Intelligent Investment

# Smart Money, Smart Stays: Japan's Apartment Hotel Boom

**VIEWPOINT**

**AN INCREASING NUMBER OF NEW APARTMENT HOTELS HAVE BEEN LAUNCHED IN RECENT YEARS, WHILE TRANSACTIONS OF EXISTING PROPERTIES HAVE ALSO INCREASED. THE KEY TO SUCCESS IN THIS MARKET WILL BE THE SELECTION OF SUITABLE LOCATIONS.**

CBRE RESEARCH
NOVEMBER 2026



## Summary

Overnight stays by international tourists as a percentage of total overnight stays in Japan are increasing, with inbound tourist demand typically characterized by large groups staying for long periods of time. As apartment hotels are ideally suited to cater to such demand, an increasing number of new apartment hotels have been launched in recent years, while sales of existing properties are also on the rise. For investors, factors such as reduced staffing (due to apartment hotels' unmanned receptions and absence of dining facilities) and efficient use of space (due to minimized common areas) make apartment hotels particularly profitable and attractive investments. However, apartment hotels' dependence on long-term international tourist demand makes them vulnerable to sudden changes in patterns of demand caused by geopolitical or other risks.

## 1. What are apartment hotels?

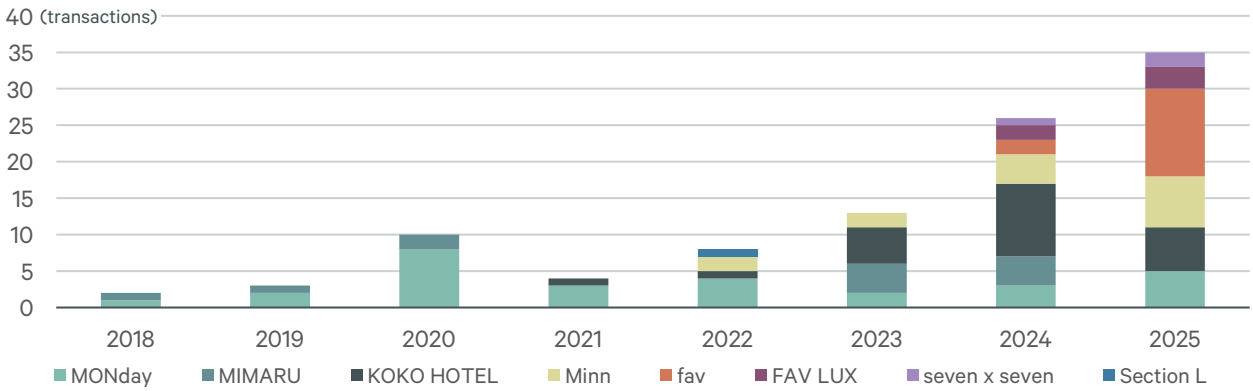
Apartment hotels primarily target large groups and those looking for long-term accommodation, typically featuring large guest rooms fitted with amenities such as kitchen areas and washing machines.

As apartment hotels provide living-style accommodation for families or groups of typically four to six, they possess certain features in common with Japan's licensed short-term rental system known as "minpaku". However, minpaku establishments differ from apartment hotels in that they are restricted to providing a maximum of 180 days of accommodation per year under the auspices of the Private Lodging Business Act (Minpaku Law). In contrast, apartment hotels can operate 365 days a year under the regulations of the Hotel Business Act. Apartment hotels also differ from serviced apartments in terms of their target clientele, with the latter aimed at individuals or small groups of expatriate workers. These attributes ensure apartment hotels hold a unique position within the accommodation sector.

## 2. Steady rise in apartment hotel transactions

Sales of apartment hotels operated under major brands have increased in Japan over the past few years (Figure 1). Possessing far greater flexibility in terms of rents than office or rental housing properties of a similar size, apartment hotels allow investors to aggressively pursue profitability upside. This enables investors to target apartment hotel assets for disposal at higher valuations. This reason also underpins the recent increase in conversions of existing offices and apartment buildings into apartment hotels. With the last few years having seen the entry of major real estate players such as Mitsubishi Estate into the apartment hotel sector, leading to the significant diversification of brands (Figure 2), transactions of apartment hotels in Japan are projected to increase.

