Table of Contents

<table>
<thead>
<tr>
<th>Region</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3</td>
</tr>
<tr>
<td>Tokyo</td>
<td>8</td>
</tr>
<tr>
<td>Osaka</td>
<td>12</td>
</tr>
<tr>
<td>Okinawa</td>
<td>17</td>
</tr>
</tbody>
</table>

Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADR</td>
<td>Average Daily Rate</td>
</tr>
<tr>
<td>RevPAR</td>
<td>Revenue Per Available Room</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
</tbody>
</table>

Remarks

“The total number of accommodation guests” sourced from Japan Tourism Agency does not include guests staying in hotel accommodation with less than ten employees.

All statistics from 2012 sourced from the Japan Tourism Agency and JNTO are provisional.

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Japan

Market Summary

In 2012, the Japan tourism and accommodation market fully recovered from the negative impact of the earthquake in March 2011. In most of the major markets in Japan, volume of accommodation demand reached or exceeded levels seen prior to the earthquake spurred by both business and leisure demand.

International visitor arrivals also recovered to levels prior to the earthquake. While the negative impact of the earthquake, radiation concerns and the appreciation of the Japanese Yen had affected inbound tourism in the first half of 2012, visitor arrivals showed an improvement in the second half of the year, particularly from Asian countries.

The hotel investment market was also active in 2012 reaching the highest level of transactions registered since the global financial crisis in 2008. While most transactions comprised of hotels of a small size with a value under JPY 2.0B, several middle-to-large sized transactions were also witnessed in 2012.

In 2013, we anticipate that both hotel trading and investment markets will exhibit continue to improve. “Abenomics,” the new economic policy held by the Abe Cabinet formed at the end of 2012, is expected to enhance business and leisure activities, which will improve the hotel trading market in Japan. The recent depreciation of the Japanese Yen shall also increase inbound traffic to Japan.

Furthermore, “Abenomics” is also likely to have a positive impact on the hotel investment market. Substantial capital, generated by the central bank’s loose monetary policy, is anticipated to flow into real estate and hotel investment markets.

Economic Snapshot

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013F</th>
<th>2014F</th>
<th>2015F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth (%)</td>
<td>-0.5</td>
<td>2</td>
<td>0.6</td>
<td>2</td>
<td>2.1</td>
</tr>
<tr>
<td>Inward FDI (Net USD billion)</td>
<td>-110.5</td>
<td>-121</td>
<td>-93</td>
<td>-74.7</td>
<td>-68</td>
</tr>
<tr>
<td>Av. Inflation / CPI (%)</td>
<td>-0.3</td>
<td>0</td>
<td>-0.5</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Short-term Interest Rate (%)</td>
<td>0.19</td>
<td>0.19</td>
<td>0.14</td>
<td>0.4</td>
<td>0.41</td>
</tr>
<tr>
<td>Av. Exchange Rates (JPY per USD)</td>
<td>77.72</td>
<td>86.55</td>
<td>85.18</td>
<td>81.09</td>
<td>79.02</td>
</tr>
<tr>
<td>Av. Unemployment Rate (%)</td>
<td>4.6</td>
<td>4.3</td>
<td>4.7</td>
<td>4.8</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: IHS Global Insight (forecast as at April 15, 2013)
Japan Tourism / Accommodation Market Overview

Overall Trends and Demand Drivers
In Japan, the total number of accommodation guests (both domestic and international) reached approximately 356.3 million, which represented a 5.0% increase as compared to 2012. This increase is attributed to the rebound from the negative impact of the earthquake and an improvement in the overall economy.

By guest type, domestic accommodation accounted for approximately 93.6% of total guests in 2012 while inbound accommodation guests accounted for 6.4%. The total number of domestic and inbound guests increased by 3.4% and 34.5%, respectively, as compared to the previous year.

The monthly statistics, sourced from the Japan Tourism Agency, indicate that the number of accommodation guests from April to December 2012 exceeded the levels seen over the same period in 2010 and 2011. It is likely that consumer sentiment and corporate activity improved after the Japanese fiscal year ended in March.

