



Hotels & Hospitality Group

Hotel Destinations **North Asia & Greater China**

September 2022



Introduction

As the world emerges from the profound crisis induced by the COVID-19 pandemic, Greater China and countries in the Northern part of Asia remain cautious and continue to adopt a wait and see approach when it comes to dealing with the virus and its evolution in the community. We are witnessing a two-speed recovery in this part of the region: while Japan and South Korea are gradually loosening their border control restrictions, with Japan dropping pre-departure testing and allowing individual travellers to visit, Mainland China is still adopting strict border control measures.

Domestic demand remains the key driver

The divergence in managing the pandemic between the countries is naturally leading reopening markets to register a notable growth in international visitation, and conversely strict border controls are limiting the recovery in foreign inbound tourism. However, countries in this specific subregion are characterised by a strong domestic demand with local demand having proven to be a really valuable performance base for the hotel sector.

In Japan, the lifting of the State of Emergency early this year within the country has unleashed domestic tourism demand: the first half of 2022 marked the first time that Japan residents spent spring break and the Golden Week holidays without travel restrictions since the beginning of the pandemic. Mainland China continues to register high flows of domestic tourists, both leisure and corporate. Whilst in Hong Kong, hotel demand is still mainly driven by the quarantine on arrival measure although staycations remain a key driver as social distancing measures were relaxed in the first half of 2022.

South Korea appears to lead the tourism recovery in the subregion in terms of international tourists: by continuously easing restrictions, more and more events such as conferences and concerts are planned in the country.

Delayed openings but increasing number of proposed projects

Similar to the rest of the region, the northern part of Asia is also witnessing major delays in new openings.

Specifically in Mainland China, metropolises such as Beijing have registered delayed and even cancelled projects. An increasing number of high quality and luxury hotels are entering the Japan market, as global operators are accelerating their growth in the country. Major international brands are expected to enter the market in the very near term.

Meanwhile in South Korea, the hotel landscape is gradually expanding in provincial markets such as Jeju, Suwon and Yongin. However, the supply in Seoul has reduced as a result of conversions.

Mounting pressure on the residential sector coupled with strict quarantine upon arrival measures in Hong Kong have encouraged hotel owners to divest their hotels to new global players. Most of the transactions in the past twelve months were conversions of use into co-living or student accommodation products. As a result, the hotel supply in the city has reduced.

Outlook: a two-pace recovery

Countries that have eased border control measures leading to increasing demand from international tourists are expected to continue lifting the remaining restrictions over the short term. Indeed, Japan has announced on 22 September that the country will allow visa-free, independent tourism and cancel the daily arrival cap, starting 11 October. Additionally, Hong Kong has eased its border control measures from 26 September: the quarantine period upon arrival is no longer required, and the testing requirements are significantly eased. As borders reopen, international large-scale events such as the Osaka World Expo 2025 should boost interest into these destinations, and more MICE events should take place in South Korea. Hotel performance should recover to pre-COVID levels by the end of 2024.

As the timing of Mainland China's reopening remains uncertain, domestic tourism should largely drive the demand in the near term, especially in destinations heavily reliant on Chinese tourists. Once all the restrictions on inbound travellers and social restrictions within countries lifted, we expect North Asia and Greater China to witness strong demand from international visitors, for both leisure and business, narrowing the gap with Southeast Asia's recovery.





Beijing

Quick facts comparison

	 International Visitor Arrivals YTD 2022	 RevPAR YTD June 2022 in local currency	 RevPAR recovery relative to YTD June 2019
Beijing	116,000	293	37%
Hong Kong	21,487	763	28%
Kyoto	24,124	10,900	50%
Osaka	54,520	6,831	35%
Seoul	810,172	128,898	83%
Shanghai	265,700	304	44%
Tokyo	529,340	10,575	35%

Note: Hotel trading performance refers to Beijing 5*, Hong Kong Luxury, Kyoto marketwide, Osaka marketwide, Seoul Luxury & Upper Upscale segment, Shanghai 5*, and Tokyo Upscale, Upper Upscale and Luxury.

