



Japan HOTEL MARKET SENTIMENT SURVEY

March 2009

INTRODUCTION

The Horwath HTL Japan Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide hoteliers in Japan with a quick assessment of market outlook for the coming 12 months. This survey focuses on the outlook for occupancy, average room rate (ADR) and total hotel revenue.

In addition, the survey covers hoteliers' responses on the impact of key factors that drive room night demand growth. Participants were also asked to rate the outlook for each major demand segment.

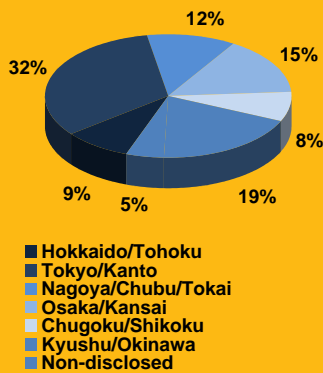
This report summarizes the findings from the surveys gathered from participants of Japan, which comprised of 101 respondents nationwide. Of those 101 respondents, 32 percent of them came from Tokyo/Kanto region followed by Kyushu/Okinawa (19 percent), Osaka/Kansai (15 percent), Nagoya/Chubu (12 percent), Hokkaido/Tohoku (9 percent), Chugoku/Shikoku (8 percent), and 5 respondents chose not to disclose their identity.

By property classification, 5 star hotels accounted for 16 percent of total respondents. Also, 23 percent of total contributions were from 4 stars with 26 percent from 3 stars. Other hotel class including limited service and undisclosed properties accounted for 35 percent.

Similar to our previously-released Global Hotel Market Sentiment Survey, the Japan market held a negative assessment of the outlook for 2009 due to the looming global economy.

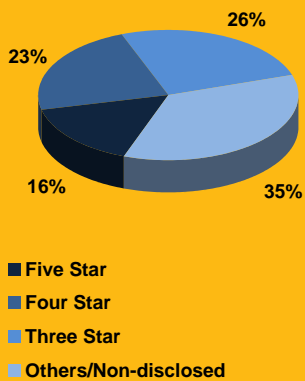
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



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SENTIMENT RANKINGS

By Region	Score
1. South America	9.7
2. Africa	-20.7
3. Australia Pacific	-34.1
4. Europe	-36.0
5. North America	-41.0
6. Asia	-41.2
Global Average	-34.2
Japan	-74.1

"Average score for Japan was negative 74.1, which indicates Japanese hoteliers had the most pessimistic outlook in the world"

RANKING SCORE KEY

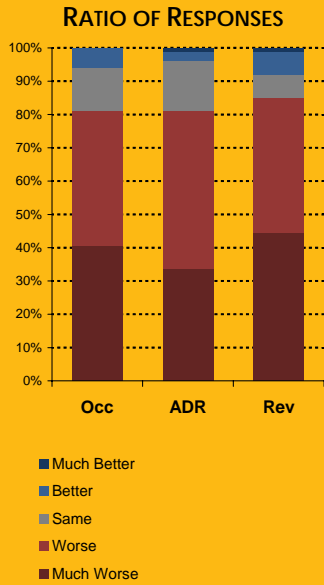
Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

SENTIMENT RANKINGS

As a way to measure and compare the results, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook.

The purpose of creating a sentiment index or score is to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

Judging from the survey results, hoteliers in Japan expressed their sentiments toward the current market environment was extremely pessimistic. Average score for Japan was negative 74.1, which indicates Japanese hoteliers had the most pessimistic outlook in the world. Japan's average score was far below the global average of negative 34.2. While Asian hoteliers in general held a pessimistic outlook for the year, Japan's average score was by far lower than that of other Asian countries - as for example Singapore (-64.3) and Hong Kong (-52.7).



"Only 5.9 percent stated that they project "better" market occupancy in 2009."

