

Japan - February 2024

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**SPOTLIGHT**  
*Savills Research*

# Japan Hospitality - Ski Resorts





# Encouraging growth potential observed across various upscale ski destinations

## Summary

- Japan's tourism industry was historically geared towards domestic guests, and received very few inbound tourists. As such, the high-end segment has generally been underdeveloped.
- Japan is currently experiencing an inbound tourism boom, but average spending per inbound tourist is still relatively low and has large room for further growth.
- Skiing in Japan reached its peak domestic popularity in the mid-1990s and entered a decades-long period of stagnation, with many available opportunities for redevelopment.
- Japan's relative affordability, enviable weather conditions, and its proximity to nearby booming economies have attracted growing numbers of inbound winter sports enthusiasts, whose demand has begun to revitalise the sector.
- Japan is now globally recognised as a ski destination. Visionary players are deploying significant amounts of capital to redevelop ski resorts across the country, integrating luxury accommodation and services, in order to compete globally with other major high-end resorts.
- We anticipate a steady expansion in the demand for high-end experiences globally as income inequality progresses in many economies, and Japan is well-positioned to adeptly capture much of this demand.
- Given the world-class snowfall that Japan periodically receives, major Japanese resorts should prove resilient in the face of a warming global climate and undoubtedly possess strong potential to become leading sustainable winter destinations.

## BACKGROUND

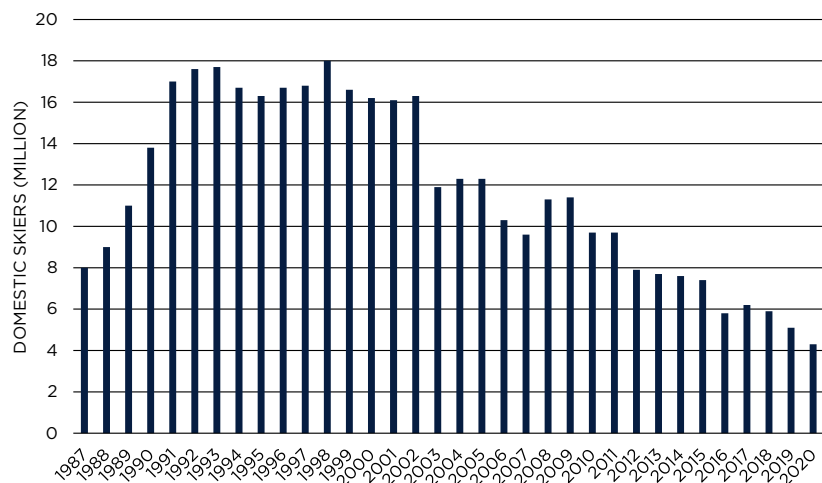
Until the 2000s, Japan was not on the radar as a global tourism hub. Entry into the country for many foreign travellers was cumbersome, and prices were prohibitively expensive due to the strong yen. Japan was not geared towards the needs of international travellers, with scarce foreign-language support. Indeed, the tourism industry of the country used to focus on its large domestic travel market, with little emphasis on catering to foreign visitors. As such, the high-end market did not grow to a comparable extent to those of other countries such as Switzerland and France, with

only a handful of upscale onsen ryokan and resorts aimed exclusively at wealthy Japanese nationals. The evolution of ski resorts appears to have followed a parallel trajectory.

Skiing reached its peak level of popularity in Japan in the late 1990s, when Japan held the Nagano Winter Olympics in 1998. The growth in participation by Japanese nationals in skiing (Graph 1) coincided with Japan's rapid economic expansion, with a peak of over 18 million active skiers<sup>1</sup> recorded in 1998, according to the Japan Productivity Center. During the 1990s, significant investments were

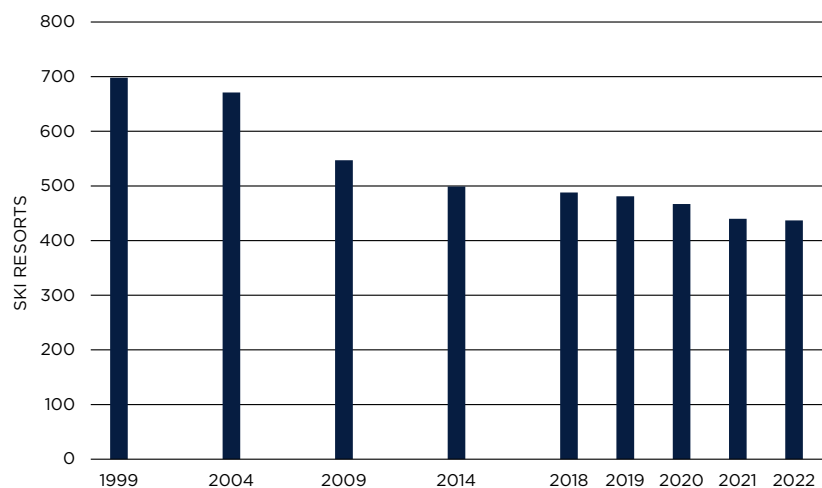
<sup>1</sup> Also includes people who snowboard

