



2002

First Quarter

**Regional Hotel
Value Watch**

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FOREWORD

Dear Industry Colleagues,

With the hotel industry in Asia changing constantly, Hotel Executives are finding it increasingly challenging to identify the industry's trends and opportunities. To facilitate the task of hotel investors, developers and operators, HVS International presents the *Regional Hotel Value Watch 2002*. In this publication, 13 major hotel markets across Asia have been thoroughly analysed in order to provide executives at all levels in the hotel industry with figures essential to accurately assess the regional five-star hotel markets. Each market section discusses the following aspects:

- Market profile;
- Level of development;
- Accessibility;
- Five-star hotel supply;
- Barriers to entry;
- Demand for five-star hotel accommodation;
- Five-star hotel performance.

In addition, each market section sets out a value outlook for five-star hotel property.

I hope you find this information helpful. Should you require any further information or if HVS can be of any assistance, please do not hesitate to contact me.

Yours sincerely,

Erik van Keulen
Managing Director
HVS International Singapore

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About HVS International Singapore Office

Market Area Overview: Bali is an island located in the heart of the Indonesian archipelago, approximately 1,000 km east of the country's capital, Jakarta.

Market Profile, Bali, 2002

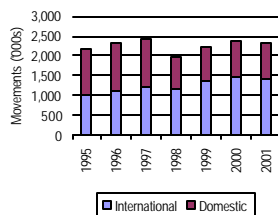
Province:	Bali
Total Area:	5,620 km ²
Population:	3 million (1998 estimate)
Main industries:	Tourism, textiles, garments and handicrafts
Provincial Capital:	Denpasar
Topography:	Tropical forests with crater lakes & volcanoes
Ethnic Composition:	Balinese (95%), Javanese minority (5%)
Religious Composition:	Balinese Hindu (95%) Muslim and Christian minorities (5%)
Climate / Seasons:	LOW: December - March: rainy season HIGH: April - September: dry season SHOULDER: October - November
Avg. Annual Rainfall:	1,785 mm
Avg. Temperature Range:	20°C - 33 °C
Tourist Attractions:	Beaches, diving spots, Bali Museum, Puri Lukisan Museum, Monkey Forest, Gunung Batur, Bali Barat National Park

Source: HVS International Research, 2002

Development: There are eight districts in Bali, the main and most densely populated being Badung, located to the south. Kuta and Sanur, along the southwestern and southeastern coastlines, account for two thirds of the total accommodation. Nusa Dua is located at the southern tip of the island and is a self-contained resort complex largely comprising top-tier resorts. Jimbaran, along the western coast, has recently become the prime development area for deluxe five-star hotels. Ubud, on a higher altitude in the centre of the island, has also been a prime location for five-star villa-style resorts. However, few hotels have been developed in the capital city of Denpasar due to the absence of a beach. Future development is likely to take place in Nusa Dua, Jimbaran and Ubud. Yet, with the north of Bali largely undeveloped, new opportunities may arise provided accessibility is improved.

Accessibility: Bali benefits from very good accessibility. The international airport, Ngurah Rai, was extensively developed between 1992 and 1997.

Total Passenger Arrivals, Bali Airport, 1995-01



Source: Bureau Pusat Statistics

In addition to an extensive domestic network, there are over 15 international airlines flying to Bali, largely from European and Asian feeder markets. However, it should be noted that a

proportion of these flights are chartered and thus, accessibility can be somewhat limited during certain times of the year. Over the period 1995-01, total visitor arrivals increased by approximately 1% per year, from 2.1 million to 2.3 million passengers. This was mainly due to an increase in international visitor arrivals, which grew by approximately 6% per year from 1,015,314 to 1,422,714. On the other hand, domestic arrivals fell by approximately 2% per annum over the same period. The top feeder markets for five-star hotels are Japan, Europe and Australia, which account for 26%, 15% and 17% of total arrivals at Ngurah Rai Airport, respectively. In 2001, international arrivals decreased by approximately 3.1% mainly due to the terrorist attacks in the US. Owing to the current negative perception of Indonesia, fuelled by political and religious tension, we consider arrivals to Bali are likely to decline marginally in 2002.

Hotel Supply: As at January 2002, there were 117 registered hotels, constituting 17,933 rooms, in Bali. The hotel supply consists largely of small, independent one- to three-star hotels. However, Bali also contains a reasonably high volume of five- and six-star hotels.

Total Five-Star Hotel Supply, Bali 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Bali Hyatt	Hyatt Int'l	389	5-Star	1973
The Oberoi, Bali	Oberoi	75	5-Star Deluxe	1978
Amandari	Amanresorts	30	6-Star	1989
Sheraton Laguna Nusa Dua	Starwood	270	5-Star	1989
Grand Hyatt Bali	Hyatt Int'l	655	5-Star	1990
Sheraton Nusa Indah Resort	Starwood	351	5-Star	1990
Amankila	Amanresorts	34	6-Star	1991
Amanusa	Amanresorts	35	6-Star	1992
Four Seasons Resort at Jimbaran Bay	Four Seasons	147	5-Star Deluxe	1993
Bali Hilton International	Hilton Int'l	537	5-Star	1993
Le Meridien Nirwana Golf & Spa	Le Meridien	278	5-Star	1993
Inter-Continental Bali Resort	Six Continents	425	5-Star	1993
The Ritz-Carlton Bali	Marriott	323	5-Star	1996
Nikko Bali	Nikko Hotels	395	5-Star	1996
Melia Bali Villas & Spa	Sol Melia	510	5-Star	1996
Four Seasons Resort at Sayan	Four Seasons	54	5-Star Deluxe	1998
Total / % of Total 5-star Supply		4,508	82%	
Regional Hotel Operators				
The Chedi Ubud Bali	GHM	60	5-Star	1994
The Serai	GHM	60	5-Star	1994
The Legian Bali	GHM	70	5-Star	1996
Total / % of Total 5-star Supply		190	3%	
Owner-operated				
Nusa Dua Beach Hotel & Spa	—	380	5-Star	1982
Hotel Imperial Bali	—	137	5-Star	1993
Grand Mirage Resort Bali	—	312	5-Star	1993
Total / % of Total 5-star Supply		829	15%	
Grand Total / % of Total Supply		5,527	31%	

Source: HVS International Research, 2002

Total five-star hotel supply represents approximately 31% of the total room supply in Bali. Furthermore, the majority (82%) of five-star hotel supply is internationally branded, highlighting Bali's maturity as a developed resort destination. We consider that international management companies lacking brand distribution in Bali are likely to seek opportunities to gain brand representation within Bali.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
Ritz Carlton (Additional Villas)	12	Jimbaran	5-Star	—
Under Construction				
Luxury Villa Resort	135	Nusa Dua	5-Star	TBA
Extensions				
Ritz Carlton (Additional Villas)	40	Jimbaran	5-Star	2002
Other Proposed Projects				
Proposed Hotel (former Banyan Tree)	155	Ungasan	5-Star	2004
Conrad Hotel	350	Nusa Dua	5-Star	2004
Raffles Resort	210	Jimbaran	5-Star	2005
Total	890			
% Increase in 5-Star Supply	16%			

Source: HVS International Research, 2002

Barriers to Entry: Owing to the current performance of five-star hotels in Bali and the relatively high investment risk perception, contributed to by religious and political tension and the lack of local financing, hotel values are generally below replacement cost. Therefore, it is somewhat difficult to justify new development. In addition, suitable land for hotel development in prime locations is increasingly difficult to find and therefore expensive to acquire. Furthermore, land ownership regulations are problematic in Indonesia. As such, we consider the barriers to entry in Bali to be high. This is likely to dampen hotel investors' interest despite Bali's maturity and attractiveness as a tourist destination.

Hotel Demand: Demand for five-star hotel accommodation is primarily driven by international travellers and follows distinct patterns.

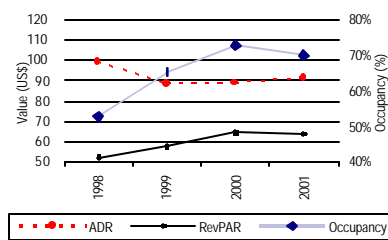
Market Segments, Bali, 2002

	Segment		
	FIT	MICE	Wholesale
Percentage of Total			
Six-Star Resorts	75% - 85%	1% - 2%	24% - 13%
Five-Star Deluxe	38% - 50%	3% - 5%	60% - 45%
Five-Star	20% - 30%	5% - 10%	75% - 60%
Average Room Rate			
Six-Star Resorts	625 - 650	600 - 625	500 - 550
Five-Star Deluxe	425 - 450	375 - 400	300 - 325
Five-Star	120 - 150	100 - 110	80 - 110
Average Length of Stay			
Seasons when Demand is Strongest	4-7 Days	2-4 Days	5-10 Days
Strongest	High	Low & Shoulder	High & Shoulder

Source: HVS International Research, 2002

Hotel Performance: Occupancy levels and average room rates (ARR) of five-star resorts dropped following the 1997 Asian financial crisis and the subsequent political instability in the region. In an effort to maintain occupancy levels, hotels offered discounts to entice visitors, which caused occupancy to rebound. In 2001, demand was negatively impacted by the 11 September events, which again led to a fall in occupancy. However, ARR remained relatively stable compared to the previous year. 2002 is expected to be a challenging year for Bali hoteliers, as demand levels are anticipated to decline further and ARR is likely to come under pressure.

Historic Five-Star Hotel Performance, Bali, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Bali.

Bali Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow

Demand	↔
Supply	→
Occupancy Rate	↘
Average Room Rate (US\$)	↘
Gross Operating Profit	↘
Potential Cashflow	↘

Investment Parameters

Risk Perception	↗
Discount Rate	↗

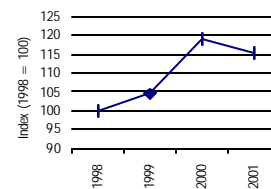
12-Month Value Outlook

Long-term Value Outlook	POSITIVE
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Key	↔ Limited Change
↑ Increase	↗ Moderate Increase
↓ Decrease	↘ Moderate Decrease

In view of the perceived risks associated with travelling to Indonesia due to the 11 September events, demand for five-star hotel accommodation in Bali is likely to decline in 2002 although supply is expected to remain constant. This is likely to negatively affect market-wide occupancy and ARR. Furthermore, with investors' risk perception increasing, discount rates are likely to increase in 2002. Consequently, we expect five-star hotel values to decline within the next twelve months. However, in the long term, we consider that Bali is likely to recover and re-establish itself as a prime tourist destination. Bali's long-term value outlook is therefore likely to remain positive.

Bali Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cash flow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Bangkok is the capital as well as the financial and commercial centre of Thailand.

Market Profile, Bangkok, 2002

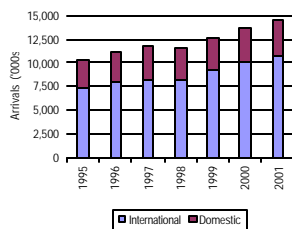
Province:	Bangkok
Total Area:	560 km ²
Population:	6 million
Main industries:	Tourism, textiles and electronics
Topography:	Fertile plain
Ethnic Composition:	Thai (75%), Chinese (14%), Others (11%)
Religious Composition:	Buddhists (95%), Others (5%)
Climate / Seasons:	LOW: Apr - May: warm season Sept & Oct: rainy season HIGH: Jun - Aug & Dec - Feb
Avg. Annual Rainfall:	1,425 mm
Avg. Temperature Range:	26° C - 31° C
Tourist Attractions:	National Museum, Royal Palace, historical temples & monuments, commercial centres.

Source: HVS International Research, 2002

Development: Five-star hotels are largely located along the Chao Phraya River and in three areas in the Central Business District (CBD): Sathorn/Silom, Sukhumvit and Wireless Road. Hotels along the Chao Phraya River largely accommodate leisure demand. This is where some of the first leading five-star hotels are located. These hotels benefit from both leisure and corporate demand as the CBD is located nearby. Banks, corporate headquarters, shopping centres and embassies are located in the Sathorn/Silom area and along Wireless Road. As such, corporate demand is largely accommodated in these areas. Sukhumvit is growing in popularity as many Grade-A office buildings and shopping centres are being developed in this area, alongside the World Trade Centre. As such, five-star hotels located in Sukhumvit accommodate both corporate and leisure demand.