MARKET PERFORMANCE RANKING

	Occ.	ADR	Rev.
1. South America	49.7	49.7	49.7
2. Australia Pacific	-14.0	0.0	-12.1
3. North America	-19.7	-7.8	-19.8
4. Europe	-22.2	-14.3	-26.1
5. Asia	-25.6	-24.2	-30.0
6. Africa	-54.9	-27.3	-39.2
Japan	-78.9	-67.1	-75.0

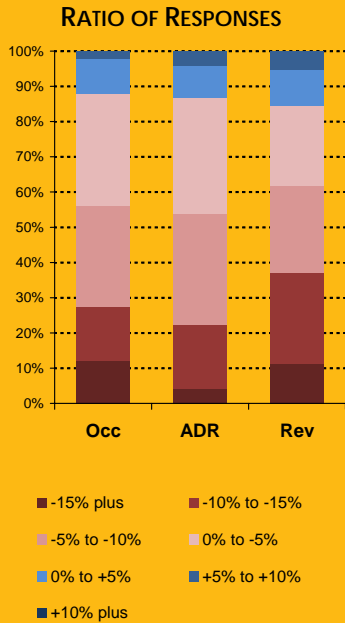
MARKET PERFORMANCE

The first survey question dealt with the participants' projections for market performance in terms of key indicators such as occupancy, average daily rate (ADR) and revenue in 2009 as opposed to 2008.

81.2 percent of Japanese hoteliers projected that the market occupancy in 2009 will be "much worse" or "worse" than the actual performance in 2008. Another 12.9 percent said that the market occupancy will remain the same and only 5.9 percent anticipated "better" market occupancy in 2009. It should be noted that there was no respondent who projected "much better" market occupancy in Japan for the next 12 months.

A majority of Japanese hoteliers believed a dreary outcome in terms of market ADR, as 81.2 percent expected lower market ADR than the previous year. Additionally, 14.9 percent mentioned that ADR will achieve the same results as the previous year while 4.0 percent expected "better" ADR performance in the Japanese hotel market. Only one hotelier (or 1.0 percent) anticipated "much better" market performance in 2009.

We observed the similar trend in market-wide hotel revenue in 2009. As much as 85.2 percent of the respondents expected the market's future revenue will decline this year. Merely 6.9 percent stated that revenue will follow last year's trend. Of those eight respondents (or 7.9%) who were optimistic about 2009 performance, only one (or 1.0%) expected "much better" market revenue in 2009 compared to 2008.



"Japan's scores were far below the average in any region except for the average score in occupancy in Africa"

HOTEL PERFORMANCE RANKING			
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Japan	-40.8	-31.6	-44.8

HOTEL PERFORMANCE

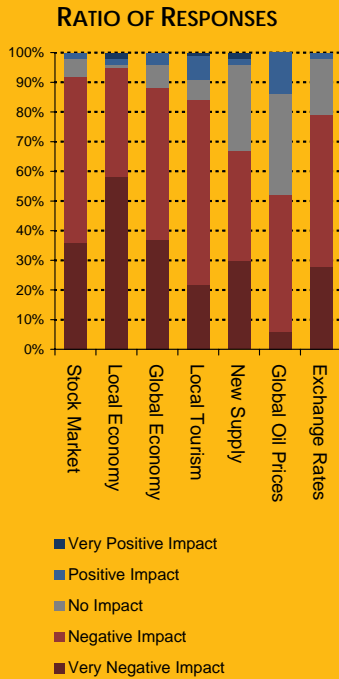
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they expect growth in their hotels' performance in 2009, 87.8 percent of the hoteliers stated that occupancy at their property will likely suffer. A majority of those pessimistic hoteliers, or 60.2 percent of total participants, projected a decline in occupancy between zero and 10 percent. In contrast, 12.2 percent of participants projected a better occupancy in 2009.

In regards to ADR, a majority of answers (64.3 percent) fell upon a rate decline of 10 percent or less. 86.8 percent replied that their room rate will drop during this year while 13.3 percent of respondents believed that their performance will improve.

As for hotel revenue, negative projections accounted for 84.5 percent of all respondents of which 36 hoteliers (or 37.1 percent of total) expected more than 10 percent drop in revenue for the year.

Comparing with the average hotel performance index score in other overseas regions, Japan's scores (occupancy: -40.8, ADR: -31.6, revenue: -44.8) were far below the average in any region except for the average score in occupancy in Africa (-54.9).



"Japanese hoteliers disclosed that their current biggest concern is the dipping local economy."