**GRAPH 1: Participation by Japanese Nationals in skiing, 1987 to 2020**



Source Japan Productivity Center, Savills Research & Consultancy

**GRAPH 2: Number of Ski Resorts in Operation\* in Japan, 1999 to 2022**



Source Japan Funicular Transport Association, Savills Research & Consultancy  
\* Resorts featuring at least one ski lift.

Note: Data recorded at four/five year intervals between 1999 and 2018.

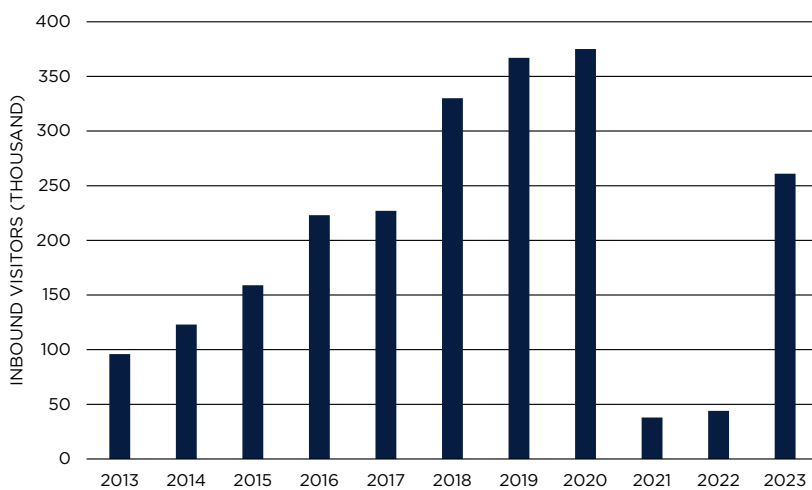
made into developing ski resorts, and Japan boasted one of the greatest numbers of ski resorts in the world at 700 facilities (Graph 2) to service the booming domestic demand.

That said, Japan's winter sports industry entered a long period of decline after the late 1990s. The country's economic stagnation as well as the declining number of customers caused many resorts to experience difficulties. The number of active domestic skiers in Japan fell consistently to lower than 5 million in 2022. As such, many resorts have gone out of business, with only those in the most popular locations such as Niseko and Hakuba continuing to prosper, and the total number of resorts in operation has fallen to less than 500. A lack of investment has resulted in noticeably ageing infrastructure, antiquated accommodation, and a shortfall of local services and amenities, with many potential workers from local communities instead choosing to search for work in larger urban areas.

Although domestic demand weakened in line with economic stagnation, the Winter Olympics in Nagano likely put Japan on the map globally as a premier ski destination, and marketing campaigns, especially by Niseko heavily targeting skiers from overseas, led to new demand. In recent years, the growing market of winter sports enthusiasts from Asian nations has propagated further increments in inbound tourist numbers and subsequently investments into winter sports resorts in Japan. For instance, the number of foreign skiers in the Hakuba Valley increased

**Japan is presently witnessing a surge in inbound tourism. Although an increasing number of repeat visitors are exploring Japanese ski regions, upscale resorts remain underdeveloped, presenting ample opportunities for growth. Forward-thinking industry leaders are investing substantial amounts of capital into promising areas, anticipating significant expansion and heightened demand. These ambitious development initiatives may herald the emergence of additional destinations akin to Niseko, and the outlook for expansion in this sector is promising, paving the way for Japan's evolution into a sustainable winter resort destination.**

**GRAPH 3: Number of Inbound Skiers in Hakuba Valley, 2013 to 2023**



Source HAKUBAVALLEY TOURISM, Savills Research & Consultancy

significantly in recent years (Graph 3). Many hotel and local business owners recognised the economic value of inbound travellers, who tend to spend more time and money in resorts and surrounding towns. As such, major players have identified the winter sports industry in Japan as one ripe with opportunities, and the current surge in development activity coincides with the overall inbound tourism wave that Japan appears to be riding to great success.