Accessibility: Accessibility to Bangkok is excellent. However, accessibility within the city is hampered by traffic jams, despite the recent development of a sky train. The airport is well-served by 80 airlines flying to and from Asia, Europe, Australia and the Middle East.

Total Passenger Arrivals, Bangkok Airport, 1995-01



Source: Airport Authority of Thailand

Bangkok International airport ranks as the third busiest airport in Asia after Tokyo and Hong Kong. It is currently being renovated to enhance its capacity. A new airport will be opened in 2004. International arrivals to Bangkok increased by approximately 6% per annum between 1995 and 2001. This was mainly due to Thailand's recovery from the 1997-98 regional crisis and to the aggressive marketing campaign launched by the tourism authority. In 2001, international arrivals continued to increase over 2000 levels despite the 11 September events, highlighting Thailand's popularity as a tourist and commercial destination. The top feeder markets for five-star hotels are Europe, Japan and other neighbouring countries, which respectively account for 25%, 14% and 26% of total arrivals at Bangkok International Airport. Although arrivals from China have increased substantially in recent years, this market creates limited demand for five-star hotel accommodation. In 2002, commercial and tourist arrivals are likely to increase further as Thailand benefits from a relatively stable political, religious, social and economic climate and a well-developed tourist industry.

Hotel Supply: As at January 2002, there were 480 registered hotels in Bangkok, constituting 71,000 rooms.

Total Five-Star Hotel Supply, Bangkok, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Oriental Bangkok	MOHG	395	5-Star	1974
Royal Orchid Sheraton	Starwood	772	5-Star	1983
Hilton	Hilton Intl	338	5-Star	1983
Central Grand Plaza Sofitel	Accor	607	5-Star	1984
Shangri-La	Shangri-La	850	5-Star	1987
The Regent	Four Seasons	356	5-Star	1987
Grand Hyatt Erawan	Hyatt Intl	400	5-Star	1991
Marriott Resort & Spa	Marriott	464	5-Star	1992
Pan Pacific	Pan Pacific	235	5-Star	1995
Sheraton Grande	Starwood	429	5-Star	1996
JW Marriott	Marriott	425	5-Star	1997
Peninsula	Peninsula	370	5-Star	1998
Le Royal Meridien	Le Meridien	381	5-Star	1998
Merchant Court	Raffles	220	5-Star	1999
Total / % of Total 5-star Supply		6,242	67%	
Regional Hotel Operators				
Dusit Thani	Dusit	542	5-Star	1970
Sukhothai	Beaufort	224	5-Star	1991
Evergreen Laurel	Evergreen	160	5-Star	1993
Montien Riverside	Montien	471	5-Star	1994
Banyan Tree	Banyan Tree	216	5-Star	1997
Plaza Athenee	Imperial	382	5-Star	2000
Total / % of Total 5-star Supply		1,995	22%	
Owner-operated				
Landmark of Bangkok	—	415	5-Star	1987
Grand Hotel	—	600	5-Star	1994
Total / % of Total 5-star Supply		1,015	11%	
Grand Total / % of Total Supply		9,252	13.0%	

Source: HVS International Research, 2002

There are 22 five-star hotels in Bangkok, representing 9,252 rooms or approximately 13% of the city's room supply. The majority (67%) of five-star hotels are internationally branded. Although the market is already highly developed, Bangkok remains a sought-after market by international hotel operators as the city is likely to continue to benefit from solid commercial and tourist demand.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
Plaza Athenée	382	Wireless Rd	5-Star	2000
Under Construction				
Conrad	395	Wireless Rd	5-Star	2002
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Proposed Hotel	400	World Trade Centre	5-Star	2004
Inter-continental	400	Rama I	5-Star	2004
Proposed Hotel	250	Russian Embassy	5-Star	2004
Proposed Hotel	N/A	New Airport	5-Star	2004
Total	1,445			
% Increase in 5-Star Supply	16%			

Source: HVS International Research, 2002

Barriers to Entry: In light of the current performance of five-star hotels in Bangkok and the relatively high-risk perception, triggered by the oversupply situation and the lack of local financing, hotel values are generally below replacement costs. Therefore, it is somewhat difficult to justify new development. Furthermore, suitable land in prime locations is increasingly difficult to find and therefore expensive to acquire. In addition, land ownership regulations, especially for foreign investors, are complicated in Thailand. As such, we consider the barriers to entry in Bangkok to be high. This is likely to dampen the interest of hotel investors despite Bangkok's importance as a commercial and tourist destination.

Hotel Demand: The demand for five-star hotel accommodation is primarily driven by international travellers.

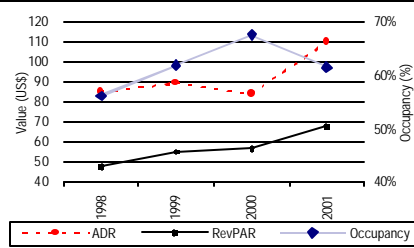
Market Segments, Bangkok, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	45% - 50%	2% - 3%	3% - 7%	50% - 40%
Average Room Rate				
Five-Star	130 - 150	70 - 85	100 - 120	80 - 100
Average Length of Stay	1-2 Days	1-2 Days	2-3 Days	3-5 Days
Seasons when Demand is Strongest	High	High	Low & Shoulder	High & Shoulder

Source: HVS International Research, 2002

Hotel Performance: Following the 1997 Asian financial crisis, market-wide hotel occupancy increased annually to pre-crisis levels until 2000. Average room rates (ARR) remained stable. Despite the opening of the Plaza Athenée in 2001, demand during the first three quarters of the year increased in the market area. As such, five-star hotels were able to increase their ARR considerably whilst maintaining occupancy levels. However, as demand fell after the 11 September events, particularly from key feeder markets in Europe and the US, 2001 year-end occupancy rates declined by six percentage points compared to 2000 levels. Nevertheless, the annual rate of growth in ARR saw an increase in 2001 over 2000 levels. In 2002, commercial and leisure demand is expected to recover; however ARR is likely to remain under pressure.

Historic Five-Star Hotel Performance, Bangkok, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Bangkok.

Bangkok Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow

Demand	↗
Supply	↘
Occupancy Rate	↗
Average Room Rate (US\$)	↘
Gross Operating Profit	→
Potential Cashflow	→

Investment Parameters

Risk Perception	→
Discount Rate	→

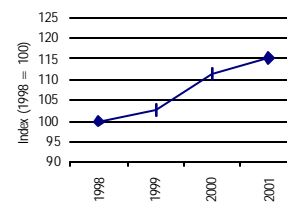
12-Month Value Outlook

Long-term Value Outlook	POSITIVE
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Key	→ Limited Change
↑ Increase	↗ Moderate Increase
↓ Decrease	↘ Moderate Decrease

In light of the reasonably positive perception of Thailand by international commercial and leisure travellers, demand for five-star hotel accommodation in Bangkok is likely to increase in 2002. Despite the opening of the Conrad Hotel, we consider that market-wide occupancy will rebound from 2001 levels. However, ARR is likely to remain under pressure. As such, in 2002, five-star hotel cash flows are likely to remain on par with 2001 levels. With investors' risk perception remaining somewhat unchanged, we expect five-star hotel values in Bangkok to improve marginally within the next twelve months. We consider the long-term value outlook for Bangkok to remain positive, despite current supply issues.

Bangkok Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cash flow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Beijing is the government seat of the People's Republic of China.

Market Profile, Beijing, 2002

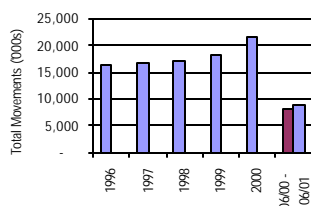
Province:	Beijing
Total Area:	16,800 km ²
Population:	13.8 million
Main industries:	Electronics, Automobile, Construction
Topography:	North & West: Mountainous; South & East: flat
Ethnic Composition:	Han Chinese (95%); Other (5%)
Religious Composition:	Confucianism, Taoism, Buddhism
Climate / Seasons:	LOW: Winter (cold & dry) SHOULDER: Summer (hot & humid) HIGH: Spring & Autumn
Avg. Annual Rainfall:	700 mm
Avg. Temperature Range:	0° C - 30° C
Tourist Attractions:	As Beijing served as China's capital city during the Jin, Yuan, Ming and Qing dynasties, its long history has endowed the city with countless historical and scenic tourist attractions.

Source: HVS International Research, 2002

Development: There are two main business districts in Beijing, Dong Cheng, east of the Forbidden City, in the heart of the city, and Chao Yang, located east of Dong Cheng. Each district respectively accounts for 41% and 38% of the total five-star inventory. Dong Cheng includes many government buildings, embassies, international corporate headquarters as well as tourist attractions. As such, hotels located in this area accommodate corporate and leisure demand. Chao Yang is divided into three parts, namely the CBD, the Third Embassy area and the airport. Most five-star hotels are located in the CBD due to the existence of strong corporate demand. Furthermore, authorities have earmarked the CBD as the "Manhattan" of Beijing and additional development is thus likely. In addition, authorities recently introduced a seven-year plan to prepare for the 2008 Olympics. The plan is designed to boost urban development of the city in areas such as the environment, traffic and infrastructure. As such, Beijing's outlook is likely to improve and new development may arise.

Accessibility: Accessibility to Beijing is very good.

Total Passenger Movements, Beijing Airport, 1996-01



Note: 1995 & FY2001 data not available
Source: Beijing Capital International Airport

In addition to a good domestic network, Beijing's airport is served by 37 international airlines, which provide access to Asia, Europe, the US and Middle East. Between 1996 and 2000, the total passenger movements at Beijing International Airport increased by approximately 7.3% per year. This was due to an increase in both the number of domestic and international arrivals. Furthermore, in response to China's economic development and open door policy the number of commercial and leisure travellers visiting the city increased. Key feeder markets for five-star hotel accommodation include Europe, Japan, the US and neighbouring countries (i.e. South Korea, Hong Kong, Singapore). In 2002, arrivals to Beijing Airport are likely to continue increasing in view of the likely positive effect of China's recent entry into the World Trade Organisation (WTO).

Hotel Supply: As at January 2002, there were 523 hotels in Beijing, with a total of 77,594 rooms.

Total Five-Star Hotel Supply, Beijing, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Great Wall Sheraton	Starwood	846	5-star	1984
Shangri-La	Shangri-La	657	5-star	1986
Palace	Peninsula	530	5-star	1987
China World	Shangri-La	738	5-star	1989
Swissotel	Raffles	434	5-star	1990
Hilton	Hilton Int'l	363	5-star	1990
Holiday Inn Crowne Plaza	Six Continents	372	5-star	1991
Kempinski	Kempinski	486	5-star	1992
ANA New century	ANA	649	5-star	1992
The St. Regis	Starwood	273	5-star	1997
Kerry Center	Shangri-La	487	5-star	1999
Radisson	Radisson SAS	355	5-star	2000
Grand Hyatt	Hyatt Int'l	595	5-star	2001
Total / % of Total 5-star Supply		6,785	78%	
Regional Hotel Operators				
Harbour Plaza	Harbour Plaza	414	5-star	1989
Gloria Plaza	Gloria Plaza	423	5-star	1990
Marco Polo	Marco Polo	300	5-star	2001
Total / % of Total 5-star Supply		1,137	13%	
Owner-operated				
Jianguo	—	461	5-star	1979
Grand Hotel Beijing	—	285	5-star	1985
Total / % of Total 5-star Supply		746	9%	
Grand Total / % of Total Supply		8,668	11.2%	

Source: HVS International Research, 2002

Only 18 hotels are rated as five-star establishments, representing 8,668 rooms or approximately 11% of the city's room supply. Internationally branded hotels represent 78% the total five-star room supply. However, many international management companies still lack brand distribution and therefore have a very strong level of interest in China's capital, especially in view of the positive impact both China's entry into the WTO and the co-hosting of the Olympic games are likely to have on hotel accommodation.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Addtl Room Supply				
Grand Hyatt	595	Dongcheng District	5-star	—
Marco Polo	300	Xicheng District	5-star	—
Under Construction				
Marriott (re-branding)	148	Jin Yu Plaza	5-star	2003
Proposed Hotel	446	He Hua	5-star	2003
Proposed Hotel	350	Xicheng District	5-star	2003
Extensions				
China World Tower 2	500	Dongcheng District	5-star	2004
Other Proposed Projects				
Proposed Hotel	350	Eaglerun Plaza	5-star	—
Proposed Hotel	325	Sunny Plaza	5-star	—
Intercontinental	350	Dongcheng District	5-star	—
Total	2,469			
% Increase in 5-Star Supply	28%			

HVS International Research, 2002

Barriers to Entry: In light of the current performance of five-star hotels in Beijing, triggered by the substantial increase in room inventory in recent years, new developments are difficult to justify, unless considered part of mixed-use projects. In addition, suitable land in prime locations is increasingly difficult to find. As such, we consider that the barriers to enter Beijing are high. Nevertheless, as Beijing's commercial potential is considerable, hotel investors' risk perception is relatively positive and the level of interest is thus significant.