**Figure 1: Number of Apartment Hotel Transactions (Major Brands)**




Note: Includes property transactions involving Kasumigaseki Hotel REIT during its IPO.
Source: MSCI Real Capital Analytics, CBRE Research, Q3 2026.


© 2026 CBRE, INC.

**Figure 2: New Entrants into the Apartment Hotel Sector**

| Date | Company | Brand | Development Plans |
|---|---|---|---|
| 2024 | Nippon Steel Kowa Real Estate | & Here | 12 properties featuring 2,000 rooms planned for opening by 2030 |
| 2025 | Tokyu | The Apartment Hotel by stylio | Aiming for new annual supply of 100-200 rooms, primarily along Tokyu railway lines and in regional areas |
| 2026 | Mitsubishi Estate | WAYPOINT | First property opened in Tsukiji in April 2026; aiming for 10 properties in operation by 2030 |
| 2026 | Daito Trust Construction | HOTEL LUXUDEAR RESIDENCE | 10 properties nationwide planned for opening by 2028 |
| 2026 | Orix | CROSS Suites | First property opened in Asakusa in July 2026; planning further expansion |
| 2027 | Daiwa House Industry | Sumu powered by Airbnb Partners | Three properties currently planned |
| 2027 | ADW Hotel Management (A.D.Works Group) | TBD | First hotel planned for opening in autumn 2027; planning expansion to 40 properties featuring 1,500 rooms by 2034 |

Source: CBRE Research, October 2026.

## 3. Major appeal of apartment hotels

The primary factors behind investors' growing interest in apartment hotels are outlined below.

1. **Increasing inbound tourist demand:**
   Total overnight stays by international visitors to Japan in H1 2026 were 42% above those in H1 2019, prior to the advent of the COVID-19 pandemic. With total overnight stays by domestic visitors declining by 6% over the same time frame, the percentage of total overnight stays accounted for by international visitors increased from 21% in H1 2019 to 28% in H1 2026 (Figure 3). As inbound demand is primarily for sightseeing, it more frequently involves families or other groups, and trips are much longer on average than those of Japanese domestic users (Figure 4). With their spacious rooms and convenient amenities, apartment hotels are perfectly positioned to target this increasing number of long-term stays by larger groups.

2. **Strong profitability:**
   As they do not necessarily include onsite F&B establishments, apartment hotels are able to reduce labor and foodstuffs costs. In addition, the use of smart locks enables receptions to be either unmanned or minimally staffed, further reducing labor costs per room. These specific characteristics also enable common spaces to be minimized. As the floor space used for guest rooms can be maximized, investment efficiency per total floor area is higher.

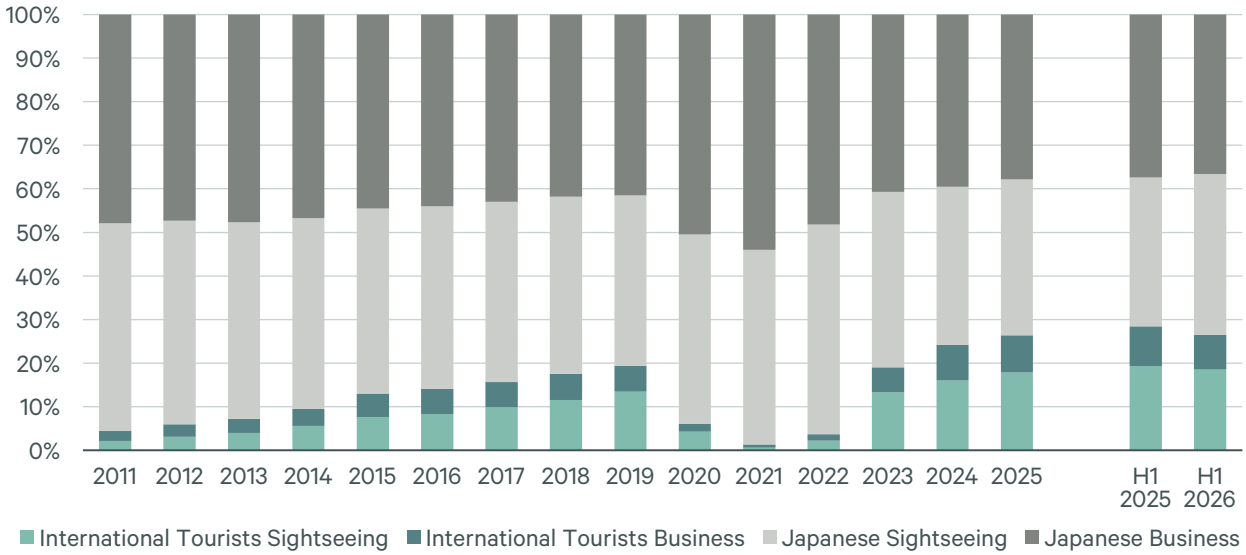
3. **Labor shortage countermeasures:**
   As they are operated with minimal staffing, apartment hotels are less vulnerable to labor shortage issues, thereby keeping labor costs down.