**PREMIER EXAMPLE: SWISS SKI INDUSTRY**

To assess the potential of ski resort developments in Japan, this report looks at Switzerland as a successful model. Given Switzerland's geography, winter sports and summer resorts have played a leading role historically in the development of its hospitality sector. The wider Swiss tourism and hospitality sector employed over 250,000 people, or roughly 5% of the national workforce, and comprised roughly 5% of

Swiss GDP in 2022 (US\$818 billion<sup>2</sup>). The country attracted around 12 million overseas visitors in 2022, generating a total revenue of US\$17.4 billion<sup>3</sup> from inbound tourism. Alpine resort towns such as Zermatt, Verbier, and St. Moritz, which twice hosted the Winter Olympic Games, have become universally recognised destinations for wealthy winter sports enthusiasts, and Switzerland’s tourism industry is now synonymous with luxury hospitality.

Switzerland’s luxury tourism model has seen major success thus far. There are 79 five-star hotels in Switzerland, which, relative to the number of inbound tourist arrivals of 12 million in 2022, is a large figure. In comparison, France, which received 79.4 million inbound arrivals in the same year, has 184 five-star hotels, translating to a far lower ratio of five-star hotels per inbound visitor than Switzerland. Moreover, Switzerland’s average revenue per inbound visitor in 2022 amounted to US\$1,450 per visitor, while France, which routinely receives the largest number of annual overseas visitors, recorded total revenue from inbound tourism of US\$59.7 billion, translating to US\$750 per visitor, which is significantly lower than that of Switzerland.

Looking at resort operations, average weekly prime rents in a two-bedroom apartment in the upscale resort Verbier were €5,100+ during the winter ski season in 2023, while a chalet would cost €12,000 for a week. Elsewhere, in Andermatt, average weekly prime rents two-bedroom apartment would cost just shy of €3,000 over the same period. These cities have many other luxury hotels

<sup>2</sup> According to figures by The World Bank.  
<sup>3</sup> 2022 average exchange rate of US\$1 = CHF0.95 according to Credit Suisse.  
<sup>4</sup> Please refer to “The Ski Report, World Residential - Winter 2023/24” for further information.

that likely have even more premium prices.

While Switzerland has achieved notable success in cultivating its luxury tourism industry, it appears that prospects for future growth may be limited. Firstly, the cost of labour is extremely high, and the hospitality sector faces severe worker shortages. Indeed, Switzerland is one of the world’s most highly developed economies, with a highly educated and skilled workforce, and is home to leading financial and pharmaceuticals companies, which are able to offer more attractive compensation packages to workers. Meanwhile, although it is a potential solution that is often touted, raising immigration levels appears to be a sensitive political issue in Switzerland, and appears unlikely to be utilised as a method to resolve the issue in the near future.

From a visitor’s perspective, Switzerland has become prohibitively expensive for a large proportion of international travellers. Many professionals, even those in high paying jobs, may feel priced out of Switzerland’s famous alpine resorts, and may instead opt for neighbouring France, Italy, or Germany.

**JAPAN TRENDS IN INBOUND TOURISM**

Inbound tourists have become an essential pillar supporting the tourism industry in the country, and the large rebound in international tourist arrivals since the pandemic has certainly brought a renewed sense of optimism for the sector. Indeed, the number of international visitors is not only at around record levels as of Q4/2023, but also the post-pandemic era has seen the average amount spent per visitor hit significantly higher levels than those observed over the past decade.