Hotel Demand: The demand for five-star accommodation is primarily driven by international travellers.

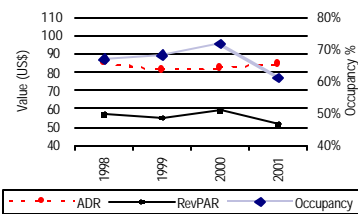
Market Segments, Beijing, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	55% - 60%	5% - 6%	5% - 6%	35% - 28%
Average Room Rate				
Five-Star	100 - 120	50 - 60	80 - 90	50 - 80
Average Length of Stay	2-3 Days	1-2 Days	1-2 Days	3-5 Days
<u>Seasons when Demand is Strongest</u>	High	High	High & Shoulder	High & Shoulder

Source: HVS International Research, 2002

Hotel Performance: Demand for five-star hotel accommodation rose significantly between 1998 and 2001. During this time, there was a substantial increase in the room supply, with the opening of the Kerry Centre, Radisson, St. Regis, Grand Hyatt and Marco Polo hotels – the five-star hotel room inventory increased by approximately 23%. Whilst demand has generally outpaced supply, market-wide occupancy declined by some ten points in 2001 due to the opening of the Grand Hyatt and Marco Polo hotels. With competition rising, there was limited growth in the market-wide average room rate (ARR) between 1998 and 2001. However, as room supply is likely to stabilise in the next twelve months, market-wide occupancy and ARR is likely to rebound. We consider that new hotel supply is likely to raise the overall quality of the five-star hotel market, and the existing lower-positioned five-star hotels are likely to be downgraded to the four-star deluxe hotel category.

Historic Five-Star Hotel Performance, Beijing, 2002



Source: HVS International Research, 2002

Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Beijing.

Beijing Five-Star Hotel Market Value Outlook, Q1 2002

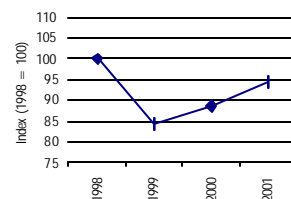
Factors Affecting Cashflow	
Demand	↗
Supply	→
Occupancy Rate	↗
Average Room Rate (US\$)	↗
Gross Operating Profit	↗
Potential Cashflow	↗
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Outlook	↗
Long-term Outlook	POSITIVE

Key

- ↗ Increase
- ↘ Decrease
- Limited Change
- ↗ Moderate Increase
- ↘ Moderate Decrease

In view of the likely positive impact of China's recent entry into the WTO on the economy and tourist market, we consider that demand from the corporate and leisure segments is likely to improve in 2002. With room supply remaining stable, market-wide occupancy and ARR are expected to increase in 2002. Consequently, hotels' potential cash flows in 2002 are anticipated to be higher than 2001 levels. With investors' risk perception remaining stable, we expect five-star hotel values in Beijing to improve within the next twelve months. Moreover, we consider the long-term outlook of Beijing to be positive.

Beijing Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Hong Kong is one of Asia's key financial hubs and one of its most developed cities.

Market Profile, Hong Kong, 2002

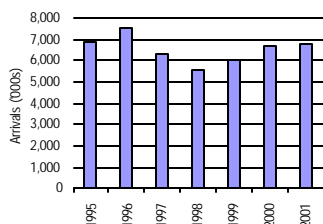
Province:	Hong Kong
Total Area:	1,098 km ²
Population:	7.2 million
Main industries:	Trade, electronics, tourism, shipping, banking
Topography:	HK Island & New Territories = Mountainous Kowloon Peninsula = Flat
Ethnic Composition:	Chinese (95%), Others (5%)
Religious Composition:	Confucianists, Taoists, Buddhists, Christians
Climate / Seasons:	Strong demand throughout year = no seasonality Spring & Summer = hot & humid; typhoon Autumn & Winter = Cool & dry
Avg. Annual Rainfall:	2,300 mm
Avg. Temperature Range:	17 °C - 30 °C
Tourist Attractions:	Museums, opera, colonial buildings, temples, markets, shopping centres, restaurants, beaches, sports competitions.

Source: HVS International Research, 2002

Development: Hong Kong is divided into four main areas – Kowloon, Hong Kong Island, the New Territories and the Outlying Islands. Kowloon and Hong Kong Island contain most of the territory's urbanised areas. Kowloon is located on a peninsula along the Chinese mainland, on the northern side of Victoria Harbour. Hong Kong Island is on the southern side of the harbour facing Kowloon. Most five-star hotels are located in the commercial district of Tsim Sha Tsui, on the southern tip of Kowloon, and in the districts of Central, Admiralty, Wanchai and Causeway Bay, on the northern shore of Hong Kong Island. The Central Business District (CBD) consists of Central and Admiralty. Wanchai and Causeway Bay lie adjacent to it. Future development is likely to take place in these areas. Furthermore, as Disneyland is due to open on Lantau Island in 2005 and a cyber-port is under development in Pokfulam, new hotels are also likely to be set up in these areas.

Accessibility: Hong Kong benefits from excellent accessibility. It is one of the major hubs in East Asia.

Total Passenger Arrivals, Hong Kong Airport, 1995-01



Source: Hong Kong Airport

Hong Kong International Airport is the second busiest airport in Asia and is currently being expanded. Once completed, it is anticipated that the airport will be able to accommodate 87 million passengers per year. Currently, it caters to 77 international airlines, which provide scheduled flights to and from most global cities. Arrivals declined sharply in 1997-98 in response to the Asian financial crisis, but recovered to pre-crisis levels by 2000. Key feeder markets for five-star hotel accommodation include Europe, Japan and the US. In 2001, arrivals from the US and Europe declined in the last quarter following the 11 September events. However, with the Hong Kong economy expected to rebound in the second half of 2002, arrivals are likely to increase over 2001 levels.

Hotel Supply: As at January 2002, there were approximately 37,500 hotel rooms in Hong Kong.

Total Five-Star Hotel Supply, Hong Kong, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Peninsula	Peninsula	300	5-star	1928
Mandarin Oriental	MOHG	542	5-star	1963
Hyatt Regency	Hyatt Int'l	723	5-star	1967
Sheraton	Starwood	780	5-star	1974
Park Lane	Park Lane Int'l	792	5-star	1975
Hong Kong Inter-Continental	Six Continents	602	5-star	1980
Kowloon Shangri-La	Shangri-La	725	5-star	1981
Grand Hyatt	Hyatt Int'l	572	5-star	1989
JW Marriott	Marriott	602	5-star	1989
Renaissance Harbourview	Marriott	860	5-star	1989
Conrad International	Hilton Int'l	513	5-star	1990
Island Shangri-La	Shangri-La	565	5-star	1991
Ritz Carlton	Marriott	216	5-star	1993
Grand Stanford Inter-Continental	Six Continents	579	5-star	1995
Total / % of Total 5-star Supply		8,371	64%	
Regional Hotel Operators				
Marco Polo Hong Kong	Marco Polo	665	5-star	1969
Marco Polo Gateway	Marco Polo	496	5-star	1982
Marco Polo Prince	Marco Polo	345	5-star	1984
Regal Riverside	Regal Int'l	833	5-star	1986
Harbour Plaza Hong Kong	Harbour Plaza	416	5-star	1995
Regal Airport	Regal Int'l	1,103	5-star	1999
Total / % of Total 5-star Supply		3,858	29%	
Owner-operated				
Royal Garden	—	422	5-star	1981
Great Eagle	—	488	5-star	1989
Total / % of Total 5-star Supply		910	7%	
Grand Total / % of Total Supply		13,139	35.0%	

Source: HVS International Research, 2002

Approximately 35% of the hotel supply in Hong Kong is of a five-star standard, of which 64% is internationally branded. One of the world's most dynamic cities, Hong Kong always raises a high level of interest among international hotel operators, as testified by the acquisition of the Regent Hotel in 2001 by Six Continents. Several hotels are currently under development in Hong Kong, but none are expected to enter the market in 2002. In fact, the room supply is likely to decline marginally in 2002 following the closing of the Furama Hotel in Central. The site of this hotel is to be redeveloped for a mixed-use development.

Recent Additions to / Future Room Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply / Transaction				
Inter-continental (Acquired by Six Continents from New World; Former Regent Hotel)	602	Kowloon	5-star	—
Under Construction				
Four Seasons	400	Central	5-star	2004
Le Meridien	176	Cyber Port	5-star	2004
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Proposed Hotel	—	Admiralty	5-star	2005
Proposed Hotel	—	Kowloon	5-star	2005
Total	576			
% Increase in 5-Star Supply	4%			

Source: HVS International Research, 2002

Barriers to Entry: In view of the current performance of five-star hotels in Hong Kong, triggered by the substantial decline in demand in line with the economic slowdown and 11 September events, new developments remain difficult to justify, unless part of mixed-use projects. In addition, not only are development costs in Hong Kong among Asia's highest, suitable land in prime locations is also difficult to find and extremely expensive to acquire. Furthermore, there have been very few recent hotel transactions, indicating that the likelihood of entering the market through acquisition is slim. We therefore consider the barriers to entry in Hong Kong to be very high. This is likely to dampen the interest of hotel investors and developers. However, hotel management companies are likely to continue to seek opportunities in this city.

Hotel Demand: The demand for five-star accommodation is primarily driven by international travellers.

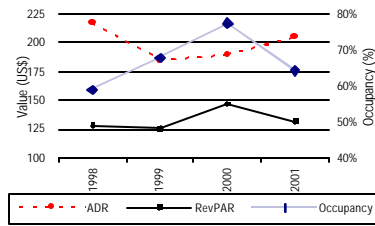
Market Segments, Hong Kong, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	55% - 60%	2% - 4%	3% - 6%	40% - 30%
<u>Average Room Rate</u>				
Five-Star	240 - 280	100 - 120	200 - 220	140 - 160
Average Length of Stay	2-3 Days	1-2 Days	2-3 Days	3-5 Days
Seasons when Demand is Strongest	All Year	High	High & Shoulder	High & Shoulder

Source: HVS International Research, 2002

Hotel Performance: In the aftermath of the 1997-98 crisis, Hong Kong proved to be a fast-recovering market. Between 1998 and 2001, five-star accommodated demand increased by 9% per annum whilst five-star room supply remained relatively constant. As such, occupancy and average room rates (ARR) recovered to pre-crisis levels reasonably quickly. However, with the global economic slowdown and the 11 September events, Japanese and US demand fell, leading to a significant drop in five-star hotel occupancy in 2001. In 2002, demand for five-star hotels is expected to recover, having a positive impact on market-wide occupancy. However, ARR is likely to remain under pressure.

Historic Five-Star Hotel Performance, Hong Kong, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Hong Kong.

Hong Kong Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow

Demand	↗
Supply	↘
Occupancy Rate	↗
Average Room Rate (US\$)	↘
Gross Operating Profit	→
Potential Cashflow	→

Investment Parameters

Risk Perception	→
Discount Rate	→

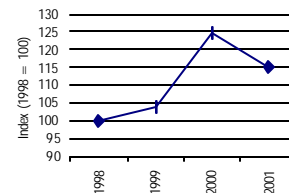
12-Month Value Outlook

Long-term Value Outlook	NEUTRAL
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Key	→ Limited Change
↗ Increase	↗ Moderate Increase
↘ Decrease	↘ Moderate Decrease

The anticipated recovery of the economy in 2002 and the well-developed tourist market are likely to have a positive impact on corporate and leisure demand for five-star hotel accommodation in Hong Kong. However, although the five-star room supply will be reduced in 2002 with the closure of the Furama Hotel, room rates are expected to decline due to the budget constraints of commercial and leisure travellers. As such, 2002 cash flows are likely to remain on par with those of 2001. We expect five-star hotel values in Hong Kong to remain reasonably unchanged in 2002. Despite Hong Kong's uncertain future due to China's entry into the World Trade Organisation, we consider Hong Kong's long-term outlook to be good.