Source: JLL, STR, Bureau of Infrastructure and Transport Research Economics (BITRE), Hong Kong Tourism Board, Japan Tourism Agency (JTA), Korean Hotels Association, The Shanghai Municipal Tourism Administration



Tourism

As of June 2022, tourist arrivals in Beijing totalled 796.6 thousand, representing a y-o-y decrease of 39.1%. While the number of arrivals remained at the same level as last year in Q1, it decreased Y-o-Y by 66% in Q2, due to the pandemic outbreaks in major cities. International arrivals are still under the influence of the strict border controls, representing 6.4% of the 2019 level as of June 2022.



Demand

Due to the pandemic outbreaks in major cities in April and May, business and MICE demand in Beijing decreased sharply. The strict entry policy impacted business travels substantially, and only one conference was held in the second quarter. At the same time, leisure demand was mainly supported by short-haul travel.

As of June 2022, the average daily rate (ADR) and occupancy stood at CNY 1,035 and 28.3% respectively. As a result, revenue per available room (RevPAR) was CNY 293, which declined YoY by 34.8%, representing around 38.0% of the same period in 2019.



Supply

In 2021, two projects were completed in Beijing, adding 718 new rooms to the market. In the first half of 2022, Shangri-La Shougang Park's new opening added 283 rooms of new supply to the market; in addition, 67 new rooms are expected later this year from The Wild Goose & Pine Hotels and Resorts. Located on the north shore of Yanqi Lake, Beijing Wild Goose & Pine Hotels and Resorts is one of the key projects that will expand and enhance the area's status as a key venue for international conferences, according to the Huairou District Government.

Over the last two years, a large number of future supply was postponed or cancelled as a result of the pandemic. As the market gradually recovers, new development plans are being proposed again, showing sustained interest and confidence in the Beijing market. We expect seven properties to open in Beijing City over the upcoming three years. Once opened, these new hotels will result in a net increase of 2,091 rooms, or 2.6% of the existing stock.



Outlook

In the very near term, we expect short-haul travel to remain one of the market demand drivers. The current environment creates conditions for the development of suburban travel and urban staycation economy and provides momentum for the recovery of hotel market performance. With the pandemic in major cities stabilising and summer vacation approaching, the Beijing hotel market is expected to recover at a steady speed. However, hotel trading performance should take longer to recover to pre-COVID level as strict border controls and restrictions are still well in place in Mainland China.

Notable hotel deals in 2021/22

- Fraser Suites Beijing, 357 rooms, CNY 2.0b
- Hilton Beijing Tongzhou, 313 rooms, CNY 1.3b
- Zhongji Subaru Hotel, 134 rooms, CNY 65m
- Beijing Dadi Garden Hotel, 165 rooms, CNY 60m
- Royal Phoenix Hotel, 193 rooms, CNY 300m

New notable hotels in 2021/22

- Marriott Beijing Yanqing, 325 rooms
- HUALUXE Hotels & Resorts Beijing, 393 rooms
- Shangri-La Shougang Park, Beijing, 283 rooms

Upcoming hotel openings in 2022/23

- The Wild Goose & Pine Hotels and Resorts, 67 rooms
- Hyatt Regency Beijing Daxing, 320 rooms
- Sheraton Hotel Beijing Huairou, 272 rooms

Quick facts

116,000 International Visitor Arrivals (YTD June 2022)	1,068 Number of new rooms in 2021/22	28.3% Occupancy (YTD June 2022)
RMB 1,035 Average Daily Rate – ADR (YTD June 2022)	RMB 293 Revenue per Available Room RevPAR (YTD June 2022)	

Note: Hotel trading performance refers to the Beijing 5* segment. Source: JLL, STR, Bureau of Infrastructure and Transport Research Economics (BITRE)



Hong Kong



Tourism

With strong economic fundamentals and tourism-friendly policies, Hong Kong's visitor arrivals were on a continued growth trajectory prior to the pandemic. In 2019, international visitors dropped by 14.2% as a result of the political unrest in the second half of the year. Due to the COVID-19 pandemic, inbound arrivals have further dropped since 2020 as a result of restrictive border measures and quarantine requirements put into place. As at YTD May 2022, overall visitors contracted by 22.0% y-o-y to a total of 21,487 arrivals due to continued border restrictions. Mainland China, Hong Kong's top source market accounting for almost 75% of total inbound arrivals, continued to decline, totalling 16,103 as at YTD May 2022, due to tightened COVID-19 restrictions in Mainland China preventing cross-border travels.