4. **Reduced competition:**
   Minpaku establishments, which are the main competitors for apartment hotels, are subject to tighter regulation through a range of new ordinances, reducing fears of oversupply.

5. **Potential for repurposing:**
   As building specifications ensure that each guest room has full plumbing facilities, apartment hotels can be easily repurposed into ordinary rental apartments, should tourist demand wane.

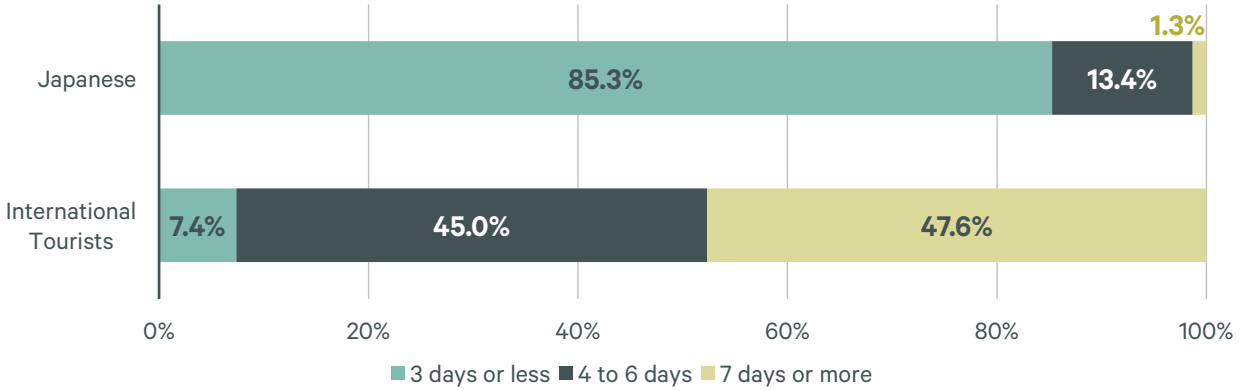

© 2026 CBRE, INC.

**Figure 3: Total Overnight Stays by Type of Travel**




Source: Japan Tourism Agency, CBRE Research, August 2026.

**Figure 4: Trips within Japan by Length (For Sightseeing and Containing Overnight Stays, 2025)**




Source: Japan Tourism Agency, CBRE Research, August 2026.

## 4. Factors to consider in location selection

Several factors need to be considered when selecting locations for apartment hotels. As apartment hotels rely heavily on large groups of international tourists seeking long-term accommodation, they are more vulnerable than other forms of accommodation, such as business hotels, to sudden drops in inbound demand caused by geopolitical volatility or other factors.