FACTORS AFFECTING PERFORMANCE RANKING

Local Economy	-110.3
Stock Market	-94.5
Global Economy	-90.8
Currency Exchange Rates	-78.8
Local Tourism Trends	-72.0
New competitive supply	-68.3
Global Oil prices	-33.0

FACTORS AFFECTING PERFORMANCE

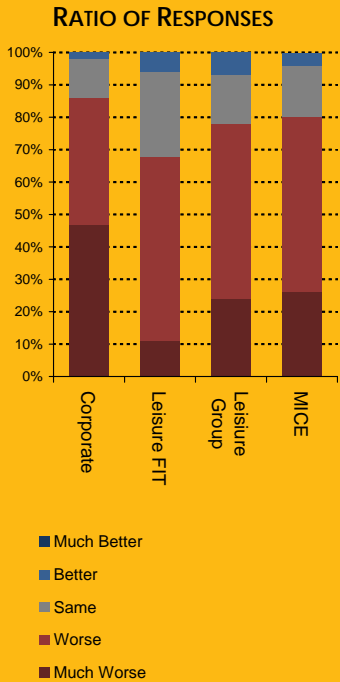
The third survey question is about their attitude towards seven factors, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and how these will impact their hotels' performance in 2009.

Among the seven factors, Japanese hoteliers disclosed that their current biggest concern is the dipping local economy. Respondents who anticipated negative impact from slowdown in local economy accounted for 95.0 percent.

Recent turmoil in the local financial markets also negatively affected the market sentiment. 92 percent of hoteliers mentioned negative effect from the fluctuating stock market as it may lead to further decrease in business travels as well as to further drop in leisure travels with tightened disposable income of consumers.

The survey result showed that the next major issue for GMs in Japan was global economy. 88.0 percent of respondents pointed out that they will face the negative impact from the ailing global economy in 2009. Furthermore, 79 percent of participants anticipate slowdown in the inbound (or international) segment due to currently highly-appreciated Japanese yen.

To summarize these anticipated effects with the index, all factors came up with negative results, indicating that all factors were supposed to negatively affect hotel performance. Especially, Japanese hoteliers perceived that the worsening economic crisis inside Japan will likely have the most harmful impact on hotel performance with the lowest score of negative 110.3 points.



"Majority of participants believe the corporate segment will be the most negatively affected in 2009"

MARKET SEGMENT PERFORMANCE	
Corporate	-98.3
MICE	-76.5
Leisure Group	-71.3
Leisure FIT	-54.8

MARKET SEGMENT PERFORMANCE

Our final question on the survey was on each participant's opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE market segments.

Respondents in general had negative attitudes toward the future performance in all segments for the year. Judging from the average score in each segment, the survey result shows that respondents feel performance across all segments will suffer this year as the average score in all segments resulted in negative.

Majority of participants believe the corporate segment will be the most negatively affected this year as it scored the lowest point total with negative 98.3.

Second to the corporate segment, a large number of participants sensed that the MICE market segment will be also struggling. Specifically, the MICE market segment recorded a score of negative 76.5 as inbound group meetings and domestic corporate incentive trips are expected to dramatically decline this year.

Leisure group, the most price-sensitive among the four segments, was expected to be ailing in 2009 with a score of negative 71.3 while the Leisure FIT segment indicated a bit of resilience with a score of negative 54.8.

CONCLUSIONS

To sum up the major survey results, hoteliers in Japan generally expected a tough year both for market-wide and for individual property performance in 2009. Quite a large portion of participants projected that performance in all three key performance indicators (occupancy, ADR, total revenue) probably decline at their property. As a result, the averages score for Japan (-74.1) was the lowest among the average for any countries around the globe.

It should be noted that respondents project a deeper drop in total hotel revenue than in rooms revenue, which is represented by occupancy and ADR. This result is derived from the typical revenue structure for Japanese full service hotels, which normally depend on F&B departments as major revenue sources. F&B segment, both restaurant outlets and banquets, is expected to severely suffer because of the ailing local business and consumer activities.

A further notable point is that the current biggest concern of Japanese hoteliers was revealed to be the seriously- decelerated local economy followed by the tumbling Japanese stock market. This result indicates that majority of GMs perceive the domestic segment is more important than the inbound (or international) segment, which has been rapidly shrinking since last year due to the global economic crisis and hyper-appreciated Japanese yen.

Other Market Sentiment Reports

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