Demand

With relaxed social distancing restrictions in place since the beginning of the pandemic which prevented locals from utilising public facilities and dining in, staycation demand continues to be the main driver for Hong Kong hotels. As at YTD June 2022, the revenue per available room of luxury hotels recorded HKD 763 driven by rising occupancy and average daily rate. Hotel demand in Hong Kong is also still largely fuelled by residents coming back to the city and the requirement to undergo a mandatory quarantine period in a dedicated hotel upon arrival. Due to Hong Kong's strong reliance on Mainland China, full recovery will largely be dependent on the reopening of the border with China.



Supply

According to the Hong Kong Tourism Board, the Hong Kong market counted 78,052 hotel rooms at the end of 2021. As at YTD August 2022, approximately 2,200 rooms have been added to the market, representing a 2.8% increase in total room inventory. Hotels added include Regala Sky City Hotel (1,208 keys), The Silveri MGallery by Sofitel (206 keys) and Hong Kong Ocean Park Fullerton hotel (425 keys). For the remainder of 2022, future openings will be spread across both Hong Kong Island and Kowloon. An additional 1,369 rooms are estimated to open this year. The projects include Regent Hong Kong (500) and AKI MGallery (173). The current weak hotel demand has encouraged investors and owners to convert existing hotels into co-living products, as witnessed by all hotel transactions which took place in the past twelve months in Hong Kong. As a result, Hong Kong lost more than 1,800 of hotel rooms between 2021 and YTD 2022.



Outlook

With the recent announcement on the cancellation of the hotel quarantine upon arrival starting 26 September, we expect the number of inbound travellers to increase significantly, driven by the corporates. However, the remaining restrictions on the three days after arrival that are holding back tourists to visit restaurants and leisure venues, such as theme parks and museums, should limit the near-term recovery. Unless visitors are allowed to move freely in the city, we expect limited leisure tourists travelling to Hong Kong. Given the city's large reliance on Mainland Chinese tourists, hotel performance is anticipated to take at least two to three years to recover to pre-COVID levels.

Notable hotel deals in 2021/22

- Hotel Sav, 388 rooms, HKD 1.65b
- Bay Bridge Hotel, 436 rooms, HKD 1.42b
- Butterfly on Prat, 158 rooms, HKD 925m
- Grand City Hotel, 214 rooms, HKD 900m
- Travelodge Central Hollywood Road, 148 rooms, HKD 850m

New notable hotels in 2021/22

- Four Points Tung Chung, 1,002 rooms
- Regala Sky City Hotel, 1,208 rooms
- The Silveri MGallery by Sofitel, 206 rooms
- Hong Kong Ocean Park Fullerton Hotel, 425 rooms

Upcoming hotel openings in 2022/23

- Regent Hong Kong, 500 rooms
- AKI Hong Kong, MGallery, 173 rooms
- Kimpton Mariners Club, 500 rooms
- TRIBE Hong Kong Kowloon, 324 rooms
- Citadines Central Hong Kong, 42 rooms

Quick facts

21,487	6,716	30.3%
International Visitor Arrivals (YTD June 2022)	Number of New Rooms in 2021/22	Occupancy (YTD May 2022)

HKD 2,514	HKD 763
Average Daily Rate – ADR (YTD June 2022)	Revenue per Available Room RevPAR (YTD June 2022)

Note: Hotel trading performance refers to the Hong Kong Luxury segment.
Source: JLL, STR, Hong Kong Tourism Board



Kyoto



Tourism

According to Japan Tourism Agency (JTA), YTD May 2022 international visitor nights in Kyoto City registered a y-o-y growth of 33.0%, declining however by 98.6% from the pre-pandemic levels (YTD May 2019).

The domestic demand remains the key driver for Kyoto tourism. Indeed, as Kyoto is a popular tourism destination among Japanese visitors, the lifting of a quasi-state of emergency on 21 March unleashed strong demand from Japanese, which marked a y-o-y growth of 78.8% to reach 87.6% of the pre-pandemic levels. As a result, total visitor nights in Kyoto reached 55.6% of the pre-COVID levels.