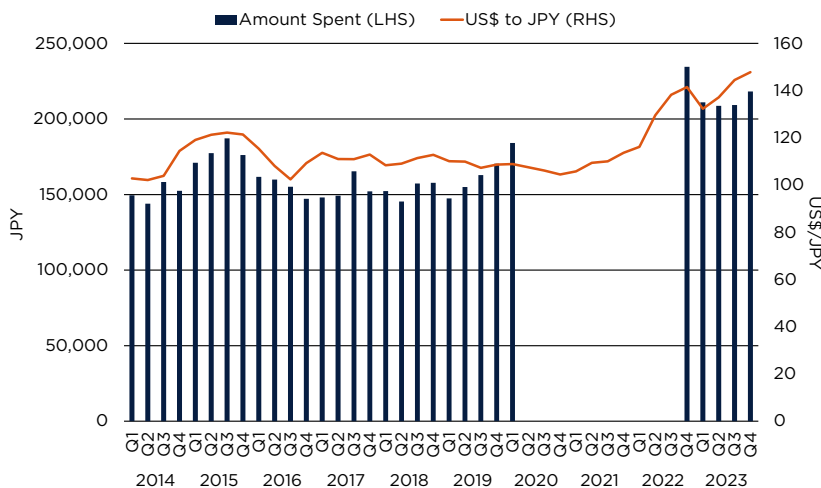
A myriad of factors have contributed to this remarkable growth. For instance, Japan was ranked as a top destination to visit by multiple institutions, including the World Economic Forum in 2021, which contributed to building a substantial amount of pent-up demand to visit the country, which was released when the country opened its borders to visa-free inbound tourism in October 2022. Secondly, the yen has significantly depreciated against most currencies as many countries, most notably the United States, have increased interest rates, in contrast with Japan sticking with its monetary easing policies. The weak yen has undoubtedly provided a considerable amount of additional purchasing power to most international visitors to the country.

However, while currency fluctuations are certainly an important factor, a considerable proportion of growth is likely organic and unrelated to currency. Between 2019 and Q1/2020, average spending appeared to be on an increasing trend even though the value of the yen was relatively unchanged. Indeed, Japan ran extensive marketing campaigns promoting higher-end inbound tourism in the country leading up to the 2020 Tokyo Olympics, and has also seen infrastructural improvements like an increased number of duty-free shops, and greater frequencies of direct flights into the country. These activities can be quantified when looking at the budget of the Japan Tourism Agency and the amount of funds dedicated to improving and promoting inbound tourism (Graph 5). These factors have also played a significant role in improving Japan’s status as a popular tourist destination and increasing the number of visitors, especially high-spending ones, and have likely assisted in increasing spending as well.

In particular, among inbound visitors to Japan, those looking to participate in winter sports generally provide a relatively large economic benefit to the economy as opposed to general sightseers. Indeed, according to the 2019 White Paper on Tourism in Japan by the Japan Tourism Agency, average per-person spending by inbound tourists engaged in winter sports was around JPY225,000, far larger than the average per-person figure spent by inbound travellers of JPY152,000. Foreign winter sports enthusiasts are also noted to be more likely to spend greater amounts of time and money than domestic travellers exploring local areas outside their hotels when visiting winter resorts, providing wider economic benefits to regional economies.

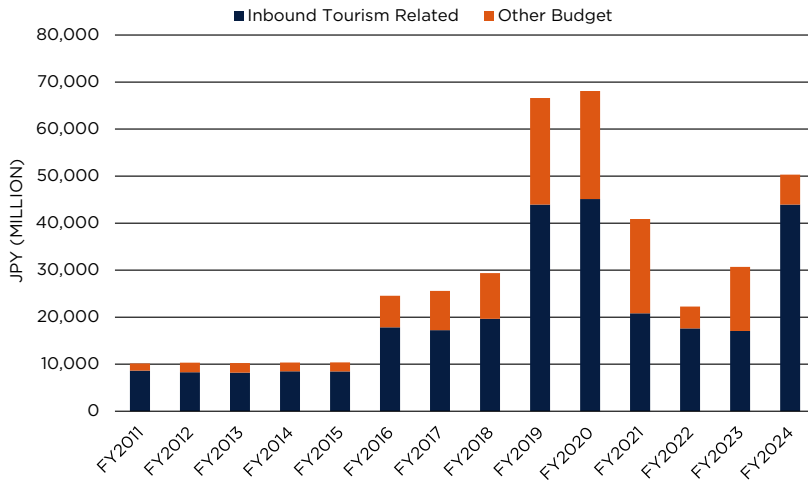
Overall, Japan’s inbound tourism market is in its prime, and momentum looks strong with further room for growth. Tourists from mainland China have yet to see a meaningful return, and further down the road, the

**GRAPH 4: Average Amount Spent by Each Inbound Tourist\* vs US\$/JPY Exchange Rate, 2014 to 2023**



Source Japan Tourism Agency, Savills Research & Consultancy  
 \* Data points during the pandemic are either unavailable or omitted.

**GRAPH 5: Budget of Japan Tourism Agency\*, FY2011 to FY2024**



**Source** Japan Tourism Agency, Savills Research & Consultancy  
 \* Budget for the travel subsidiary campaign is not included. Inbound tourism-related budget calculated based on budget items explicitly dedicated to inbound tourism.