<table>
<thead>
<tr>
<th>Total Number of Accommodation Guests in Japan (Million)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Guests</td>
<td>287.5</td>
<td>283.0</td>
<td>322.8</td>
<td>322.3</td>
<td>333.4</td>
</tr>
<tr>
<td>Growth</td>
<td>-</td>
<td>-1.5%</td>
<td>14.1%</td>
<td>-0.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>International Guests</td>
<td>22.2</td>
<td>18.3</td>
<td>26.0</td>
<td>17.0</td>
<td>22.9</td>
</tr>
<tr>
<td>Growth</td>
<td>-</td>
<td>-17.8%</td>
<td>42.2%</td>
<td>-34.6%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Total</td>
<td>309.7</td>
<td>301.3</td>
<td>348.8</td>
<td>339.3</td>
<td>356.3</td>
</tr>
<tr>
<td>Growth</td>
<td>-</td>
<td>-2.7%</td>
<td>15.8%</td>
<td>-2.7%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: Japan Tourism Agency.
By accommodation type, hotels accommodated approximately 74.7% of the total accommodation guests in 2012, while ryokans (Japanese inns) accommodated approximately 22.0% of them. Among the various accommodation types, limited-service hotels, full-service hotels and resort hotels absorbed 39.5%, 18.3%, and 16.9% of the total accommodation guests, respectively. In 2012, demand increased across all accommodation types including hotels and ryokans.

Total Number of Accommodation Guests - By Accommodation Type (Million)

<table>
<thead>
<tr>
<th>Type</th>
<th>2009</th>
<th>Ratio</th>
<th>2010</th>
<th>Ratio</th>
<th>2011</th>
<th>Ratio</th>
<th>2012</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited-Service</td>
<td>105.2</td>
<td>34.9%</td>
<td>130.1</td>
<td>37.3%</td>
<td>132.4</td>
<td>39.0%</td>
<td>140.8</td>
<td>39.5%</td>
</tr>
<tr>
<td>Full-Service</td>
<td>58.3</td>
<td>19.4%</td>
<td>66.3</td>
<td>19.0%</td>
<td>61.9</td>
<td>18.2%</td>
<td>65.1</td>
<td>18.3%</td>
</tr>
<tr>
<td>Resort Hotel</td>
<td>55.0</td>
<td>18.3%</td>
<td>60.3</td>
<td>17.3%</td>
<td>57.0</td>
<td>16.8%</td>
<td>60.2</td>
<td>16.9%</td>
</tr>
<tr>
<td>Ryokan</td>
<td>79.1</td>
<td>26.2%</td>
<td>82.2</td>
<td>23.6%</td>
<td>77.4</td>
<td>22.8%</td>
<td>78.4</td>
<td>22.0%</td>
</tr>
<tr>
<td>Others</td>
<td>3.7</td>
<td>1.2%</td>
<td>9.9</td>
<td>2.8%</td>
<td>10.6</td>
<td>3.1%</td>
<td>11.9</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total</td>
<td>301.3</td>
<td>100.0%</td>
<td>348.8</td>
<td>100.0%</td>
<td>339.3</td>
<td>100.0%</td>
<td>356.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Growth</td>
<td>-2.9%</td>
<td></td>
<td>13.6%</td>
<td></td>
<td>-2.7%</td>
<td></td>
<td>5.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Japan Tourism Agency

International Accommodation Demand

Among international accommodation guests, visitors from China (17.1% of total inbound demand) ranked as the top international demand source market in 2012, followed by Taiwan (15.9%) and South Korea (11.9%). We saw an increase in demand for all source markets, which resulted from a recovery from the earthquake and its subsequent events.
International Visitors Arrivals
According to the latest statistics from the Japan National Tourism Organization (JNTO), international visitor arrivals to Japan were recorded at 8.4 million in 2012, which was a 34.6% increase as compared to the previous year.