Demand

Prior to the pandemic in 2019, Kyoto City had a high proportion of international guests of 37.0% as compared to the national average of 19.4%. Additionally, the Revenue per available room (RevPAR) dropped significantly from JPY 21,903 in 2019 to JPY 7,670 in 2021.

Driven by a return of domestic guests, a relatively quick recovery was seen in Kyoto as compared to Tokyo and Osaka. As at YTD June 2022, an average daily rate (ADR) and an average occupancy rate of the Kyoto hotel market increased by 4.0% and 124.0%, respectively. Compared to the pre-pandemic levels, ADR has exceeded by 3.6% while occupancy is still down by 52.1%. RevPAR of Kyoto hotels was JPY 10,900 as at YTD June 2022, representing a 133.0% increase from previous year and 49.6% to the pre-pandemic levels.



Supply

With the recent increase in the number of foreign travellers, the supply of hotels in Kyoto City has increased rapidly. New supply includes a number of luxury hotels such as Aman Kyoto and Park Hyatt Kyoto. In 2021 and YTD 2022, seven new major hotels (of upscale and above segment) entered the market. This brought the room inventory to 7,957 rooms, an increase of 11.3% from 2020. In addition, four more projects are scheduled to complete by 2023, adding 657 rooms to the market, 8.3% of the existing stock. In the longer-term, Kyoto is expected to welcome more luxury hotels, with a number of notable confirmed projects including: Six Senses, Banyan Tree, Capella and Rosewood.



Outlook

Demand for Kyoto hotels will continue to be domestic led in the near term, as Japan's borders will fully reopen to international tourists starting 11 October. While there are no COVID-19 related restrictions from March 2022, a reduced cautious sentiment of the Japanese leisure travellers should bring more tourists to Kyoto, albeit at a slower pace as Japanese travellers continue to be cautious of COVID-19 case numbers. Additionally, demand from international travellers on the back of current Yen depreciation is expected to further drive the trading performances in Kyoto.

The destination should see a further increase in international luxury hotels which should reinforce the competition, but at the same time, induce demand for luxury travellers. This should support Kyoto in becoming a luxury destination in the longer term.

Notable hotel deals in 2021/22

- The Ritz-Carlton Kyoto (49% of share ownership), 134 rooms, JPY 23.0B
- Hotel Resol Kyoto Kawaramachi Sanjo, 144 rooms, Price Confidential
- Agora Kyoto Karasuma, 140 rooms, Price Confidential
- Agora Kyoto Shijo, 80 rooms, Price Confidential

New notable hotels in 2021/22

- Fauchon Hotel Kyoto, 59 rooms
- ROKU KYOTO, LXR Hotels & Resorts, 114 rooms
- Hotel Okura Okazaki Bettei, 60 rooms
- Hyatt Place Kyoto, 239 rooms
- THE HOTEL HIGASHIYAMA by Kyoto Tokyu Hotel, 168 rooms

Upcoming hotel openings in 2022/23

- The Blossom Kyoto, 180 rooms
- Hilton Garden Inn Kyoto Shijo, 250 rooms
- Kyoto Omuro Kadensh, 72 rooms
- Dusit Thani Kyoto, 155 rooms

Quick facts

24,124	1,235	34.7%
International Visitor Nights (YTD May 2022)	Number of new rooms in 2021/22	Occupancy (YTD June 2022)

JPY 31,373	JPY 10,900
Average Daily Rate – ADR (YTD June 2022)	Revenue per Available Room RevPAR (YTD June 2022)

Source: JLL, STR, Japan Tourism Agency (JTA)



Osaka



Tourism

According to Japan Tourism Agency (JTA) as of May 2022, YTD international visitor nights in Osaka City continued to decrease by 3.8% y-o-y and remain on the decline trend of 98.6% from pre-pandemic levels (YTD May 2019).

The lifting of a quasi-state of emergency on 21 March drove a recovery of domestic demand which increased by 46.3% y-o-y. The returning rate of domestic guests in Osaka represented 66.6% to the pre-pandemic levels, lower than Tokyo where stronger demand including corporate exists. The total visitor nights in Osaka remained 41.1% to the pre-pandemic levels.