Integrated Resorts in Osaka could be a game changer for Japan and attract significantly higher spenders. Overall, the full potential of inbound tourism appears yet to have been unleashed, and still has greater business opportunities that can be explored.

**SKI SECTOR DEVELOPMENTS**

Japan is a beacon of opportunity and potential for this sector. The famous powder snow in well-visited resorts such as Niseko already attracts many winter sports enthusiasts globally. Most resorts in Japan lack extensive accommodation and infrastructure for luxury clients, and are thus ripe for development. In addition, relatively low wages, coupled with a growing willingness in Japan to accept greater levels of foreign workforce and residents will likely keep development and operational costs at reasonable levels. Meanwhile, Japan is located in close proximity to several emerging nations and a growing pool of high-net-worth individuals, whose demand for luxury experiences can be serviced by resorts in Japan. Overall, Japan possesses many similar features and qualities that make Switzerland a prime luxury destination, and has yet to fully realise the growth potential of the sector. In addition, fortifications have already been made to the tourism industry in the green season.

Notable progress has already been made in this regard. For instance, a moderate luxury winter sports sector appears to have already emerged in Niseko given its quality and subsequent global popularity, having been ranked #25 in Savills Ski Resilience Index, which measures the quality and

reliability of a resort’s conditions. Indeed, some major luxury players have established a presence in Niseko, including the Park Hyatt, Ritz-Carlton Reserve, and Aman Resorts. Furthermore, luxury brand Louis Vuitton opened a pop up at the Park Hyatt in Niseko for the 2024 ski season.

The upcoming Hokkaido bullet train extension to Sapporo, touted for completion in 2031, will stop in Kutchan and should significantly improve the ease of travel to Niseko from Sapporo and Tokyo. In addition, helicopter services become available between New Chitose airport and Niseko, especially during the high season. Further development will likely take place as resorts in Niseko becomes more accessible and popular, improving the prospects of the high-end ski segment in the area.

**A POTENTIAL SECOND NISEKO**

Like Niseko, Hakuba has remained competitive as a ski resort in Japan since the Nagano Olympics, and has been in high demand among overseas tourists immediately since the lifting of inbound restrictions on entry, receiving over a quarter of a million inbound skiers in the 2022/2023 ski season, moderately lower than the figure for 2019/2020 at almost 400,000 visitors. While globally recognised for its heavy snowfall, Hakuba has some ageing infrastructure and accommodation that sorely needs renovation and modernisation. Many players have made strides in this regard, with KANOLLY Resorts having paved the way and opening a luxury hotel in the area. Yet, there is notably greater demand for luxury hotels, facilities and

infrastructure, which presents vast opportunities for players looking to tap into the high-end winter sports boom in Japan.

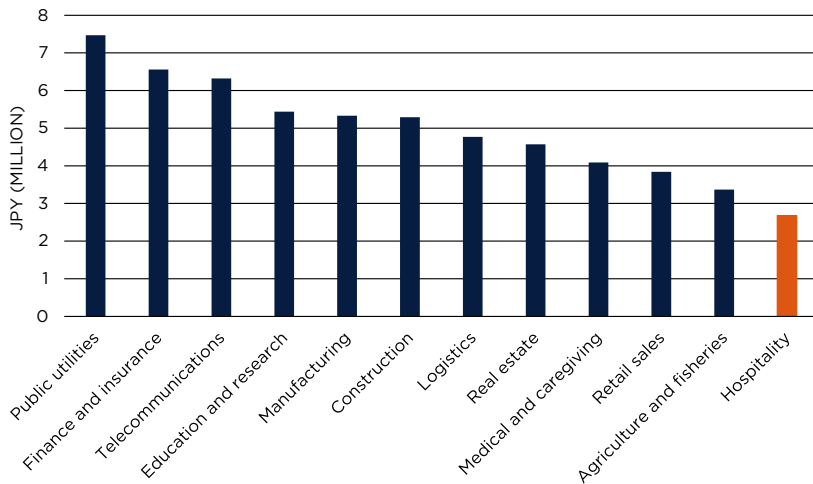
Elsewhere, Myoko Kogen in Niigata is one of Japan’s longest established winter sports destinations but experienced a prolonged period of stagnation. The area routinely receives large volumes of snow, and is also famous for its onsen facilities, many of which feature milky-white, auburn, and bronze coloured hot spring water. Given its accessibility to Tokyo via the Hokuriku shinkansen, Patience Capital Group (PCG) announced its ten-year, JPY210 billion investment plan into five resorts in the ski town, aiming to transform the area into a globally competitive winter sports destination. Having reportedly collected bids from ten global luxury hotel brands, PCG will initially focus on building high-end hotel facilities and accommodation for staff by 2026, then consequently work to expand wider retail and hospitality offerings in nearby urban centres.