The Japanese government, having recognised that the tourism industry can stimulate economic growth and employment, has been committed to development of the industry. The government launched “Inbound Travel Promotion Project” (Visit Japan Project) and set a goal of 18 million visitors by 2020, 25 million visitors by 2025 and 30 million visitors in the long term. This project includes but is not limited to proactive promotional activities outside of Japan and deregulation of visa requirements.

Accommodation Supply Trend
The profile of the Japanese accommodation market continues to evolve. Over the long term, we expect hotel supply to increase while the supply of ryokans decline, which was evident in the latest data available. This trend is expected to continue over the next several years.

According to the latest data from Japan’s Ministry of Health, Labour and Welfare, Japan had 9,863 hotels with 814,355 rooms at the end of March 2012 with an average property size of 83 rooms. This is an increase of 153 hotels (1.6%) or 11,107 rooms (1.4%) from the corresponding period previous year.

On the other hand, there were 46,196 ryokan establishments with 761,488 rooms at the end of March 2012 with a decline of 710 ryokans or 2,868 rooms as compared to the previous year. The declining trend of ryokans is mainly attributable to financial difficulties and succession problems which occasionally occur in small-sized family-run ryokans.

Hotel Investment Market
The results of the hotel investment market in Japan in 2012 are summarised as follows:

- Transaction volume in 2012 exceeded the level recorded in the past five years since the global financial crisis as a total of 68 hotels with 12,388 rooms were publicly announced to have changed ownership in 2012.
- The average size of the hotels transacted in 2012 was 182 rooms. While the average size increased by 38 rooms as compared to 144 rooms in 2011, this figure indicates that the hotels transacted in 2012 were still mainly hotel assets of a small room count.
Buyers of small-sized transactions were mainly domestic owner-operators including hotel operation subsidiaries of railway or real estate companies. Meanwhile, a couple of large-sized transactions were completed by J-REITs.

Major Hotel Asset Transactions in 2012 (Publicly announced transactions only)

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Location</th>
<th>Sales Date</th>
<th>No. of Keys</th>
<th>Seller Name</th>
<th>Buyer Name</th>
<th>Purchase Price (Million yen)</th>
<th>Price Per Room (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Mystays Maihama</td>
<td>Urayasu, Chiba</td>
<td>Feb-12</td>
<td>90</td>
<td>Kachikaihatsu</td>
<td>Arno</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Sheraton Grande Ocean Resort</td>
<td>Miyazaki, Miyazaki</td>
<td>Mar-12</td>
<td>743</td>
<td>RHJ International</td>
<td>Sega Sammy Holdings</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hotel Vista Premio Dojima</td>
<td>Osaka, Osaka</td>
<td>Mar-12</td>
<td>141</td>
<td>N/A</td>
<td>Fortress Investment Group</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Loisir Hotel Asahikawa</td>
<td>Asahikawa, Hokkaido</td>
<td>Apr-12</td>
<td>265</td>
<td>Lone Star</td>
<td>JR Hokkaido</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Southern Beach Hotel &amp; Resort Okinawa</td>
<td>Itoman, Okinawa</td>
<td>Jun-12</td>
<td>495</td>
<td>N/A</td>
<td>Green House</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hotel Sunroute Ariake &amp; B Conte Ariake</td>
<td>Ariake, Tokyo</td>
<td>Jul-12</td>
<td>790</td>
<td>N/A</td>
<td>Ascendas Hospitality Trust</td>
<td>15,500</td>
<td>17.0</td>
</tr>
<tr>
<td>Hotel Trusty Osaka Abeno</td>
<td>Osaka, Osaka</td>
<td>Aug-12</td>
<td>202</td>
<td>COLORS</td>
<td>SEB Asset Management</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hotel Keihan Universal City</td>
<td>Osaka, Osaka</td>
<td>Sep-12</td>
<td>456</td>
<td>Hulic</td>
<td>Japan Hotel REIT</td>
<td>6,000</td>
<td>13.2</td>
</tr>
<tr>
<td>Hotel Sunroute Shimbashi</td>
<td>Shimbashi, Tokyo</td>
<td>Sep-12</td>
<td>220</td>
<td>Hulic</td>
<td>Japan Hotel REIT</td>
<td>4,800</td>
<td>21.9</td>
</tr>
<tr>
<td>Kagoshima Tokyu Hotel</td>
<td>Kagoshima, Kagoshima</td>
<td>Sep-12</td>
<td>206</td>
<td>N/A</td>
<td>Japan New Alpha</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Rhîga Royal Hotel Sakai</td>
<td>Sakai, Osaka</td>
<td>Oct-12</td>
<td>241</td>
<td>Bridgestone</td>
<td>Agora Hospitality Group</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Jones Lang LaSalle based on publicly available information
Tokyo

