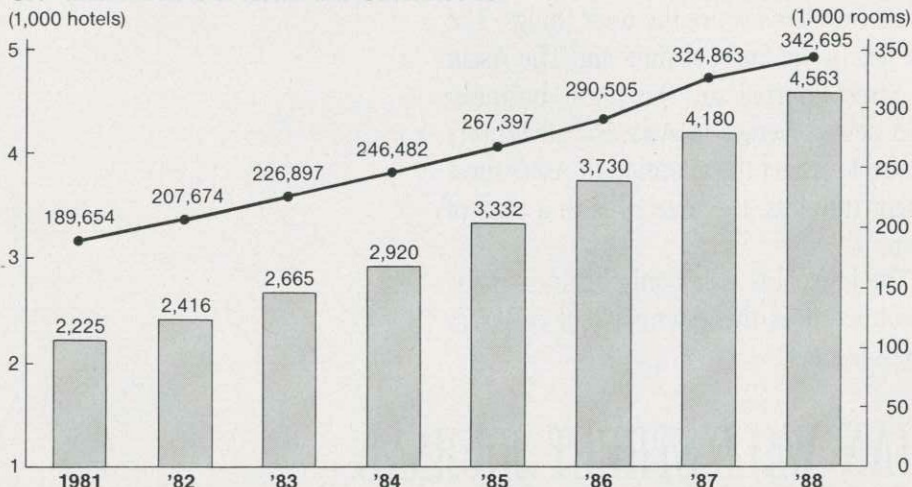
ment of Comprehensive Resort Areas in 1987 triggered a resort development boom against the background of an increase in the leisure time of the Japanese, and various resort hotel construction projects have started. Many resort hotels are going up in Izu peninsula and Karuizawa, within a radius of 200 kilometers of Tokyo. In Okinawa, beachside hotels are opening in increasing numbers.

Some pressing problems can be cited in connection with the current new hotel construction boom. First is the sagging profitability of the hotel business due to the rise in construction costs. The increases in the initial investment necessarily constitutes a heavy financial burden. Until several years ago, the construction cost of a high-class hotel in an urban area was ¥1.2-1.3 million (\$8,300-9,000) per 3.3 square meters, excluding the cost of land. But as a result of the skyrocketing cost of materials and labor, construction costs have risen about 20%. This rise is likely to affect hotel construction plans in the future.

The second problem concerns the shortage of manpower needed to operate a hotel. All the hotels opened in 1989 are having great difficulties in obtaining staff. There is a great concern that the shortage of personnel will lead to a deterioration in the quality of service. At present, all industries in Japan are suffering from acute manpower shortages. In the hotel industry, where high-quality personalized service is required and where rationalization of business through automation has already reached the limit, a manpower shortage could put a brake on the current rush of hotel construction.

(Hisashi Nakamura, senior economist)

Growth in Number of Hotels and Guest Rooms



Source: Environmental Sanitation of Health Bureau, Ministry of Health and Welfare