Although relatively moderate compared to other resorts in Japan, Appi Kogen in Iwate appears to have bright prospects as a high-end tourist destination, having been awarded ‘Japan’s Best Ski Resort’ at the 2022 World Ski Awards. IHG Hotels & Resorts will expand its presence in the resort town by refurbishing and opening three hotels, including ANA InterContinental Appi Kogen Resort in 2022, reportedly the first luxury resort in the Tohoku region. Meanwhile, the world-renowned British Harrow School opened its international branch in Appi Kogen in 2022, with annual tuition of around JPY9 million. These developments have helped to raise the profile of Appi Kogen, and signal that confidence is high in the future growth trajectory of the area.

**POTENTIAL LIMITATIONS**

Despite the bright prospects of the sector, Japan faces a handful of roadblocks in the pursuit of its high-end ski ambitions. For instance, Japan suffers from chronic labour shortages, which are especially prevalent in remote areas where ski resorts tend to be located, given the reality of Japan’s ageing population and young talent generally being drawn to larger urban areas in search of work and lifestyle opportunities. The situation is so severe that in areas such as Niseko, businesses are offering part-time workers in the winter season an hourly rate of over JPY2,000, much higher than rates of workers in Tokyo. Nevertheless, the average income in the hospitality industry is relatively low (Graph 6), which suggests that offering higher wages for this growing business should be feasible in the foreseeable future.

**GRAPH 6: Average Annual Income by Industry, 2022**



Source Japan Tax Agency, Savills Research & Consultancy

Meanwhile, the development plans outlined previously will all require significant overhauls of ski infrastructure and accommodation, not to mention necessary improvements to local services and amenities, as well as developing more comprehensive transport access. However, labour shortages in the construction industry are also a persistent issue that may cause delays in the development and renewal of much-needed infrastructure, and consequently the overall growth of Japan’s ski industry. For instance, the Hokkaido shinkansen extension, which was initially slated to reach Sapporo by 2030 and anticipated to improve access to the Niseko area from Tokyo, has been plagued by delays owing to the labour shortage, and the full opening of the new route has been delayed until at least 2031.

Moreover, climate change is an issue that affects the winter sports industry globally. As ski seasons become shorter and the average volume of snow falls, resort operators may struggle to generate sufficient revenue and face financial difficulties. That said, the average snowfall in the distinguished ski resorts in Japan reaches world-class levels, meaning that they should be relatively resilient even in a warming globe.

**OUTLOOK**

Japan is endowed with all the trappings of a high-end winter sports destination – world class powder snow, beautiful mountain slopes, and reputable customer service and social stability. Presently, Japan has finally begun to emerge as a luxury travel hub, and as infrastructure and services are developed

further, it will become more ready to welcome high-end visitors. With careful planning and sufficient investment, Japan’s myriad of natural and cultural features can underpin growth in Japan’s high-end travel industry.

Given the shortfall of existing high-end infrastructure and the broad horizon of opportunity in the sector, many visionary players have already envisioned large plans and have deployed significant amounts of capital into Japan’s numerous ski resorts, and notable progress has been made so far in this regard. The profiles of many of Japan’s ageing ski resorts are undergoing a fundamental transformation, notably with an influx of high-end hotels and services in response to the rapid growth in Japan’s inbound tourism sector.

In particular, demand from inbound tourists for travel in Japan has gone from strength to strength since the end of the pandemic, and this encouraging trend is expected to continue and gain momentum. At the same time, we anticipate a general expansion in the demand for luxury services globally, with income inequality progressing in many economies and expected to accelerate as urbanisation and technological development progress. As Japan transitions to a global tourist destination, and makes further strides in developing its high-end travel sector, its image may gradually change to one of “luxury”, and should allow Japan to capitalise on inbound tourism more effectively and earn greater revenue. This will be facilitated by Japan’s world-renowned hospitality, reliable and resilient infrastructure, as well as the slew of luxury developments in the pipeline. Overall, prospects for high-end ski resorts in Japan are bright, and observers should anticipate exciting further growth.



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