Hong Kong Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Jakarta is the capital city and the commercial, industrial and financial centre of Indonesia.

Market Profile, Jakarta, 2002

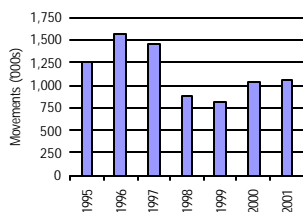
Province:	Jakarta
Total Area:	664 km ²
Population:	10 million
Main industries:	Electronics, manufacturing
Topography:	wavy to hilly
Ethnic Composition:	Javanese, Sundanese, Malay, Chinese
Religious Composition:	Muslims (85%), Others (15%)
Climate / Seasons:	LOW: October to February - wet season HIGH: May to September - dry season SHOULDER: March - April
Avg. Annual Rainfall:	1,800 mm
Avg. Temperature Range:	25 °C - 31 °C
Tourist Attractions:	18th Century Dutch ruins, Indonesian National Museum, Jakarta History Museum, zoo, parks and markets.

Source: HVS International Research, 2002

Development: Jakarta spans over 25 km from the docks to the suburbs of South Jakarta. Although Jakarta has several distinct areas, Merdeka Square in Central Jakarta has traditionally been recognised as the city centre. Central Jakarta includes the Central Business District (CBD) and Jl Thamrin, the main shopping and deluxe hotel area. Approximately 82% of the total room inventory is located in this part of Jakarta. As such, the majority of corporate and leisure demand is accommodated in hotels located in Central Jakarta. South Jakarta accounts for 16% of the room inventory, with the remaining 12% distributed over other parts of the city. Although there has not been any major development since 1997-98, numerous projects have been proposed or are stalled. The majority of these are located in the CBD.

Accessibility: Jakarta benefits from good accessibility. It is the primary point of entry into Indonesia.

Total Passenger Movements, Jakarta Airport, 1995-01



Source: Bureau Pusat Statistics

Although somewhat outdated, Jakarta's Soekarno-Hatta International Airport is the central transportation hub of Indonesia, serving a number of international airlines with direct flights to and from Asia, Europe and the Middle East. The airport has two terminals and a maximum capacity of 18 million passengers per year. Since the financial crisis of 1997 and the subsequent fall of the Soeharto era in Indonesia, the country has experienced political and economic unrest. As a result of the negative perception of travel to Jakarta, international arrivals to Jakarta International Airport fell between 1997 and 1999. As such, over the period 1995-01, international visitor arrivals declined by approximately 2% per year. Key feeder markets for five-star hotels are primarily regional capital cities (i.e. Singapore, Hong Kong) and Europe. In view of Indonesia's uncertain future, substantial growth in international arrivals is unlikely in 2002.

Hotel Supply: As at January 2002, there were 88 registered hotels comprising 21,654 rooms in Jakarta.

Total Five-Star Hotel Supply, Jakarta, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Sari Pan Pacific	Pan Pacific	400	5-star	1976
Hyatt Aryaduta	Hyatt Int'l	325	5-star	1976
Mandarin Oriental	MOHG	424	5-star	1979
Grand Hyatt	Hyatt Int'l	447	5-star	1991
Le Meridien	Le Meridien	395	5-star	1992
Aston Atrium	Aston	368	5-star	1993
Shangri-La	Shangri-La	668	5-star	1994
Crowne Plaza	Six Continents	372	5-star	1995
Regent	Four Seasons	365	5-star	1995
Sheraton Bandara	Starwood	220	5-star	1997
Sheraton Media	Starwood	351	5-star	1997
Gran Melia	Sol Melia	428	5-star	1997
Dharmawangsa	Rosewood	100	5-star	1997
Park Lane	Park Lane Int'l	287	5-star	1998
Kempinski Plaza	Kempinski	376	5-star	1998
JW Marriott	Marriott	333	5-star	2001
Total / % of Total 5-star Supply		5,859	69%	
Regional Hotel Operators				
Dusit Mangga Dua	Dusit	343	5-star	1996
Total / % of Total 5-star Supply		343	4%	
Owner-operated				
Borobudur	—	695	5-star	1974
Jakarta Hilton International	—	1,259	5-star	1976
Red Top	—	390	5-star	1999
Total / % of Total 5-star Supply		2,344	27%	
Grand Total / % of Total Supply		8,546	39.5%	

Source: HVS International Research, 2002

There are 19 five-star hotels in Jakarta, constituting 8,546 rooms or approximately 39% of the city's room supply. Some 70% of these five-star hotels are internationally branded. Recently several projects involving international hotel brands have been stalled or cancelled due to the economic downturn dating to the 1997-98 regional economic crisis. As such, very few additional developments are expected in the short to medium term.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
JW Marriott	333	CBD	5-star	—
Le Meridien (extension)	23	CBD	5-star	—
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Conrad	695	CBD	5-star	Stalled
Peninsula	400	South Jakarta	5-star	Stalled
Cempaka	250	South Jakarta	5-star	Stalled
Sofitel Satrio	272	South Jakarta	5-star	Stalled
ANA Hotel	500	CBD	5-star	Stalled
Ritz Carlton	399	CBD	5-star	Stalled
New World	450	CBD	5-star	Stalled
Arthaloka Building	408	CBD	5-star	Stalled
Total	3,374			
% Increase in 5-Star Supply	39%			

Source: HVS International Research, 2002

Barriers to Entry: In view of the current weak performance of five-star hotels in Jakarta, hotel values are generally well below replacement cost. Furthermore, there have been very few opportunities to purchase hotels, indicating that the likelihood of entering the market through acquisition is also slim. As such, we consider the barriers to entry in Jakarta to be very high. This is likely to dampen the interest of hotel investors and developers.

Hotel Demand: The demand for five-star accommodation is primarily driven by international travellers.

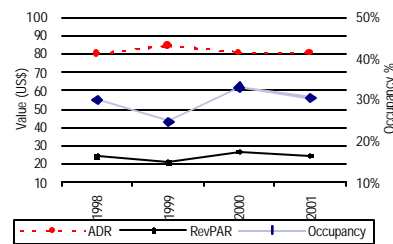
Market Segments, Jakarta, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	55% - 58%	4% - 5%	1% - 2%	40% - 35%
Average Room Rate				
Five-Star	100 - 110	40 - 60	80 - 90	50 - 70
Average Length of Stay	1-2 Days	1-2 Days	1-2 Days	3-5 Days
Seasons when Demand is Strongest	High & Shoulder	High	None	High & Shoulder

Source: HVS International Research, 2002

Hotel Performance Between 1998 and 2001, five-star hotel supply in Jakarta has remained relatively constant. Market-wide occupancy levels and average room rates (ARR) for five-star hotels in Jakarta are amongst the lowest in the region. Although five-star hotels showed signs of recovery in the first half of 2001, market-wide occupancy and ARR were negatively impacted by the 11 September events. 2002 is expected to be a challenging year for the Jakarta hotel market, as demand levels are anticipated to decline further and ARR is likely to remain under pressure. As such, the Jakarta outlook for 2002 is likely to remain somewhat bleak.

Historic Five-Star Hotel Performance, Jakarta, 1998-01



Source: HVS International Research 2002

Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Jakarta.

Jakarta Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow

Demand	→
Supply	→
Occupancy Rate	→
Average Room Rate (US\$)	→
Gross Operating Profit	→
Potential Cashflow	→

Investment Parameters

Risk Perception	↗
Discount Rate	↗

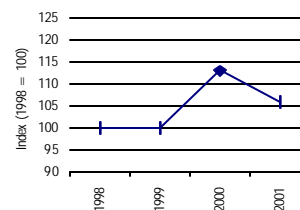
12-Month Value Outlook

Long-term Value Outlook	NEUTRAL
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Key	→ Limited Change
↑ Increase	↗ Moderate Increase
↓ Decrease	↘ Moderate Decrease

In view of the current outlook for leisure and corporate demand for five-star hotel accommodation in Jakarta, we consider that market-wide occupancy and ARR are likely to be in line with 2001 levels. However, with investors' risk perception deteriorating, we expect five-star hotel values in Jakarta to decline over the next twelve months. Jakarta's long-term outlook remains uncertain.

Jakarta Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Kuala Lumpur is both the capital city and the commercial, industrial and financial centre of Malaysia.

Market Profile, Kuala Lumpur, 2002

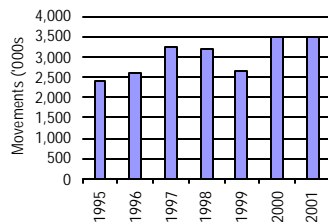
Province:	Kuala Lumpur
Total Area:	244 km ²
Population:	1.8 million
Main industries:	Electronics, Manufacturing
Topography:	Hilly
Ethnic Composition:	Malays (59%), Chinese (32%), Indians (9%)
Religious Composition:	Muslims (52%), Buddhists, Taoists, Christians, Hindus
Climate / Seasons:	LOW: October - February: monsoon HIGH: June - September: dry season SHOULDER: March - May
Avg. Annual Rainfall:	2,500 mm
Avg. Temperature Range:	20 ° C - 30 ° C
Tourist Attractions:	Sultan Abdul Samad Building, National Museum, Merdeka Square, Istana Negara (Royal Palace), Lake Gardens, Deer Park, K.L. Butterfly Park, Central Market

Source: HVS International Research, 2002

Development: Traditionally, Kuala Lumpur hotel development has been concentrated in an area known as the "Golden Triangle" within the Central Business District (CBD). However, in recent years, new areas of development have emerged with the opening of the new airport and the yet-to-be-completed KL Sentral development. Furthermore, a new multimedia and IT area is being developed between the Kuala Lumpur city centre and the international airport. Named 'Cyberjaya', it will be adjacent to 'Putrajaya', the new administrative capital of Malaysia. Once completed, these areas are likely to provide opportunities for hotel developers.

Accessibility: Kuala Lumpur benefits from good accessibility. The city is linked by a comprehensive and modern transportation system.

Total Passenger Arrivals, Kuala Lumpur Airport, 1995-01



Source: Malaysian Airport Berhad

Railway lines and roads radiating from the city provide access to other parts of the country as well as to Singapore and Thailand. The city has two airports: Kuala Lumpur International Airport (KLIA) at Sepang opened in 1998 and aims to be a major airport in Asia Pacific. Currently, more than 40 foreign airlines fly to and from Asia, Europe and the Middle East via KLIA. Over the period 1995-01, international visitor arrivals increased by approximately six percent per year, from approximately 2.4 to 3.5 million. In 2001, arrivals to KLIA increased marginally despite a decline in arrivals from long-haul markets in Europe and the US following 11 September events. Key feeder markets for five-star hotels are Singapore, Japan, Europe and the Middle East. Arrivals from Singapore are highest during weekends when leisure travellers from the city-state visit Kuala Lumpur. In 2002, arrivals to Kuala Lumpur are likely to continue increasing mainly due to an increase in regional demand in response to efforts by Malaysia's aggressive tourism promotion board.

Hotel Supply: As at January 2002, there were 63 registered hotels comprising 19,045 rooms in Kuala Lumpur.