Demand

Prior to the pandemic, revenue per available room (RevPAR) of Osaka hotels fluctuated at around JPY 19,000. Though the majority of new hotels were limited-service hotels, the influx of supply has impacted the market-wide trading performance.

Similar to Tokyo, the Osaka hotel market shows early signs of recovery mainly driven by domestic demand. While an average daily rate (ADR) marked a marginal decrease of 0.1% y-o-y as at YTD June 2022, the average occupancy showed a healthy improvement, registering a y-o-y increase of 101.2%. Resultantly, RevPAR was JPY 6,831 at YTD June 2022, representing a 101.0% increase from the previous year, while it remains only 34.5% to the pre-COVID levels of YTD June 2019.



Supply

Over the past years, a large number of new hotels have opened in Osaka, with most in the limited service segment. Since 2015, only one luxury hotel opened: Conrad Osaka. Two projects of major hotels (of upscale and above segment) completed over 2021 in Osaka, adding 642 new rooms to the market. This brought the room inventory to 14,128 rooms, an increase of 4.8% from 2020. A small luxury hotel is scheduled to open in later 2022 (11 rooms) and two international branded hotels are planned for 2023. Once opened, these new hotels will result in a net increase of 717 rooms or 5.1% of existing stock. Beyond 2024, supply volume will continue to grow with a number of notable confirmed projects including Four Seasons and Waldorf Astoria.



Outlook

With the backdrop of increased new supply, Osaka's marketwide trading performance has started to slow down even before the pandemic. The increase in high quality new supply to the market is likely to see strong competitive pressure. Nevertheless, as a gateway to the west region of Japan as well as from the city's own demand drivers, Osaka is expected to benefit from continued growth in international visitor arrivals as the borders will fully reopen to international visitation. In light of the anticipated rise in visitation ahead of Osaka World Expo in 2025 and potential Integrated Resort development in 2029, KIX officially launched the renovation works for Terminal 1 in end-2019 which is scheduled to complete by 2026. The programme seeks to expand KIX's international capacity to 40 million, which is 1.7 times the current capacity, with the international passenger area expanded by 25%.

Notable hotel deals in 2021/22

- Aloft Osaka Dojima (55.6% of share ownership), 305 rooms, JPY 4.7B
- The b Osaka Midousuji, 306 rooms, Price Confidential
- W Osaka (49% of share ownership), 337 rooms, Price Confidential
- Sotetsu Fresa Inn Osaka-Namba, 276 rooms, Price Confidential

New notable hotels in 2021/22

- W Osaka, 337 rooms
- Aloft Osaka, 305 rooms

Upcoming hotel openings in 2022/23

- Cuvee J2 Hotel Osaka, 11 rooms
- Centara Grand Hotel Osaka, 515 rooms
- Voco Osaka Central, 191 rooms

Quick facts

54,520 International Visitor Nights (YTD May 2022)	653 Number of New Rooms in 2021/22	41.1% Occupancy (YTD June 2022)
JPY 16,625 Average Daily Rate – ADR (YTD June 2022)	JPY 6,831 Revenue per Available Room RevPAR (YTD June 2022)	

Source: JLL, STR, Japan Tourism Agency (JTA)



Seoul



Tourism

South Korea welcomed approximately 810,000 international visitors during the first half of 2022, implying a y-o-y increase of 92.8%. With the continued easing of entry requirements, the beginning of the peak summer season and the return of public events such as conferences and concerts, international arrivals to South Korea rebounded to 227,713 per month in June 2022, signifying a 195.6% increase y-o-y.



Demand

1H 2022 was mainly driven by domestic travellers with the increasing demand for staycations. The tourism market is expected to keep improving during the remaining of 2022 as the country reopens its borders and benefits from pent-up demand.

As of YTD June 2022, revenue per available room (RevPAR) of the Luxury & Upper Upscale segment increased to KRW 128,898 and recovered to 82.8% of the 2019 level. Additionally, the Midscale & Economy segment's RevPAR in Seoul recovered to KRW 29,845, signifying a 123.7% increase from the same period last year. The rapid recovery is driven by strong occupancy rate growth, as occupancy of the Luxury & Upper Upscale segment and Midscale & Economy segment has increased by 15.5pps and 22.4pps, respectively. ADR has also recovered to KRW 277,883 and KRW 60,650, respectively, showing an 11.3% and 32.8% growth y-o-y.



