

## Economic Short Comment (23 May 2024)

The recovery of private lodging varies by region

~ While South Kanto takes the lead, Kansai is very sluggish ~

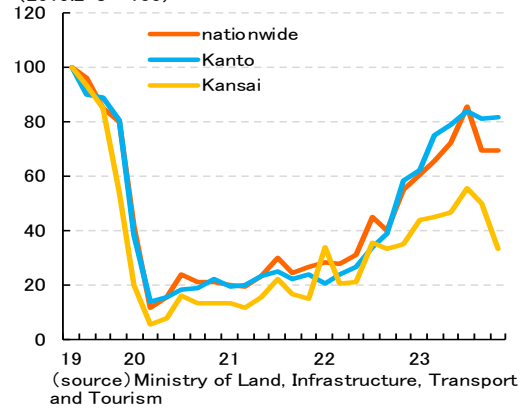
### ● Usage of private lodging

Recently, there has been an increasing trend in the utilization of vacation rentals. Looking at the performance of the housing accommodation business based on the so-called “New Law for Vacation Rentals”, there has been a gradual recovery nationwide. If we consider the period from February to March 2019 as 100, the recent utilization rate hovers around 70 (see Figure 1). Although it will take some time to return to pre-pandemic levels, the recovery seems to be progressing steadily.

However, when we examine the situation regionally, the Kanto region (southern part of Greater Tokyo) is surpassing the national average, while Kansai (western Japan) lags behind. Specifically, Kansai’s utilization rate remains low at 33, partly due to a significant decrease in recent months.

The primary users of vacation rentals are inbound tourists, and they have already surpassed pre-pandemic levels. Interestingly, even though inbound tourism is booming in Kansai, the recovery of vacation rentals in the region is notably delayed.

[Figure 1] Usage of private lodging (2019.2-3=100)



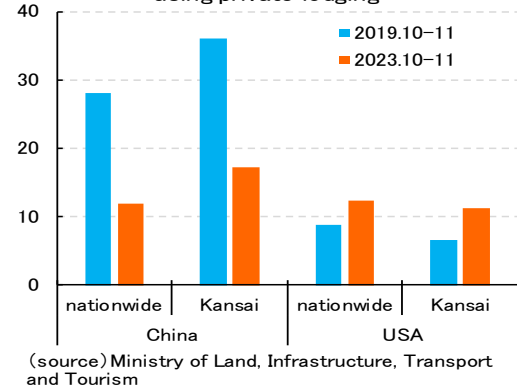
### ● Delay in Kansai’s recovery

When examining the reasons behind Kansai’s delayed recovery, we find that the limited utilization by inbound tourists plays a significant role. Specifically, the slow return of Chinese tourists has had a notable impact.

Before the pandemic, among inbound tourists who utilized vacation rentals, Chinese visitors constituted the largest share, accounting for approximately 30% of the total (see Figure 2). In the Kansai region, this percentage exceeded 30%. However, the delayed recovery of Chinese tourists has resulted in overall sluggish utilization of inbound services.

Additionally, the recent depreciation of the Japanese yen has made hotel prices more attractive for inbound travelers. Despite the general upward trend in hotel rates post-pandemic, exchange rate fluctuations have partially offset this increase.

[Figure 2] Breakdown of foreign visitors using private lodging (%)



### ● Increase in private lodging use by domestic guests

Amidst these circumstances, vacation rentals are currently sustained mainly by domestic tourists. When we divide users nationwide into domestic and international guests, domestic tourists significantly surpass pre-

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pandemic levels (see Figure 3).

While domestic usage has increased by approximately 1.5 times compared to pre-pandemic levels, international guest utilization remains at around half of what it was before the pandemic. Consequently, domestic tourists now outnumber international visitors in terms of utilization.

Several factors contribute to the surge in domestic usage. Notably, rising hotel prices play a significant role. While inbound tourists benefit from the weakening yen, domestic travelers do not enjoy the same exchange rate advantage. As a result, there is a high likelihood that demand has shifted toward vacation rentals. Additionally, the introduction of vacation rental services over time has contributed to their growing awareness and popularity.

### ● Transition of the number of registered private lodging properties

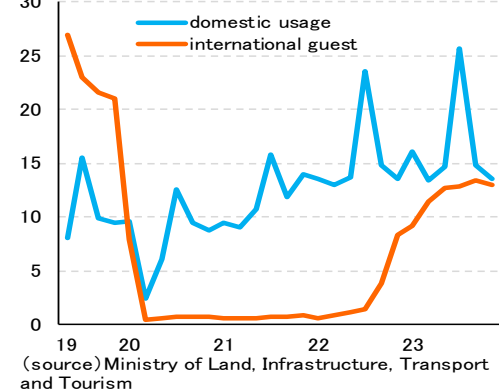
Amidst these circumstances, let's examine the supply situation of vacation rentals. After the downturn during the pandemic, the recovery status varies significantly across different areas (see Figure 4).

If we consider the pre-pandemic peak as 100, the total number of registered properties nationwide has recently reached 108, surpassing pre-pandemic levels. In contrast, the Kanto region (southern part of Greater Tokyo) stands even higher at 117. However, the Kansai region (western Japan) lags behind at 85, indicating a substantial delay in recovery.

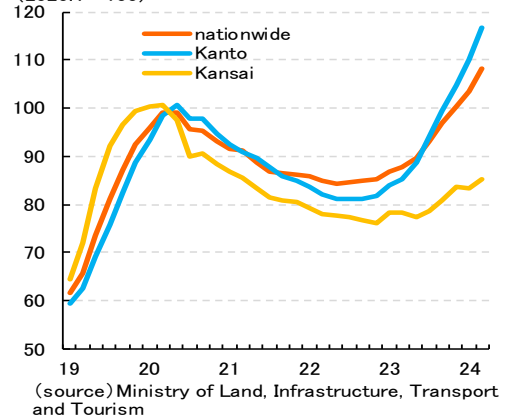
The scarcity of supply in Kansai can be primarily attributed to the slow recovery of demand. With demand still below 50% of pre-pandemic levels, expectations for increased supply remain low.

Looking ahead to recovery, it largely depends on the revival of demand. The key factor remains the return of Chinese tourists. While Kansai's current recovery rate stands at 75% of pre-pandemic levels, if it follows the trend seen in other regions and surpasses pre-pandemic levels, it could boost vacation rental utilization. However, given the uncertain state of the Chinese economy, the outlook remains unclear for now.

【Figure3】  
the number of private lodging and guests nationwide



【Figure4】  
Number of registered private lodging properties



(Reference)

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