Total Five-Star Hotel Supply, Kuala Lumpur, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Parkroyal	Six Continents	328	5-star	1974
Shangri-La	Shangri-La	720	5-star	1985
Pan Pacific	Pan Pacific	540	5-star	1985
Regent	Four Seasons	468	5-star	1990
Nikko	Nikko	470	5-star	1995
Renaissance	Marriott	399	5-star	1996
Sheraton Imperial	Starwood	398	5-star	1997
JW Marriott	Marriott	518	5-star	1997
Ritz Carlton	Marriott	248	5-star	1997
Mandarin Oriental	MOHG	643	5-star	1998
Total / % of Total 5-star Supply		4,732	63%	
Regional Hotel Operators				
Mutiara	Mutiara	675	5-star	1972
Equatorial	Equatorial	300	5-star	1973
Istana	Meritus	516	5-star	1985
Total / % of Total 5-star Supply		1,491	20%	
Owner-operated				
Carcosa Seri Negara	—	13	5-star	1989
Crown Princess	—	598	5-star	1991
Legend	—	620	5-star	1994
Total / % of Total 5-star Supply		1,231	17%	
Grand Total / % of Total Supply		7,454	39.1%	

Source: HVS International Research, 2002

There are 16 five-star hotels in Kuala Lumpur, which constitute 7,454 rooms or approximately 39% of the city's room supply. 63% of the five-star hotels are internationally branded. We consider that international management companies lacking brand distribution in Kuala Lumpur are likely to consider opportunities to enter the hotel market. However, due to the existing oversupply of rooms and the lack of local funds arising from the 1997-98 regional economic crisis, many hotel projects have been either postponed or stalled in the short term.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
N/A	N/A	N/A	N/A	N/A
Under Construction				
Westin	518	Jln Bukit Bintang	5-star	2002
Le Meridien	422	KL Sentral	5-star	2003
Hilton	513	KL Sentral	5-star	2003
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Grand Hyatt Duta	514	Jln Ampang	5-star	2004
Total	1,967			
% Increase in 5-Star Supply	26%			

Source: HVS International Research, 2002

Barriers to Entry: In light of the poor five-star hotel performance in Kuala Lumpur, triggered by the oversupply situation, new hotel development is generally difficult to justify. Furthermore, there have been very few hotel investment opportunities, indicating that the likelihood of entering the market through acquisition is also slim. As such, we consider the barriers to entry in Kuala Lumpur to be high.

Hotel Demand: The demand for five-star accommodation is primarily driven by international travellers.

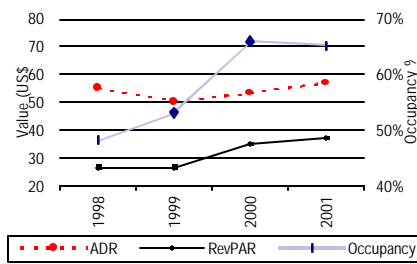
Market Segments, Kuala Lumpur, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	50% - 55%	2% - 5%	1% - 3%	47% - 37%
Average Room Rate				
Five-Star	70 - 80	30 - 40	50 - 60	40 - 50
Average Length of Stay	1-2 Days	1-2 Days	1-2 Days	2-4 Days
Seasons when Demand is Strongest	High & Shoulder	High	Shoulder & Low	High & Week Ends

Source: HVS International Research, 2002

Hotel Performance Following the 1997-98 regional economic slowdown, five-star hotel demand returned to pre-crisis levels. As such, market-wide occupancy rates of five-star hotels increased between 1998 and 2001. Following the recovery in occupancy, there was reasonable growth in average room rates (ARR). However, the market is reasonably price competitive and ARR is thus lower in Kuala Lumpur compared to other capital cities in Asia. Due to the slowdown in the domestic and global economies and the recent terrorist attacks in the US, corporate and leisure demand for five-star hotel accommodation in the market area has declined. In spite of this however, market-wide occupancy and ARR remained at a similar level in 2001 compared to 2000 levels. 2002 is expected to be a challenging year for Kuala Lumpur hoteliers. Whilst corporate and leisure demand is anticipated to rebound, market-wide occupancy levels are likely to remain the same due to the opening of the Westin hotel. This is likely to have a negative effect on ARR.

Historic Five-Star Hotel Performance, KL, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Kuala Lumpur.

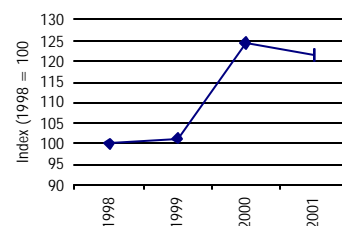
KL Market Five-Star Hotel Value Outlook, Q1 2002

Factors Affecting Cashflow	
Demand	↗
Supply	↗
Occupancy Rate	→
Average Room Rate (US\$)	→
Gross Operating Profit	→
Potential Cashflow	→
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Value Outlook	
Long-term Value Outlook	NEUTRAL

Key	→ Limited Change
↗ Increase	↗ Moderate Increase
↘ Decrease	↘ Moderate Decrease

Although demand growth is anticipated in Kuala Lumpur during 2002, we consider that market-wide occupancy and ARR are likely to remain on par with 2001 levels. Consequently, cash flows and yield expectations are also likely to remain in line with those attained in 2001. As such, we expect five-star hotel values in Kuala Lumpur to remain relatively unchanged. In view of the significant anticipated increase in supply and the current over-supply situation in the five-star hotel market, we consider Kuala Lumpur's long-term outlook to be uncertain.

Kuala Lumpur Five-Star Hotel Value Index 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Manila is the capital of the Philippines as well as the commercial, industrial and financial centre of the country.

Market Profile, Manila, 2002

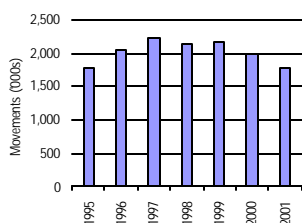
Province:	Manila
Total Area:	636 km ²
Population:	12 million
Main industries:	Manufacturing, Construction, Services
Topography:	Fertile Plains
Ethnic Composition:	Malay, Chinese, Spanish, Americans
Religious Composition:	Christian
Climate / Seasons:	LOW: Summer: typhoon season HIGH: Winter & Spring: typhoon off-season SHOULDER: Autumn
Avg. Annual Rainfall:	2,050 mm
Avg. Temperature Range:	25 °C - 29 °C
Tourist Attractions:	Spanish churches and monasteries, Casa Manila, Manila Cathedral, Fort Santiago Rizal Shrine Museum, casinos.

Source: HVS International Research 2002

Development: The majority of five-star hotels are located in the City of Manila and Makati. The City of Manila is located east of Metro Manila and comprises government offices and leisure attractions. This area therefore attracts both commercial and leisure demand. Makati City is located east of the City of Manila and is the Central Business District (CBD) of Manila. Demand for hotel accommodation comes primarily from the commercial segment. A number of business parks are located within close proximity to Makati and Manila. Other areas include Intramuros and Pasay City. Intramuros is located north of Manila and is recognised for its tourist attractions. Pasay City is located south of Manila and has limited commercial and leisure activities. Future areas of development include the 'Belvedere 2000' south of Manila, the Fort Bonifacio Global City along the Epifanio de los Santos Avenue (EDSA).

Accessibility: Accessibility to Manila is reasonable.

Total International Arrivals, Manila Airport, 1995-01



Source: Manila International Airport Authority

The Ninoy Aquino International Airport was built in 1982. A new terminal, which can accommodate an additional 10 million passengers a year, was constructed and started operations in 2001. A third terminal is currently under

construction. Several international airlines serve Manila International Airport, giving access to other parts of Asia, Europe, the US and Middle East. In 2000, a dispute between the Philippines Airline and its Taiwanese counterparts led to a cancellation of all routes between the two countries. With several hijacking incidents of foreign travellers in resort destinations in the south of the country, where extremist rebels are located, the risk perception of the Philippines as a leisure and commercial destination, increased. The risk associated with the country rose even further following the 11 September events, when the Abu Sayyaf rebels and the Al Qaeda terrorist organisation were linked, leading to several countries including Japan, a major feeder market, to rate the Philippines as a "dangerous" country. As such, arrivals from these countries dropped. Between 1995 and 2001, the number of passenger arrivals at Manila airport has remained constant. Key feeder markets for five-star hotels include the US and regional countries such as Hong Kong, South Korea and Singapore. Although arrivals from long-haul markets in Europe and the US are unlikely to increase in 2002, arrivals from neighbouring countries are likely to increase as Japan's rating of the Philippines recovered and flights to and from Taiwan have recently resumed.

Hotel Supply: As at January 2002, there were 65 registered hotels, constituting 11,155 rooms, in Manila.

Total Five-Star Hotel Supply, Manila, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Inter-Continental Hotel	Six Continents	338	5-star	1969
Hyatt Regency	Hyatt Int'l	261	5-star	1972
Century Park	ANA	493	5-star	1975
Mandarin Oriental	MOHG	448	5-star	1976
Peninsula Hotel	Peninsula	500	5-star	1979
Heritage	CDL	454	5-star	1980
Westin Philippines	Starwood	609	5-star	1985
Dusit Nikko	Nikko	520	5-star	1990
New World Renaissance	Marriott	599	5-star	1993
Makati Shangri-La Manila	Shangri-La	702	5-star	1993
Pan Pacific	Pan-Pacific	236	5-star	1997
EDSA Shangri-La Hotel	Shangri-La	651	5-star	1998
Total / % of Total 5-star Supply		5,811	86%	
Owner-operated				
Manila Hotel	—	500	5-star	1975
Manila Diamond	—	460	5-star	1978
Total / % of Total 5-star Supply		960	14%	
Grand Total / % of Total Supply		6,771	60.7%	

Source: HVS International Research, 2002

There are 14 five-star hotels in Manila, representing 6,771 rooms or approximately 60% of the city's room supply. 86% of the five-star hotels are internationally branded. We consider that international management companies lacking brand distribution in local Manila are likely to consider opportunities to enter the hotel market. However, due to the existing oversupply of rooms and the lack of funds arising from the 1997-98 regional economic crisis, many hotel projects have been either postponed or stalled in the short term due to the high risk associated with the Philippines.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
EDSA Shangri-la Hotel	651	Makati	5-star	1998
Under Construction				
Sheraton Marina	230	City of Manila	5-star	?
Extension				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Ritz-Carlton Rockwell	300	Rockwell	5-star	?
Grand Hyatt	230	Fort Bonifacio	5-star	?
JW Marriott	500	Makati	5-star	?
Total	1,260			
% Increase in 5-Star Supply	19%			

Source: HVS International Research, 2002

Barriers to Entry: In view of the current performance of five-star hotels in Manila and the relatively high-risk perception, triggered by the oversupply situation and the relative instability in the market, hotel values are generally below replacement cost. Furthermore, local financing for hotel projects is limited. As such, we consider the barriers to enter Manila to be high. This has dampened the interest of five-star hotel investors and developers.

Hotel Demand: The demand for five-star hotel accommodation is primarily driven by international travellers.

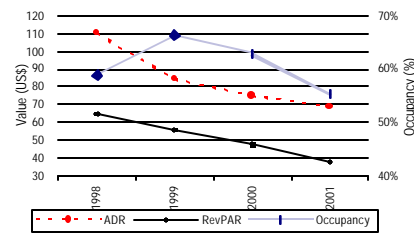
Market Segments, Manila, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	55% - 65%	5% - 8%	0% - 2%	40% - 25%
Average Room Rate				
Five-Star	80 - 90	40 - 50	70 - 80	50 - 60
Average Length of Stay	1-2 Days	1-2 Days	1-2 Days	2-4 Days
Seasons when Demand is Strongest	Spring & Autumn	High	Spring & Autumn	Spring, Summer, w/e

Source: HVS International Research, 2002

Hotel Performance: Between 1998 and 2001, five-star hotel supply in Manila remained fairly constant. However, with the domestic political instability and especially the increasing number of armed clashes between the government and insurgent groups, tourist arrivals to the Philippines as well as demand for hotel accommodation, fell. As such, market-wide occupancy levels of five-star hotels in Manila dropped dramatically. In an effort to maintain occupancy levels, hotels reduced their room rates to attract alternative demand sources. This negatively impacted the average room rate (ARR). Consequently, five-star hotel yields in Manila decreased by approximately 16% per annum between 1998 and 2001. In 2001, five-star hotels were greatly impacted by the 11 September events as arrivals from Japan and the US fell. With demand from neighbouring countries likely to increase in 2002, five-star hotels' market-wide occupancy rate is likely to increase marginally. However, with high-paying demand from the US remaining weak, ARR is likely to remain under pressure.

Historic Five-Star Hotel Performance, Manila, 1998-01



Source: HVS International Research, 2002

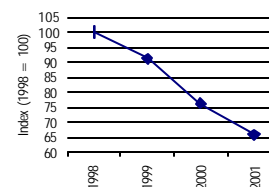
Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Manila.

Manila Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow	
Demand	↗
Supply	→
Occupancy Rate	↗
Average Room Rate (US\$)	↗
Gross Operating Profit	↗
Potential Cashflow	↗
Investment Parameters	
Risk Perception	↗
Discount Rate	↗
12-Month Value Outlook	→
Long-term Value Outlook	NEUTRAL
Key	
↑ Increase	↗ Limited Change
↓ Decrease	↘ Moderate Increase
	↘ Moderate Decrease

With five-star hotel performance remaining weak and investors' yield expectations high, we expect five-star hotel values to remain under pressure within the next 12 months. In the long term, we consider Manila's outlook to be uncertain.