Supply

During the second quarter of 2022, two new hotels were introduced in Seoul: 151-key Voco Seoul Gangnam and the 274-key AC Hotel by Marriott Seoul Gangnam, which was previously a Mercure Ambassador. More hotels are scheduled to open during the second half of 2022, due to construction delays, with new supply focused on provincial markets (i.e. Jeju, Suwon, Yongin) and several hotels scheduled to open in Seoul (i.e., MGallery Seoul, Le Meridien & Moxy Myeongdong). While a modest number of hotels will enter the market in 2022, the conversion and redevelopment of hotels such as Prima Hotel and GLAD Live Gangnam Hotel decreased the existing supply and created a favourable supply-demand environment.



Outlook

International visitor arrivals are expected to keep improving for the rest of 2022 as South Korea largely reopened from June 2022 onwards. With the easing of social restrictions and the increasing interest to visit the country for both leisure and business purposes, South Korea is anticipating a consistent recovery throughout the year. Both occupancy and ADR showed signs of improvement during the second quarter of 2022. While visitation from Mainland China will remain constrained due to its strict zero-COVID policy, we anticipate recovery will be driven by pent-up domestic visitors and more diverse source markets of international visitations from neighbouring countries in Asia and America.

Notable hotel deals in 2021/22

- Millennium Seoul Hilton, 680 rooms, KRW 1,127.1b
- Le Meridien Seoul, 336 rooms, KRW 700.0 b
- Prima Hotel, 120 rooms, KRW 412.2b
- Crown Hotel, 176 rooms, KRW 255.0b
- GLAD Live Gangnam Hotel, 210 rooms, KRW 106.1b

New notable hotels in 2021/22

- Sofitel Ambassador Seoul, 563 rooms
- Fairmont Ambassador Seoul, 326 rooms
- Hilton Garden Inn Seoul Gangnam, 208 rooms
- AC Hotel by Marriott Seoul Gangnam, 274 rooms
- Voco Seoul Gangnam, 151 rooms

Upcoming hotel openings in 2022/23

- DoubleTree by Hilton Seongnam, 432 rooms
- Le Méridien & Moxy Myeongdong, 411 rooms
- Ibis Style Ambassador Incheon, 360 rooms
- Intercontinental Pyeongtaek, 280 rooms
- MGallery by Sofitel Naru Seoul Ambassador, 197 rooms

Quick facts

810,172 International Visitor Arrivals (YTD June 2022)	1,522 Number of New Rooms in 2021/22	82.8% Occupancy (YTD June 2022)
KRW 277,883 Average Daily Rate – ADR (YTD June 2022)	KRW 128,898 Revenue per Available Room RevPAR (YTD June 2022)	

Note: Hotel trading performance refers to the Seoul Luxury & Upper Upscale segment.
Source: JLL, STR, Korean Hotels Association



Shanghai



Tourism

According to the Shanghai Municipal Tourism Administration in June 2022, YTD international arrivals into Shanghai totalled 265,700, recording a y-o-y drop of 26.6%. Since the outbreak of COVID-19 pandemic in Shanghai in early March, the strict zero-COVID policy and border controls have resulted in a severe impact on overall local and international tourism demand.



Demand

The COVID-19 outbreaks in early March 2022 put Shanghai into a city-wide lockdown for over two months. During the lockdown, many hotels were earmarked for quarantine use, contributing to the average occupancy rates for the upscale hotel market, which was 52.3% in April and 49.8% in May. When Shanghai finally ended its lockdown in early June, occupancy levels in June and July stood at 19.6% and 23.7% respectively, reflecting the actual softer travel demand as there are newly-reported cases from time to time. As a result, the overall market performance plummeted. As at YTD June 2022, the market occupancy rate was at 39.6%, down by 16.7 pts y-o-y, and market average daily rate (ADR) dropped to RMB 768 down by 14.8% y-o-y. The resulting RevPAR was only RMB 304.