Tourism / Accommodation Market Overview

Tokyo, as the capital of Japan, has a diverse mix of demand from both corporate and leisure travellers. As a major financial centre in Asia, Tokyo attracts both domestic and international business visitors from across the world while its position as one of the major retail destinations in Asia attracts many intra-regional leisure visitors. To complement its offerings, the city also offers visitors its rich historical and cultural heritage in addition to its world class infrastructure.

Overall Trends and Demand Drivers

The total number of accommodation guests (domestic and international) in Tokyo significantly increased by 9.5% to 41.3 million in 2012. This increase is attributed to (i) a recovery from the negative impact of the earthquake, (ii) an improvement in Japan’s overall economy and (iii) newly opened tourism demand generators in Tokyo, such as the Tokyo Skytree, Divercity Tokyo and Shibuya Hikarie.

While Tokyo is a global tourism destination, its accommodation guests are predominantly domestic (82.2% of the total accommodation guests in 2012) rather than international (17.8%). However, compared to the other Japanese markets, the Tokyo accommodation market remains more reliant on international visitors. The numbers of domestic and international accommodation guests in 2012 increased by 4.8% and 38.1%, respectively.

The monthly statistics for 2012 indicate that the number of domestic accommodation guests reached or exceeded the levels seen in 2010 (prior to the earthquake) in most months although the volume of international accommodation guests have not yet fully recovered. This is attributed to the dragging negative impact of the earthquake and territorial disputes with China and Korea, which began in September 2012.
Amongst international guests, China (14.7% of the total international accommodation guests) was the leading source market for Tokyo, followed by the USA (12.8%), Taiwan (10.4%) and South Korea (8.8%). Demand from all source markets significantly increased in 2012 as compared to the previous year due to the negative impact of the earthquake.

By accommodation type, hotels accommodated 95.0% of the total accommodation guests. Among the various accommodation types, limited-service hotels accommodated 52.3% of the total guests, while full-service hotels accommodated 41.2%. Although the share of each accommodation type in 2012 was similar to the previous year, the absolute demand increased across all segments.
Total Number of Accommodation Guests in Tokyo 
- By Accommodation Type (Million)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited-Service Hotel</td>
<td>17.9</td>
<td>21.4</td>
<td>20.1</td>
<td>21.6</td>
<td>51.8%</td>
</tr>
<tr>
<td>Full-Service Hotel</td>
<td>14.9</td>
<td>18.1</td>
<td>15.6</td>
<td>17.0</td>
<td>43.1%</td>
</tr>
<tr>
<td>Resort Hotel</td>
<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
<td>0.6</td>
<td>1.5%</td>
</tr>
<tr>
<td>Ryokan</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.5</td>
<td>1.5%</td>
</tr>
<tr>
<td>Others</td>
<td>0.7</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total</td>
<td>34.5</td>
<td>41.9</td>
<td>37.7</td>
<td>41.3</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Growth: -4.0% 21.4% -10.0% 9.5%

Source: Japan Tourism Agency

Hotel Market Overview

Existing Supply

According to statistics from Japan’s Ministry of Health, Labour and Welfare, the Tokyo Metropolitan area had 684 hotels with 96,113 rooms at the end of March 2012. This represents a decrease of three properties or an increase of 471 rooms (+0.5%) as compared to the end of March 2011.