Manila Five-Star Hotel Value Index 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: The Island of Phuket is located in the Andaman Sea on the west coast of the Kra isthmus in the southern region of Thailand.

Market Profile, Phuket, 2002

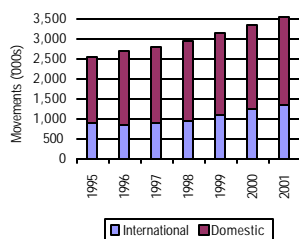
Province:	Phuket
Total Area:	550 km ²
Population:	231,000
Main industries:	Tourism, fishing, mining
Provincial Capital:	Phuket City
Topography:	West coast: mountainous South & Centre: plains
Ethnic Composition:	Thai, Chinese, Others
Religious Composition:	Buddhists (60%), Muslims (35%), Others (5%)
Climate / Seasons:	LOW: June - October: rainy season HIGH: December - April: dry season SHOULDER: May and November
Avg. Annual Rainfall:	2,200 mm
Avg. Temperature Range:	21° C - 35° C
Tourist Attractions:	Beaches: neighbouring islands, Butterfly Garden, Aquarium, National Park, National Museum, FantaSea amusement park, temples.

Source: HVS International Research 2002

Development: Phuket has three distinct areas of development. Phuket Town, the island's capital, is the core business district and the largest settlement, attracting mainly commercial demand. The hotel supply constitutes approximately 4,000 rooms, around 20% of the supply on the island. The western coastline, stretching from Patong to Kata beaches, represents approximately 70% of the hotel supply. The hotels range from budget backpacker accommodation to five-star resort hotels. However, a large proportion of the accommodation is of a two- to three-star standard. The Laguna, located in the northwest of the island, is the most recently developed area. Development began in the late 1980's and a large proportion of the upscale resorts in Phuket are located in this region. Areas where future development is likely are mainly located north of the island. As few hotels have been built in this area, land is likely to be available for development.

Accessibility: Phuket benefits from good accessibility.

Total Passenger Movements, Phuket Airport, 1995-01



Source: Airport Authority of Thailand

The international airport has been extensively developed over the past ten years. Approximately 20 international airlines fly directly to Phuket from Europe and neighbouring countries. Unlike other regional cities, Phuket benefited from the 1997-98 economic crisis due to the Tourism Authority of Thailand's aggressive marketing campaign, "Amazing Thailand" and the weakening of the Thai baht against the US dollar which led to Thailand becoming a more affordable destination. The compound annual average rate of growth (CAAG) for passenger movements between 1995 and 2001 was 6%. It should be noted, however, that a large proportion of the flights are chartered. Accessibility is therefore somewhat limited at certain times of the year. Japan and Europe (UK, Germany, France) are the key feeder markets for five-star hotels. Although international arrivals declined marginally in the fourth quarter of 2001 due to the 11 September events, arrivals are likely to recover in 2002 and Phuket is likely to benefit from Thailand's "safe" image in comparison to other resort destinations in the region.

Hotel Supply: As at January 2002, there were 305 registered hotels comprising approximately 21,000 rooms in Phuket, with the hotel supply largely consisting of small, independent one- to three-star hotels. As the table below illustrates, few quality internationally branded hotels exist in Phuket.

Total Five-Star Hotel Supply, Phuket, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Le Royal Meridien Yacht Club	Le Meridien	110	5-Star	1986
Amanpuri	Amanresorts	70	6-Star	1987
Le Meridien Phuket	Le Meridien	470	5-Star	1987
Sheraton Grande Laguna	Starwood	323	5-Star	1990
Marriott	Marriott	265	5-Star	2002
Total / % of Total 5-star Supply		1,238	51%	
Regional Hotel Operators				
Dusit Laguna Resort	Dusit	258	5-Star	1987
Banyan Tree Phuket	Banyan Tree	132	5-Star Deluxe	1994
The Chedi Phuket	GHM	108	5-Star	1995
Evasion Phuket	Six Senses	304	5-Star	2002
Total / % of Total 5-star Supply		802	33%	
Owner-operated				
The Boathouse Phuket	—	36	5-Star	1988
Laguna Beach Club	—	252	5-Star	1992
The Panwaburi	—	79	5-Star	2000
Total / % of Total 5-star Supply		367	15%	
Grand Total / % of Total Supply		2,407	13%	

Source: HVS International Research, 2002

Approximately 13% of the hotel supply in Phuket is of a five-star standard, of which 51% is internationally branded. With many international hotel management companies lacking brand recognition in Phuket, a high level of interest in hotel opportunities in Phuket is likely from these companies.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
Marriott	265	Mai Khao Beach	5-Star	—
Evason Phuket (Former PIR)	304	Laemka Beach	5-Star	—
Under Construction				
Trisara	34	Nai Thom Beach	6-Star	2003
Extensions				
Dusit	50	Laguna	5-star	2003
Other Proposed Projects				
Four Seasons	120	Laem Sing	5-Star	2004
Evergreen	150	Patong	5-Star	2004
Total	354			
% Increase in 5-Star Supply	15%			

Source: HVS International Research, 2002

Barriers to Entry: Land acquisition is an expensive and tedious process in Thailand. This is due to the limited number of suitable sites for upscale hotel development and the complex ownership regulations. In addition, there have been very few recent hotel transactions, which indicates that the chances of acquiring a hotel are slim. Therefore, we consider that the barriers to enter Phuket are relatively high. Nevertheless, considering the current performance of five-star hotels in Phuket and the market's positive outlook, five-star hotel values are generally equal or above replacement cost. As such, there is a high level of interest from five-star hotel investors and developers and additional development in the medium to long term is likely.

Hotel Demand: The demand for five-star accommodation is primarily driven by international travellers and follows distinct seasonal patterns.

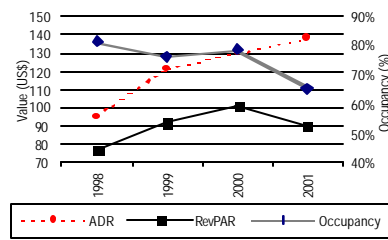
Market Segments, Phuket, 2002

	Segment		
	FIT	MICE	Wholesale
Percentage of Total			
Six-Star Resorts	60% - 70%	3% - 5%	38% - 25%
Five-Star Deluxe	25% - 35%	5% - 10%	70% - 55%
Five-Star	20% - 30%	10% - 15%	70% - 55%
Average Room Rate			
Six-Star Resorts	650 - 700	550 - 600	450 - 500
Five-Star Deluxe	450 - 475	375 - 400	250 - 275
Five-Star	150 - 200	120 - 140	80 - 120
Average Length of Stay	4-7 Days	2-4 Days	5-10 Days
Seasons when Demand is Strongest	High	Low & Shoulder	High & Shoulder

Source: HVS International Research 2002

Hotel Performance: Despite strong growth in demand for five-star hotel accommodation, the occupancy levels of five-star resorts fluctuated between 1998 and 2001, as hotels increased their average room rates (ARR). In spite of initial resistance from tour operators and consumers, as witnessed by lower occupancies in 1999, occupancy levels normalised in 2000. In 2001, market area hotels were impacted by the slowdown in many feeder market economies and the events of 11 September. However, demand is likely to recover in 2002, as are market-wide occupancy levels of five-star hotels. However, with international tour operators expected to keep their contract rates in line with 2001 levels due to the slowdown in international tourism, room rates are likely to remain unchanged.

Historic Five-Star Hotel Performance, Phuket, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Phuket.

Phuket Five-Star Hotel Market Value Outlook, Q1 2002

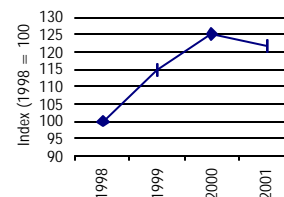
Factors Affecting Cashflow	
Demand	↗
Supply	→
Occupancy Rate	↗
Average Room Rate (US\$)	↗
Gross Operating Profit	↗
Potential Cashflow	↗
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Value Outlook	
Long-term Value Outlook	POSITIVE

Key

- ↗ Limited Change
- ↕ Increase
- ↘ Moderate Increase
- ↔ Decrease
- ↘ Moderate Decrease

Owing to the relative safety of Phuket in comparison to other resort destinations in Asia, wholesale and FIT demand for five-star resort accommodation in Phuket is likely to improve in 2002. Yet, with ARR expected to remain in line with 2001 levels, potential cash flows in 2002 are likely to increase only marginally compared to 2001 levels. With investors' yield expectations remaining unchanged in 2002, we expect five-star hotel values in Phuket to improve within the next twelve months. We consider Phuket's long-term outlook to remain positive.

Phuket Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the resort market. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Seoul is the capital of the Republic of Korea and the centre of all political, economic and cultural activity in the country.

Market Profile, Seoul, 2002

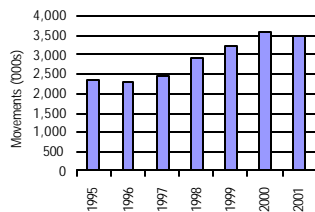
Province:	Seoul
Total Area:	606 km ²
Population:	10 million
Main industries:	Manufacturing, automobiles & electronics
Topography:	Mountainous
Ethnic Composition:	Korean
Religious Composition:	Christians (49%), Buddhists (47%), Others (4%)
Climate / Seasons:	LOW: Winter HIGH: Spring and Autumn SHOULDER: Summer
Avg. Annual Rainfall:	1,210 mm
Avg. Temperature Range:	-2.5° C - 27.5° C
Tourist Attractions:	Royal Palaces, National Folk Museum, Namsam Park, War Memorial Park, department stores, fashion industry.

Source: HVS International Research 2002

Development: Seoul is divided into 25 administrative 'gu', which are divided into 522 'dongs'. There are 3 business districts in Seoul – the CBD (downtown Seoul), Kangnam and Yoido. The CBD is located in the north of Seoul and is the city's oldest business and financial centre. As many attractions are located in this area, five-star hotels located in downtown Seoul benefit from corporate and leisure demand. Kangnam is situated south of Han River. It is Seoul's fastest growing district. Most hotels that entered the market in recent years are located in this area and future development is also likely to take place here. With the convention centre located in this area, hotels benefit from strong corporate, leisure and MICE demand. Yoido is a relatively new district in the western part of the city. Named the 'Manhattan' of Seoul, many financial institutions and government bodies are located in this area. As such, hotels in Yoido primarily serve corporate demand. As few luxury hotels are located in this area, future development is likely to occur in this area.

Accessibility: Accessibility to Seoul is excellent.

International Passenger Arrivals, Seoul Airport, 1995-01



Source: Seoul International Airport

In 2001, a new international airport, Incheon, was opened in the western part of the city. Designed to accommodate up to 100 million passengers once completed in 2020, the airport expects to become Northeast Asia's new hub. The old Kimpo Airport will serve only domestic routes. Between 1995 and 2001, international arrivals at Seoul Airport increased by approximately 6% per year. It is interesting to note that arrivals continued to increase from 1997 to 1999 despite the regional economic slowdown. In 2001, arrivals decreased due to the global economic downturn and the 11 September events. However, as the 2002 Soccer World Cup will be co-hosted by South Korea, arrivals are likely to rebound in 2002. Key feeder markets for five-star hotel accommodation are Japan (51%) and the US (14%).

Hotel Supply: As at January 2002, there were a total of 19,930 hotel rooms in Seoul.