Supply

Eight upscale and luxury projects completed over 2021 in Shanghai, delivering 2,317 new rooms to the market. This brought the total room inventory to 62,287, an increase of 3.9% from 2020. In the first half of 2022, new stock, accounting for a total of 853 keys, entered the market. The properties are Artyzen Habitat Qiantan Shanghai (246 keys), Hilton Shanghai Fengxian Resort (401 keys) and Ascott Sunland Shanghai (206 keys). Moving forward, a total of 1,335 rooms are slated to open later in 2022. About the 80% of hotels in the pipeline will be located in Puxi.



Outlook

Domestic visitor arrivals are expected to recover over the short to medium term. The State Council relaxed travel restrictions with the cessation of marking cities with COVID-positive cases in travel code. Instead of enforcing the restriction at a city level, most places conduct precise and targeted epidemic control measures, like marking the real estate block only. This would help bolster the travel demand. However, the high transmissibility of recent COVID-19 variants such as BA.5 may hinder the recovery momentum. Shanghai's hotel supply pipeline remains active with the new openings expected to enhance the local staycation demand. The trading performance may moderate in the short run, but returning demand is expected to help absorb the supply and stabilise the market. In addition, high-net-worth individuals and institutional investors are the most active players and seeking quality, distressed hotel assets. Chinese state-owned-enterprises (SOEs) are actively looking to acquire strategic hotel assets owned by developers with liquidity issues.

Notable hotel deals in 2021/22

- Hyatt On The Bund, 631 rooms, RMB 4.5b
- Shanghai Jiulong Hotel, 360 rooms, RMB 860.0m
- Somerset Xuhui Shanghai, 167 rooms, RMB 1.1b
- Fraser Place Xintiandi Shanghai, 106 rooms, RMB 1.4b

New notable hotels in 2021/22

- Artyzen Habitat Qiantan Shanghai, 246 rooms
- Shangri-La Hotel Qiantan, 564 rooms
- J Hotel Shanghai Tower, 165 rooms
- JW Marriott Hotel Shanghai Fengxian, 265 rooms
- Hilton Shanghai Songjiang Guangfulin, 244 rooms

Upcoming hotel openings in 2022/23

- Sofitel Jiulong Hotel, 384 rooms
- HUALUXE Hotel Shanghai Changfeng Park, 312 rooms
- MGM Shanghai West Bund, 161 rooms
- voco Suites Hongqiao, 131 rooms
- Kimpton Shanghai New Bund Qiantan, 157 rooms

Quick facts

265,700 International Visitor Arrivals (YTD June 2022)	3,170 Number of new rooms in 2021/22	39.6% Occupancy (YTD June 2022)
RMB 768 Average Daily Rate – ADR (YTD June 2022)	RMB 304 Revenue per Available Room RevPAR (YTD June 2022)	

Note: Hotel trading performance refers to Shanghai 5* segment. Source: JLL, STR, The Shanghai Municipal Tourism Administration



Tokyo



Tourism

According to Japan Tourism Agency (JTA) as at YTD May 2022, international visitor nights in Tokyo registered a y-o-y growth of 64.0%, however declining by 95.6% from pre-pandemic levels (YTD May 2019).

As the declaration of a quasi-state of emergency was fully lifted on 21 March, Tokyo along with other prefectures, experienced spring break and Golden Week holidays without travel restrictions for the first time since the onset of the pandemic. With strict border policies still in place, 97% of visitor nights in Tokyo are domestic guests which showed recovery of 88.6% of the pre-pandemic levels, leading total visitor nights in Tokyo to 55.8% of the pre-pandemic levels.



Demand

Prior to the pandemic, the Tokyo hotel market was marked by a steady growth, reaching a revenue per available room (RevPAR) of JPY 30,750 in 2019, mainly driven by the increase in international tourist arrivals. However, RevPAR dropped sharply in 2020 and continued to decline in 2021 amidst the pandemic.

As at YTD June 2022, the Tokyo hotel market is showing early signs of recovery with demand currently being domestic led. While average daily rate (ADR) continued to decrease by 1.9% y-o-y, an average occupancy showed a healthy improvement, registering a y-o-y increase by 92.1%. As a result, RevPAR was JPY 10,575 at YTD June 2022, representing 88.5% increase from the previous year while it remains at only 35.3% to the pre-COVID levels of YTD June 2019.