During 2012, while most of the new opening hotels are positioned in the limited-service sector, the following two full-service hotels opened in Tokyo in 2012:

- Palace Hotel, which closed down in 2009, reopened with 290 rooms in May 2012. The new hotel is situated in a mixed-use development located in Otemachi (near JR Tokyo Station and Imperial Palace).
- Tokyo Station Hotel, which also closed down for major renovation in 2005, reopened in October 2012 with 150 rooms.
Future Supply
We are aware of numerous new hotels in the pipeline, which are projected to open in the next several years in Tokyo. While most of them are positioned in the limited-service sector, we did note several new hotels will enter the Tokyo luxury/upscale hotel market:

- Aman Tokyo, the first Aman property in Japan, is projected to open in the spring of 2014. This projected hotel will open in a mixed-use building developed by Tokyo Tatemono in Otemachi.

- Andaz Tokyo with 164 rooms will open in the summer of 2014 also in a mixed-use building developed by Mori Building in Toranomon. This new hotel will be the first Andaz hotel in Japan.

- Prince Hotel will open a full service hotel with about 250 rooms in 2016 in Akasaka. A mixed-use building including this hotel will be developed on the site of Grand Prince Hotel Akasaka and this new hotel will be situated in the higher floors of the building.

- Hoshino Resort will open a luxury ryokan “Hoshinoya Tokyo” with 84 rooms within a mixed-use building developed by Mitsubishi Estate in Otemachi. The construction is scheduled to be completed in 2016.

Meanwhile, the following hotel is scheduled to close in 2013:

- Seiyo Ginza Hotel with 77 rooms will close in May 2013. This hotel opened in 1987 and has been well known as the first small and luxury hotel in Japan.

Luxury/Upscale Hotel Market
Based on STR Global’s representative sample of 21 Tokyo luxury/upscale hotels with 8,407 rooms as at the end of December 2012, the following trends were noted:

- The average occupancy level rebounded in 2012 in accordance with the recovery in accommodation demand.

- ADR also exceeded levels seen in 2010 (prior to the earthquake).

- Consequently, RevPAR reached the highest level since 2009.

- Statistics on the first two months (January and February) of 2013 indicate that the trading performance has continued to improve.

2013 Outlook
The Tokyo hotel trading performance is anticipated to show a further growth in 2013. The recent improvement in the Japanese economy will stimulate business activities in the corporate sector as well as overall consumer spending on leisure activities and vacation. Additionally, the recent depreciation of Japanese Yen is likely to result in an increase in inbound traffic to Japan. As a result, we believe that the Tokyo hotel trading performance will reach the levels recorded in the years prior to the global financial crisis.
Osaka

Tourism / Accommodation Market Overview

While Osaka, as the second largest business centre in Japan, attracts business travellers, the city also attracts a large number of leisure visitors with a wide choice of shopping, cultural, and culinary experiences. The city is also home to Universal Studios Japan (USJ) and close to popular tourist destinations such as Kyoto, Nara and Kobe.

Overall Trends and Demand Drivers

In 2012, the total number of accommodation guests (international and domestic) in Osaka increased by 5.3% to 20.5 million as compared to the previous year. This increase is attributed to (i) the progress of redevelopment projects in the Umeda area, including Hankyu Department Store which opened in the fall of 2012, (ii) an increase in visitation to USJ and (iii) a recovery of the Japanese economy.

By visitor profile, domestic accommodation guests accounted for an overwhelming 86.0% of the total visitors in 2012 while international accounted for 14.0%. In 2012, the number of domestic and international accommodation guests increased by 2.0% and 31.4% respectively, as compared to the previous year.

The monthly statistics indicate that total accommodation guests in most months of 2012 recorded new highs. While international demand also considerably recovered from the negative impact of the earthquake, it still did not reach levels seen in 2010.