Total Five-Star Hotel Supply, Seoul, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Walkerhill Sheraton	Starwood	597	5-star	1963
Westin Chosun	Starwood	453	5-star	1970
Radisson Plaza	Radisson SAS	480	5-star	1976
Grand Hyatt	Hyatt Int'l	602	5-star	1978
Seoul Hilton	Hilton Int'l	683	5-star	1983
Swiss Grand	Swissotel	399	5-star	1988
Inter-Continental Grand	Six Continents	541	5-star	1988
Renaissance	Marriott	500	5-star	1988
Ritz Carlton	Marriott	401	5-star	1995
COEX Inter-Continental	Six Continents	654	5-star	1999
JW Marriott	Marriott	502	5-star	2000
Total / % of Total 5-star Supply		5,812	69%	
Regional Hotel Operators				
Hotel Lotte	Lotte	1,318	5-star	1978
Shilla Hotel	Shilla	511	5-star	1979
Lotte World	Lotte	505	5-star	1988
Total / % of Total 5-star Supply		2,334	28%	
Owner-operated				
Hotel Amiga	—	295	5-star	1995
Total / % of Total 5-star Supply		295	3%	
Grand Total / % of Total Supply		8,441	42.6%	

Source: HVS International Research, 2002

There are 15 five-star hotels in Seoul, which constitute 8,441 rooms or approximately 43% of the city's room supply. A large proportion (69%) of the five-star room inventory is internationally branded. We consider international management companies lacking brand distribution in Seoul are likely to seek opportunities to gain brand representation within the Seoul hotel market.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
JW Marriott	502	Kangnam	5-star	—
Under Construction				
W Hotel	256	Kwangjang-Dong	5-star	2003
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Proposed 5-star Hotel	500	Yoido	5-star	2005
Total	756			
% Increase in 5-Star Supply	9%			

Source: HVS International Research, 2002

Barriers to Entry: Whilst there are examples of mixed-use hotel developments that have proven to be financially viable, stand-alone hotel developments are generally difficult to justify in Seoul, despite the reasonably strong trading performances of five-star hotels, particularly compared to other cities in Asia. Furthermore, there have been very few recent hotel transactions in Seoul, indicating that the opportunities of acquiring an existing hotel are slim. As such, we consider the barriers to entry in Seoul to be very high.

Hotel Demand: The demand for five-star hotel accommodation is primarily driven by international travellers, particularly from Japan.

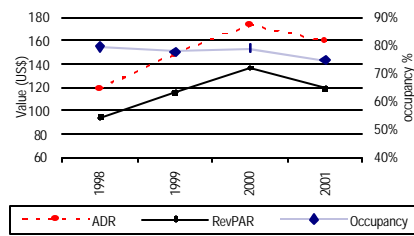
Market Segments, Seoul, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	60% - 70%	2%	3%	35% - 20%
Average Room Rate				
Five-Star	170 - 190	80 - 100	140 - 150	100 - 120
Average Length of Stay	1-2 Days	1-2 Days	2-3 Days	3-5 Days
<u>Seasons when Demand is Strongest</u>	Spring & Autumn	High	Low & Shoulder	Summer, Week End

Source: HVS International Research, 2002

Hotel Performance: As a result of strong demand and limited supply, five-star hotels in Seoul have traditionally been able to achieve high occupancies and average room rates (ARR). Furthermore, as demand for luxury accommodation increased between 1998 and 2000 but only one additional hotel (JW Marriott) entered the market during that time, five-star hotels were able to significantly increase their ARR. In 2001, the decline in market-wide occupancy was mainly the result of the 11 September events, which led to a sharp drop in international demand from Japan and the US. However, with the Soccer World Cup being co-hosted in Korea in the second half of 2002 and the anticipated recovery of the global economy in the third quarter of the year, demand from the leisure and corporate segments is expected to rise. In addition, with a stable hotel supply, occupancy levels and ARR of five-star hotels in Seoul are expected to recover in 2002.

Historic Five-Star Hotel Performance, Seoul, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Seoul.

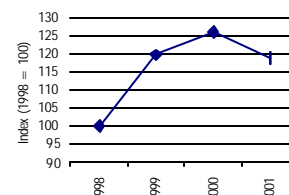
Seoul Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow	
Demand	↗
Supply	↘
Occupancy Rate	↗
Average Room Rate (US\$)	↗
Gross Operating Profit	↗
Potential Cashflow	↗
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Value Outlook	↗
Long-term Value Outlook	POSITIVE

Key	
↗	Increase
↘	Decrease
↗	Limited Change
↗	Moderate Increase
↘	Moderate Decrease

The co-hosting of the Soccer World Cup in Korea in the second half of 2002 and the anticipated recovery of feeder-market economies are likely to lead to an increase in arrivals to Seoul. Corporate and leisure demand for five-star hotel accommodation is therefore likely to improve, as is market-wide occupancy. Furthermore, with the five-star room supply remaining constant in 2002, five-star hotels' ARR are expected to increase marginally. As such, potential 2002 cash flows are likely to improve over 2001 levels. With investors' yield expectations remaining unchanged, we expect five-star hotel values in Seoul to improve within the next 12 months. Additionally, in view of the limited five-star hotel supply in Seoul and South Korea's high level of development, we consider Seoul's long-term outlook to be positive.

Seoul Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Shanghai is located in eastern China, on the Yangtze River delta, which opens into the South China Sea. It is China's most populous city.

Market Profile, Shanghai, 2002

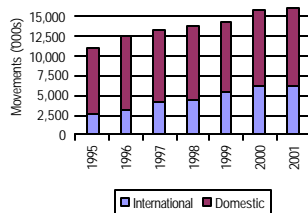
Province:	Shanghai
Total Area:	6,200 km ²
Population:	14.7 million
Main industries:	Manufacturing, chemicals & petrochemicals, textiles
Topography:	Flat plains
Ethnic Composition:	Han Chinese
Religious Composition:	Buddhism, Taoism, Other
Climate / Seasons:	LOW: Winter HIGH: Spring & Autumn SHOULDER: Summer
Avg. Annual Rainfall:	1,200 mm
Avg. Temperature Range:	9° C - 31° C
Tourist Attractions:	The Bund, French Town, Nanjing Lu, Shanghai Museum, Huzhou Pagoda, markets.

Source: HVS International Research 2002

Development: Shanghai has two distinct zones, namely Puxi and Pudong, which are divided by the Huangpu River. Puxi is where most of the leisure attractions in Shanghai, such as historical monuments, shopping arcades and leisure parks, are located. Pudong is a new development zone and is earmarked to be the financial, industrial and technological centre of China by 2020. Presently, approximately 70% of the total five-star hotel supply is in Puxi, whilst the remaining 30% is located in Pudong. Future supply is likely to develop in both parts of Shanghai.

Accessibility: Accessibility to Shanghai is very good. The city has two international airports, in Hongqiao and Pudong, which offer flights to both domestic and international destinations.

Total Passenger Movements, Shanghai Airport, 1995-01



Note: 2001 figures are an estimate
Source: Shanghai International Airport

Shanghai's largest international airport, Pudong International Airport, opened in 1999 and can accommodate 20 million passengers a year. By 2005, it is anticipated that the airport will be able to accommodate 80 million passengers a year.

At present, 18 international airlines serve Shanghai. This number is likely to increase further, in line with the city's commercial growth. Between 1995 and 2001, whilst total arrivals at Shanghai Airport increased by approximately 6% per year, international arrivals increased by an average of 15% per year. This was the result of an increasing number of commercial travellers visiting the city to explore business opportunities. In 2001, despite a marginal decline in arrivals from the US after the 11 September events, total arrivals to Shanghai reported a 2.5% increase over 2000 levels. As such, and with the likely positive impact of China's entrance into the World Trade Organization (WTO), arrivals to Shanghai are expected to increase even more in 2002. Key feeder markets for five-star hotels are Europe, the US, Japan, Hong Kong and Taiwan. Key European feeder markets are the UK, France and Germany.

Hotel Supply: As at January 2002, there were 360 hotels in Shanghai, with a total of approximately 57,000 rooms.

Total Five-Star Hotel Supply, Shanghai, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Jin Jiang Hotel	Accor	640	5-star	1959
Hilton International	Hilton Intl	772	5-star	1989
Portman Ritz Carlton	Marriott	564	5-star deluxe	1990
Sheraton Tai Ping Yang	Starwood	578	5-star	1992
Inter-Continental Hotel	Six Continents	422	5-star	1996
Shangri-La Pudong	Shangri-La	612	5-star	1998
Grand Hyatt	Hyatt Intl	555	5-star deluxe	1999
Marriott Hongqiao	Marriott	315	5-star	2000
St. Regis	Starwood	318	5-star deluxe	2001
Four Seasons	Four Seasons	434	5-star deluxe	2002
Renaissance (Former New World)	Marriott	553	5-star	2002
Total / % of Total 5-star Supply		5,763	73%	
Regional Hotel Operators				
JC Mandarin	Meritus	600	5-star	1990
Okura Garden Hotel	Okura	500	5-star	1990
Regal International East Asia	Regal	300	5-star	1997
Total / % of Total 5-star Supply		1,400	18%	
Owner-operated				
Hua Ting Hotel & Towers	—	770	5-star	1986
Total / % of Total 5-star Supply		770	10%	
Grand Total / % of Total Supply		7,933	13.9%	

Source: HVS International Research, 2002

There are 15 five-star hotels in Shanghai, which constitute 7,933 rooms or approximately 14% of the city's room supply. Internationally branded five-star hotels account for 73% of the total five-star supply. Most international hotel management companies are searching for opportunities in Shanghai based on the anticipated development of the city as the commercial and economic centre of China. Three five-star hotels entered the market in the second half of 2001 and three additional properties are due to open in 2002. As such, over a 12-month period, Shanghai's five-star room inventory would have increased by 28%.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
St. Regis	318	Pudong	5-star deluxe	—
Four Seasons	434	Puxi	5-star deluxe	—
Renaissance (Former New World)	553	Puxi	5-star	—
Under Construction				
JW Marriott	362	Puxi	5-star	2002
Westin	393	Puxi	5-star	2002
Shangri-La	175	Puxi	5-star	2005
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Le Meridien	128	Puxi	5-star	2002
Sol Melia	400	Pudong	5-star	2005
Marco Polo	N/A	N/A	5-star	2005
Total	1,457			
% Increase in 5-Star Supply	18%			

Source: HVS International Research, 2002

Barriers to Entry: In view of the current hotel performance and the relatively high-risk perception due to the potential over-supply situation, hotel values are under pressure. This makes stand-alone hotel developments difficult to realise. As such, the barriers to entry in Shanghai are relatively high. Furthermore, there have been no hotel transactions in Shanghai recently, indicating that the opportunities of acquiring an existing hotel are slim. However, in view of Shanghai's strong economic growth and China's recent entry into the WTO, hotel developers and investors have a high level of interest in hotel opportunities in Shanghai.

Hotel Demand: Although domestic demand is on the rise, the demand for five-star accommodation is primarily driven by international travellers.

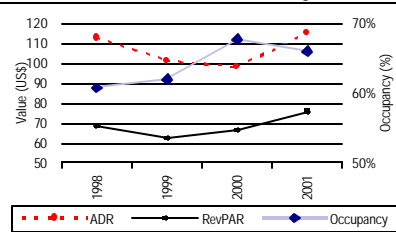
Market Segments, Shanghai, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total Five-Star	55% - 60%	2% - 4%	3% - 8%	40% - 28%
Average Room Rate				
Five-Star	130 - 150	60 - 80	110 - 130	90 - 110
Average Length of Stay	2-3 Days	1-2 Days	1-2 Days	3-5 Days
Seasons when Demand is Strongest	Spring & Autumn	High	Spring & Autumn	Spring & Summer

Source: HVS International Research 2002

Hotel Performance: Owing to strong demand growth, but relatively slower supply growth, particularly in 2000, market-wide occupancy increased significantly between 1998 and 2000. In 2001, market-wide occupancy fell as commercial demand for five-star hotels dropped post-11 September. Although demand for five-star hotel accommodation is likely to rebound in 2002 with China's entry into the WTO and the global economic recovery, market-wide occupancy is likely to decline marginally due to the significant increase in room inventory. However, with the quality of the hotel inventory improving, particularly with the opening of the Shangri-La, Grand Hyatt, St Regis, Four Seasons and JW Marriott hotels, the existing lower positioned five-star hotels are likely to be downgraded to the four-star deluxe hotel segment. With a new five-star tier of internationally branded hotels and other new hotels positioned at the top end of the market, market-wide ARR is likely to increase in 2002.

Historic Five-Star Hotel Performance, Shanghai, 1998-01



Source: HVS International Research, 2002

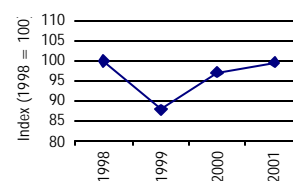
Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the Shanghai five-star hotel market.