Supply

Supply of major hotels (of upscale and above segment) in Tokyo increased notably in 2020 when the Tokyo Olympics and Paralympics games were originally scheduled. With the addition of 6 hotels and 1,453 rooms or 7.3% of the existing stock, Tokyo's total hotel supply stood at 21,312 rooms in 2020. Since then, there was only one opening of a major hotel as at YTD 2022: the 144-room Hotel Grand Bach Tokyo Ginza. Additional 1,178 rooms or 4.8% of the current stock are expected to enter the market by 2023. The new hotels include the Tokyo Edition Ginza which was originally scheduled to open in spring 2021, now slated to open at the later part of 2022, as well as two international luxury hotels, namely Bulgari Tokyo and Janu Tokyo in 2023.



Outlook

Starting 11 October, Japan's borders will fully reopen to international tourism, scrapping the ceiling of the number of entrants into Japan, lifting the ban on individual travel and lifting the ban over visaless travel. The environment surrounding the hotel industry is still due to the continued cautious approach to COVID cases numbers, while an increase in domestic leisure demand during the summer holidays had been expected. The government has not still announced when the nationwide travel subsidiary programme will resume due to the impact of the 7th COVID-19 wave, a rapid short-term recovery in hotel trading performance is not likely to happen. However, the return of international tourists on the back of current Yen depreciation is hopped to benefit the growth in Tokyo hotel trading performance.

Notable hotel deals in 2021/22

- Ibis Tokyo Shinjuku, 206 rooms, JPY 11.3B
- Hotel MONday Premium Ginza Tsukiji, 188 rooms, Price Confidential
- MONday Apart Premium Ueno Okachimachi, 50 rooms, JPY4.6B
- Dormy Inn Premium Ginza, 154 rooms, Price Confidential

New notable hotels in 2021/22

- Hotel Grand Bach Tokyo Ginza, 144 rooms

Upcoming hotel openings in 2022/23

- Tokyo Edition Ginza, 86 rooms
- Bulgari Hotel Tokyo, 98 rooms
- Janu Tokyo, 120 rooms
- BELLUSTAR TOKYO, 97 rooms
- HOTEL GROOVE Shinjuku, 538 rooms
- Shibuya Dogenzaka 2-chome PJ, 300 rooms

Quick facts

529,340 International Visitor Nights (YTD June 2022)	230 Number of New Rooms in 2021/22	36.5% Occupancy (YTD June 2022)
JPY 28,954 Average Daily Rate – ADR (YTD June 2022)	JPY 10,575 Revenue per Available Room RevPAR (YTD June 2022)	

Note: Tokyo Hotels refers to Tokyo's Upscale, Upper Upscale and Luxury hotel market. Source: JLL, STR, Japan Tourism Agency (JTA)



Contact us

Mainland China

Tao Zhou
Managing Director
Head of Greater China
M +86 186 1053 2318
tao.zhou@ap.jll.com

Tony Liang
Senior Vice President
Advisory
M +86 188 1103 7783
tony.liang@ap.jll.com

Angel Chen
Vice President
Advisory
M +86 136 2179 9092
angel.chenpc@ap.jll.com

Japan

Takahiro Tsujikawa
Senior Managing Director
Head of Japan
M +81 3 5501 9208
takahiro.tsujikawa@ap.jll.com

Kuraudo Ohashi
Executive Vice President
Head of Advisory
M +81 3 5501 9238
kuraudo.ohashi@ap.jll.com

Nathan Cook
Senior Vice President
Head of Asset Management
M +81 80 4118 7820
nathan.cook@ap.jll.com

Hong Kong

Jonathan Law
Vice President
Investment Sales
M +852 6477 6286
jonathan.law@ap.jll.com

South Korea

Min Joon Kim
Vice President
Advisory and Investment Sales
M +82 010 2588 3521
minjoon.kim@ap.jll.com

Hotels Research

Marina Bracciani
Senior Associate
Hotels Research Asia
M +852 9248 8238
marina.bracciani@ap.jll.com

[jll.com](https://www.jll.com)

© 2022 Jones Lang LaSalle IP, Inc. All rights reserved. All information contained herein is from sources deemed reliable; however, no representation or warranty is made as to the accuracy thereof.