### Total Number of Accommodation Guests in Osaka Prefecture (Million)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Guests</td>
<td>13.6</td>
<td>13.7</td>
<td>16.5</td>
<td>17.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Growth</td>
<td>-3.9%</td>
<td>0.8%</td>
<td>20.3%</td>
<td>4.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>International Guests</td>
<td>2.6</td>
<td>2.0</td>
<td>3.1</td>
<td>2.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Growth</td>
<td>-13.2%</td>
<td>-23.3%</td>
<td>57.3%</td>
<td>-29.6%</td>
<td>31.4%</td>
</tr>
<tr>
<td>Total</td>
<td>16.2</td>
<td>15.7</td>
<td>19.6</td>
<td>19.5</td>
<td>20.5</td>
</tr>
<tr>
<td>Growth</td>
<td>1.2%</td>
<td>-3.0%</td>
<td>24.9%</td>
<td>-0.9%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Source: Japan Tourism Agency
Among international accommodation guests, four East Asian countries (China, South Korea, Taiwan, and Hong Kong) were ranked the top four international market sources and collectively accounted for approximately two-thirds of total international accommodation guests in Osaka. The accommodation guests across all source markets showed a significant increase in 2012 as a result of a recovery from the earthquake.

By accommodation type, hotels accounted for 95.3% of the total accommodation guests in 2012 while ryokans (Japanese inns) accounted for a marginal percentage. Among accommodation types, limited-service hotels, full-service hotels and resort hotels absorbed 52.5%, 36.0%, and 6.7% of total accommodation guests respectively.
Hotel Market Overview

Existing Supply

According to Japan's Ministry of Health, Labour, and Welfare, Osaka Prefecture had 356 hotels with 54,733 rooms at the end of March 2012. This represents a decrease of nine hotels (2.5%) and 641 rooms (1.2%) as compared to the previous year. It is inferred that many old hotels in Osaka closed for redevelopment.

In 2012, we have seen new additions of several limited-service hotels but there was no new supply in the full-service hotel segment.
Future Supply
In 2013, the following hotels are projected to open in Osaka:

- InterContinental Hotel Osaka with 215 guest rooms and 50 serviced apartment units for medium-to-long-term stay guests will open in June 2013 as a part of Grand Front Osaka (Umeda North-Yard PJ). Grand Front Osaka is a large scale redevelopment complex directly accessible from JR Osaka Station, comprising office, retail shops, residences and a hotel component.

- The 260-room Daiwa Roynet Osaka Kita-hama will open in May 2013 in the Kitahama area, which is accessible within 8 minutes’ drive from JR Osaka station.

Beyond 2013, we are aware of the following projected supply in Osaka.

- Kintetsu Corporation plans to open “Osaka Marriott Miyako Hotel” in the spring of 2014 at the upper floors of the projected Osaka-Abenobashi terminal station (Abeno Harukas). This Marriott hotel, the first in Osaka, will have 360 rooms and three restaurants.

- Mitsui Fudosan plans to open “Mitsui Garden Hotel Osaka Nakanoshima” with 271 rooms in 2014.

- “Hotel Universal Grand Tower (Tentative)” with approximately 600 rooms will open in 2015. This hotel will be operated by a domestic hotel operator as the first USJ super official hotel.

- The Asahi Shimbun Company announced that it will develop a mixed-use building including an international standard luxury hotel in Nakanoshima. The construction is scheduled to start in 2014 and complete in 2017. Details of the proposed hotel development have not been announced yet.

- Osaka city has approved a construction project adjacent to “Yodobashi Camera Multimedia Umeda” by Yodobashi Camera. This mixed-use complex, including a hotel, will be completed in 2015.

In addition, there were several public announcements of new hotel projects in Osaka before the financial crisis but most of them appear to have been postponed.

Luxury/Upscale Hotel Market
Based on the STR Global data representative sample of 11 Osaka City luxury/upscale hotels with 5,144 rooms as at the end of December 2012, the following trends were noted:

- Occupancy levels showed a continuous improvement in 2012 and reached the highest level since 2008.

- ADR also improved in 2012.

- Consequently, RevPAR in 2012 increased by approximately 7.6% as compared to the previous year.