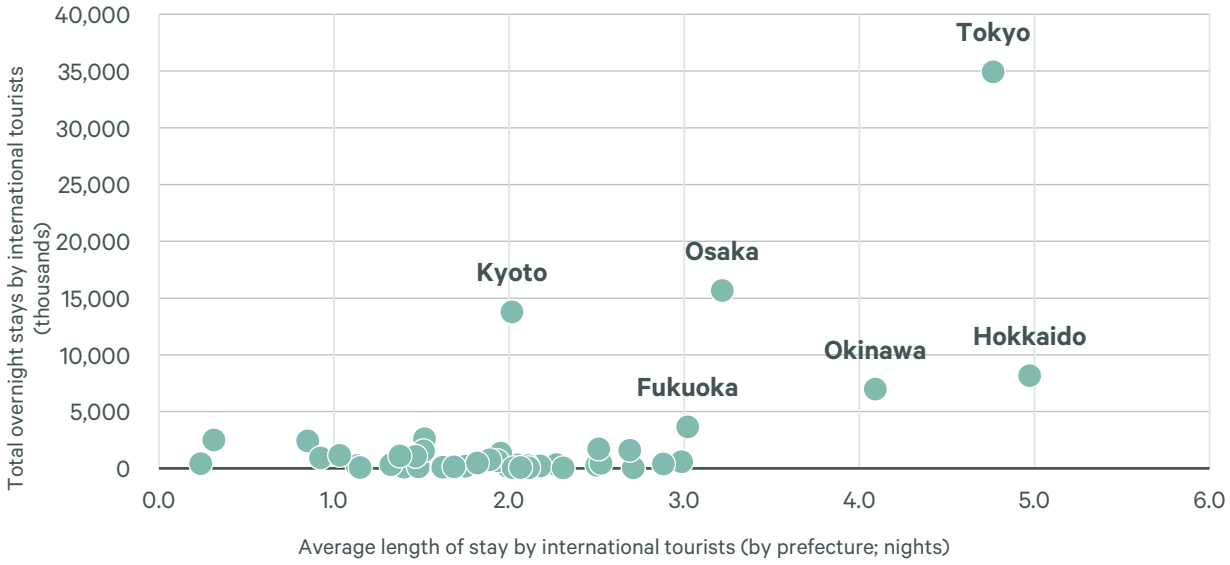
As average stays in apartment hotels are long, operations must be configured specifically to cater to long-term demand. This can make it difficult to secure shorter-term guests to fit into the gaps between long-term stays and may prevent room occupancy rates from reaching their maximum potential. To keep occupancy rates high and maximize profitability, CBRE believes ideal locations will be those which provide a balance between plentiful tourist resources attracting long-term demand and those generating a certain level of short-term demand. With new apartment hotel developments and the repurposing of other building types anticipated to continue, the safest locations in terms of reducing business risk will be those with the greatest total inbound tourist demand.


© 2026 CBRE, INC.

Based on these principles, Figure 5 below plots the total overnight stays and average overnight stay length by international visitors in each prefecture on the vertical and horizontal axes, respectively. Prefectures plotted to the top right of the diagram are those with the greatest depth of demand for apartment hotels, and which have the highest chance of business success. Each of the prefectures in this area of the diagram feature excellent access to major terminal railway stations or airports, and feature significant tourist resources in the immediate vicinity.

Assessments of the business potential of any individual property must also take into account not only the inbound tourist demand of the general area, but also the issue of access for tourists carrying suitcases, in terms of such factors as distance from stations, and the existence or otherwise of sidewalks or walkways, hills, and staircases. As guests generally cook their own food, the location of nearby supermarkets, convenience stores, and restaurants will also be important. Finally, evaluations of the suitability of potential sites also require detailed analyses of factors such as applicable zoning and municipal ordinance restrictions and the concentration of in-area competition.

**Figure 5: Total Overnight Stays and Average Overnight Stay Length by International Visitors (Type of Travel: Sightseeing; by Prefecture; 2025)**




Source: Japan Tourism Agency, CBRE Research, August 2026.

## Contact

**Yoshitaka Igarashi**
Director
Office/Hotel
yoshitaka.igarashi@cbre.com

**Tomoya Nose**
Associate Director
Investment Team Leader
tomoya.nose@cbre.com

**Chinatsu Hani**
Senior Director
Head of Research
chinatsu.hani@cbre.com

© Copyright 2026. All rights reserved. The views and opinions in these articles belong to the author and do not necessarily represent the views and opinions of CBRE. Our employees are obliged not to make any defamatory clauses, infringe or authorize infringement of any legal rights. Therefore, the company will not be responsible for or be liable for any damages or other liabilities arising from such statements included in the articles.