- Statistics on the first two months (January and February) of 2013 indicate that the trading performance has shown a further improvement as compared to the same period of the previous year.

The improvement in the Osaka hotel trading market is notable compared to other major hotel markets in Japan. Limited new room supply and an increase in accommodation demand in Osaka have resulted in a solid improvement in overall hotel trading performance.

Figure 10: Luxury/Upscale Hotel Performance In Osaka City
Source: STR Global / Jones Lang LaSalle
2013 Outlook
Osaka hotel trading performance is anticipated to show a further improvement in 2013. Grand Front Osaka (Umeda North-Yard PJ), which will open in the end of April 2013, is likely to generate substantial business and leisure accommodation demand throughout the year. Combined with the recent improvement in the overall economy and depreciation of the Japanese Yen, Osaka’s hotel trading performance is expected to reach the levels seen in the years prior to the financial crisis.
Okinawa

Tourism / Accommodation Market Overview

Okinawa is one of the most popular southern resort destinations in Japan. Apart from its natural beauty and marine activities, the destination has a broad appeal due to its unique culture, performing arts and rich history. Located only three hours by air from Tokyo and in the same time zone, Okinawa shares a common language and cuisine while offering familiarity to domestic travellers relative to other foreign resort destinations.

As these advantages appeal to many domestic tourists, and in particular, family and senior travellers, the number of tourists has grown significantly in the last decade.

Overall Trends and Demand Drivers

The total number of accommodation guests (international and domestic) in Okinawa Prefecture increased by 8.0% to 13.0 million in 2012. This year-on-year growth is attributed to an improvement in the Japanese economy and a boost in the number of low cost carrier flights to Okinawa from major cities within and outside of Japan.

By source of demand, domestic accommodation guests accounted for approximately 94.5% of the accommodation guests in 2012 while international guests accounted for only 5.5%. Notwithstanding the proximity to several East Asian countries, Okinawa has remained primarily a domestic tourist destination. The number of domestic accommodation guests increased by 6.7% while that of international accommodation guests sharply increased by 38.3%.

| Total Number of Accommodation Guests in Okinawa Prefecture (Million) |
|-----------------|--------|--------|--------|--------|--------|
|                 | 2008   | 2009   | 2010   | 2011   | 2012   |
| Domestic Guests | 11.9   | 11.2   | 12.3   | 11.6   | 12.3   |
| Growth          | 1.3%   | -5.4%  | 9.7%   | -6.0%  | 6.7%   |
| International Guests | 0.3 | 0.3 | 0.4 | 0.5 | 0.7 | 0.2%   | -4.7%  | 50.9%  | 16.5%  | 38.3%  |
| Total           | 12.2   | 11.5   | 12.7   | 12.1   | 13.0   |
| Growth          | 1.9%   | -5.4%  | 10.7%  | -5.3%  | 8.0%   |

Source: Japan Tourism Agency

Among international accommodation demand, Hong Kong and Taiwan were the two leading source markets in Okinawa during 2012. This is attributed to the proximity and convenient access to Okinawa from these two markets.
By accommodation type, hotels accommodated 98.3% of total accommodation guests. Among the various accommodation types, resort hotels, full-service hotels, and limited-service hotels accommodated 57.0%, 18.9%, and 22.5% of the total accommodation guests, respectively. The substantial demand for resort hotels is characteristic of the Okinawa accommodation market. Meanwhile, the number of accommodation guests in limited-service hotels grew in the last several years (except for 2011 after the earthquake). This growth is attributed to an increase in the number of limited service hotels in Naha city.
Tourists to Okinawa
According to data from the Okinawa Prefecture, approximately 5.84 million tourists visited Okinawa Prefecture in 2012. This represents a 13.4% increase from 5.15 million in the previous year.

The Okinawa prefectoral government is committed to the promotion of tourism as a primary driver of economic growth as evidenced by the launch of the “Okinawa Sightseeing Promotion Master Plan” and “Visit Okinawa Plan.” Targeting 10 million tourists a year, the government has focused its marketing efforts to attract senior and international visitors and to promote conventions and resort weddings.

Hotel Market Overview

Existing Supply
According to Japan’s Ministry of Health, Labour and Welfare, Okinawa Prefecture had 359 hotels with 33,469 rooms at the end of March 2012. While the number of hotels remained the same as the previous year, room supply increased by 154 rooms (0.5%) as compared to March 2011. The new room supply in Okinawa Main Island in 2012 includes but is not limited to the following:

- Vessel Hotel Campana with 161 rooms opened in Chatan-cho in March 2012. This hotel is a limited-service hotel with a spa.
- Mercure Hotel Okinawa Naha with 268 rooms opened in Naha city in April 2012. This is the first hotel in Okinawa operated by Accor Hotels Group.
- Rihga Royal Gran Okinawa with 157 rooms opened in Naha city in June 2012. This is the first hotel in Okinawa operated by Rihga Royal Hotel Group.
- The Ryukyu Onsen Senagajima with 104 rooms opened in December 2012. This new hotel is located approximately 10 minute from Naha Airport by car.

In addition to the above, several hotels were rebranded after renovation:

- Double Tree by Hilton Naha with 227 rooms opened in May 2012. This hotel use to be operated as Hotel Sol Vita Premium Asahi bashi. This is the first Double Tree hotel in Japan and the first hotel in Okinawa operated by Hilton International.
- The Ritz Carlton Okinawa, which is formerly known as the Kise Bettei, opened in May 2012 after major renovation and rebranding. This small luxury hotel with 97 rooms is the first Ritz Carlton located in a resort area in Japan.
Future Supply
Based on our research, we are aware of the following future supply entering the Okinawa Main Island hotel market in 2013.

- Hotel Monterey Okinawa Spa & Resort with 339 rooms is planned to open in Onna-son in June 2013. This property will be the first resort hotel operated by Hotel Monterey Group.

- “Kariyushi LCH” with 95 rooms will open in Naha city in August 2013. LCH is the abbreviation for low cost hotel.

- Super Hotel will open a new budget hotel in Ginoza in the fall 2013. The new hotel will have 80 rooms.

In addition, the following new hotel development projects have been publicly announced in Okinawa.

- Orion Beer will open a resort hotel with 238 rooms in Motobu-cho close to “Chura Umi Aquarium” in July 2014.

- Orix Real Estate will open “Hilton Okinawa Chatan” with 346 rooms in September 2014 in Chatan-cho. Construction was launched in 2012.

- A luxury resort hotel with approximately 360 rooms was planned to open in Sesoko Beach. As a result of the bankruptcy of the original developer, the hotel construction has been suspended.

- Berjaya Land Berhad, a Malaysian developer, will open a luxury hotel, Seasons Hotel, in Onna-son.

- Dijaya Corporation Berhad, a Malaysian developer, is planning a large-scale development project in Kin town which is a former U.S. Marine Ginbaru Training Area. The project includes an international branded luxury hotel with about 200 rooms and spa hotel with about 180 rooms.

Additionally, prior to the financial crisis, there were media announcements on the entries of luxury hotel brands, such as Westin (Onna-son) and Banyan Tree (Uruma-city); however, these projects appear to have stalled.

Luxury Resort Hotel Market
Based on the STR Global data representative sample of five luxury resort hotels in Okinawa with 1,717 rooms as at the end of 2012, the following trends were noted:

- The occupancy level, which showed a decline in 2011, rebounded from the previous year.

- ADR slightly declined.

- Consequently, RevPAR grew by 2.7% as compared to the previous year.
Outlook

We believe that Okinawa hotel trading performance will show an improvement in 2013. An improvement in the overall Japanese economy is likely to encourage consumer sentiment and result in more spending towards travel and vacation. Furthermore, underpinned by the recent depreciation of Japanese Yen, the Okinawa hotel market is likely to see an increase in tourism demand shifted from other foreign beach resort destinations, such as Hawaii, Guam and Bali.
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