Shanghai Market Five-Star Hotel Value Outlook, Q1 2002

Factors Affecting Cashflow	
Demand	↗
Supply	↕
Occupancy Rate	↘
Average Room Rate (US\$)	→
Gross Operating Profit	→
Potential Cashflow	→
Investment Parameters	
Risk Perception	↗
Discount Rate	↗
12-Month Value Outlook	
Long-term Value Outlook	POSITIVE
Key	
↗ Increase	↗ Limited Change
↘ Decrease	↘ Moderate Increase
	↘ Moderate Decrease

In light of the anticipated positive economic impact of China's recent entry into the WTO, corporate and leisure demand for five-star hotel accommodation in Shanghai is likely to improve in 2002. However, with a substantial increase in room supply, occupancy and ARR are likely to come under pressure, thereby affecting investor yield expectations. Consequently, we expect five-star hotel values in Shanghai to come under pressure within the next twelve months. However, we consider Shanghai's long-term outlook to remain positive.

Shanghai Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Singapore is an island located to the south of Malaysia and north of Indonesia.

Market Profile, Singapore, 2002

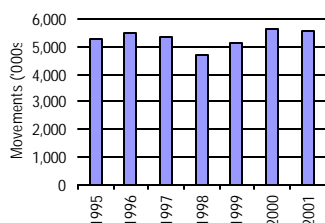
Province:	Singapore
Total Area:	647 km ²
Population:	4 million
Main industries:	Electronics, IT, financial services
Topography:	Lowlands, undulating plateau
Ethnic Composition:	Chinese (76%), Malays (15%), Indians (6%)
Religious Composition:	Buddhist, Muslims, Christians, Hindus
Climate / Seasons:	Tropical climate, no pronounced seasons Hot, humid & rainy
Avg. Annual Rainfall:	2,300 mm
Avg. Temperature Range:	17 °C - 30 °C
Tourist Attractions:	Ethnic districts, Sentosa Island, beaches, Mandai Zoo, Night Safari shopping centres, colonial buildings

Source: HVS International Research 2002

Development: The city of Singapore has three distinct areas of development. Raffles Place is located along the banks of the Singapore River and is considered the Central Business District (CBD) area. This area is dominated by grade A office buildings and houses the Singapore Stock Exchange as well as many international banks and corporations. There is limited five-star accommodation within the CBD. Suntec City located northeast of the CBD houses the Singapore International Convention and Exhibition Centre (SICEC) and many technology, media and telecommunications companies. Marina Square and Suntec City house approximately 30% of the five-star hotels in Singapore. The Orchard Road / Scotts Road area is the city's most prominent shopping district. The area houses a number of international department stores, fashion boutiques, restaurants and bars. This area represents approximately 40% of the five-star hotel inventory in Singapore.

Accessibility: Singapore benefits from excellent accessibility. It is one of the major hubs in East Asia.

Total Passenger Arrivals, Singapore Airport, 1995-01



Source: Singapore Airport Authority

Changi International Airport is served by approximately 60 international airlines, which provide over 3,100 weekly scheduled flights to and from 151 cities located within 52 countries worldwide. Key feeder markets for five-star hotels are Europe, the US and Japan, which constitute some 38% of total arrivals. A third terminal, currently under construction at Changi Airport – at an estimated cost of S\$1.5 billion – is anticipated to be complete by 2006. Upon completion, the passenger capacity potential of the airport is estimated to be in the region of 20 million. Between 1995 and 2001, the compound annual average rate of growth in total international passenger arrivals was less than one percent. This was primarily due to a sharp drop in arrivals after the 1997 financial crisis. Although arrivals in 2000 were on par with 1996 levels, tourist numbers fell again in 2001 in the aftermath of the 11 September events. In 2002, arrivals are likely to return to 2000 levels due to Singapore's strong commercial appeal.

Hotel Supply: As at January 2002, there were approximately 220 hotels comprising some 34,200 rooms in Singapore.

Total Five-Star Hotel Supply, Singapore, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Raffles	Raffles	103	5-Star	1887
Hilton	Hilton Int'l	423	5-Star	1970
Grand Hyatt	Hyatt Int'l	802	5-Star	1971
Shangri-La	Shangri-La	760	5-Star	1971
Sheraton Towers	Starwood	413	5-Star	1985
Pan Pacific	Pan Pacific	784	5-Star	1986
Raffles, The Plaza	Raffles	769	5-Star	1986
Swissotel, the Stamford	Raffles	1,261	5-Star	1986
Oriental	MCHG	523	5-Star	1987
Shangri-La Rasa	Shangri-La	460	5-Star	1993
Four Seasons	Four Seasons	257	5-Star	1994
Inter-continental	Six Continents	406	5-Star	1995
Marriott	Marriott	421	5-Star	1995
Conrad International	Hilton Int'l	509	5-Star	1996
Ritz Carlton	Marriott	715	5-Star	1996
Total / % of Total 5-star Supply		8,606	73%	
Regional Hotel Operators				
Mandarin	Meritus	1,200	5-Star	1973
Marina Mandarin	Meritus	655	5-Star	1987
Beaufort	Beaufort	216	5-Star	1991
Meritus Negara	Meritus	200	5-Star	1996
Total / % of Total 5-star Supply		2,271	19%	
Owner-operated				
Royal Plaza on Scotts		495	5-Star	1974
Fullerton		400	5-Star	2001
Total / % of Total 5-star Supply		895	8%	
Grand Total / % of Total Supply		11,772	34%	

Source: HVS International Research, 2002

Approximately 34% of the hotel supply in Singapore is of a five-star standard, of which 76% is internationally branded. Singapore generates a high level of interest among international hotel management companies, as witnessed by the entry of one new five-star hotel, the Fullerton, into the market in 2001 and the re-branding of the Westin Stamford and Westin Plaza hotels the same year. Raffles International took over the management of both hotels from Starwood.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
Fullerton Hotel	400	Fullerton Place	5-Star	—
Under Construction				
N/A				
Extensions				
N/A				
Other Proposed Projects				
Proposed Five-Star Hotel	300	Cuscaden Road	5-Star	TBA
Total	300			
% Increase in 5-Star Supply	3%			

Source: HVS International Research, 2002

Barriers to Entry: Recently, there has been limited new supply entering the five-star hotel market in Singapore. The availability of suitable hotel sites in prime locations is limited and land prices are very high, which make hotel investments difficult to justify. Furthermore, land is often governed by strict zoning regulations, which limit the opportunities of redeveloping land for hotel usage. There have been few recent sales of five-star hotels in Singapore, suggesting that the chances of acquiring an existing hotel in Singapore are slim. As such, the barriers to entry remain high.

Hotel Demand: The demand for five-star hotel accommodation is primarily driven by international travellers.

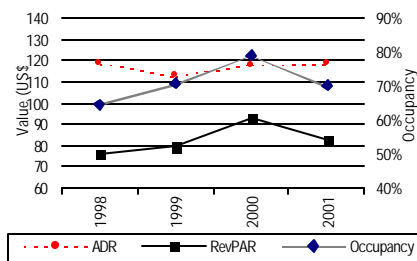
Market Segments, Singapore, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	45% - 50%	2% - 7%	3% - 8%	50% - 35%
Average Room Rate				
Five-Star	130 - 150	70 - 80	110 - 120	90 - 100
Average Length of Stay	2-3 Days	1-2 Days	2-3 Days	2-4 Days
Seasons when Demand is Strongest	All Year	All Year	Spring & Autumn	Lunar Year, Summer

Source: HVS International Research, 2002

Hotel Performance: Between 1998 and 2001, the compound annual average rate of growth in demand and supply within the five-star market was approximately 2.8%. Following the Asian crisis, market-wide occupancy levels rose significantly until 2001, when they fell in response to the global economic slowdown and the events in the US and Afghanistan, which impacted the travel arrangements of both commercial and leisure travellers. In 2001, the market-wide occupancy rate declined and ARR growth was flat in comparison to 2000 levels. 2002 is likely to be another challenging year for five-star hotels in Singapore as the city-state continues to experience an economic downturn. Occupancy rates are likely to be in line with 2001 levels and further pressure is expected on ARR.

Historic Five-Star Hotel Performance, Singapore, 1998-01



Source: HVS International Research, 2002

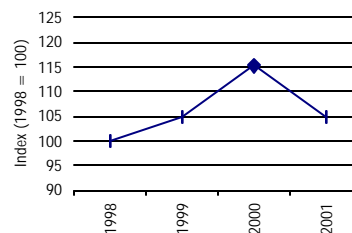
Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Singapore.

Singapore Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow	
Demand	↗
Supply	→
Occupancy Rate	↗
Average Room Rate (US\$)	↘
Gross Operating Profit	↗
Potential Cashflow	↗
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Value Outlook	
↗	
Long-term Value Outlook	
POSITIVE	
Key	
↗ Increase	→ Limited Change
↘ Decrease	↗ Moderate Increase
	↘ Moderate Decrease

We consider that the anticipated recovery of demand in five-star hotels in Singapore will outweigh the expected marginal decline in ARR in 2002 and that cash flows will be marginally higher in comparison to 2001 levels. With investors' yield expectations unchanged, hotel values in Singapore are likely to improve marginally over the next 12 months. Singapore's long-term outlook remains positive.

Singapore Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Taipei, the capital city of Taiwan, is located north of the island.

Market Profile, Taipei, 2002

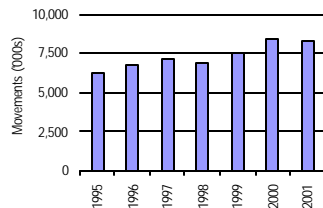
Province:	Taipei
Total Area:	2,457 km ²
Population:	3 million
Main industries:	Semiconductors & telecommunications products
Topography:	Basin surrounded by mountains and crossed by rivers
Ethnic Composition:	Han Chinese & 9 minorities
Religious Composition:	Buddhists, Taoists, Christians
Climate / Seasons:	LOW: November to March, cool season HIGH: June to October, warm season SHOULDER: April & May
Avg. Annual Rainfall:	2,515 mm
Avg. Temperature Range:	15° C - 29° C
Tourist Attractions:	National Palace Museum, Martyrs' Shrine, Lungshan Temple, Night Markets.

Source: HVS International Research, 2002

Development: Taipei is divided into six core districts. The western district is the oldest district in the city and contains a number of historical sites and government offices. The Chungshan district, located northwest of the city, is a popular shopping area and attracts a high proportion of Japanese visitors. The Nanking district, located in central Taipei, houses a number of locally occupied office developments. The Tun Pei district is the central business district and houses many new grade A office developments, international corporations and embassies. The Tun Nan district, located southeast of the city, is a commercial area and houses a number of new office developments. The Hsin Yi district south of the city is the newest district in the city and has been earmarked as Taipei's new financial centre. The district already houses many exclusive office developments as well as the Taipei convention centre. Future development is likely to take place in either the eastern or southern districts of the city.

Accessibility: Taipei benefits from good accessibility. It is the key port of entry for visitors to Taiwan.

International Passenger Arrivals, Taipei Airport, 1995-01



Source: CKS International Airport

The international airport, Chiang Kai Shek Airport, is currently undergoing refurbishment; works to both the interior and exterior of the building are being undertaken and one of the two runways is being renovated. Approximately 30 international airlines presently fly directly to Taipei, largely from regional feeder markets. Over the past few years, Taipei has attracted a number of prominent international manufacturing and IT companies, and the increases in international arrivals have been in line with the increase in investment and the economic growth on the island. The compound annual average rate of growth in international arrivals between 1995 and 2001 was 5%. Key feeder markets for five-star hotels include primarily the US and neighbouring countries, in particular Japan and Hong Kong. With the economies of Japan and the US likely to remain uncertain during the next twelve months, no major increase in international arrivals is expected in 2002.

Hotel Supply: As at January 2002, there were approximately 20,150 rooms in Taipei.

Total Five-Star Hotel Supply, Taipei, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Imperial Inter-Continental	Six Continents	288	5-Star	1967
Hilton Taipei	Hilton Int'l	385	5-Star	1973
Lai Lai Sheraton	Starwood	703	5-Star	1979
Hotel Royal Taipei	Nikko	202	5-Star	1984
Grand Hyatt	Hyatt Int'l	873	5-Star	1989
Grand Formosa Regent	Four Seasons	539	5-Star	1990
Shangri-La Far Eastern	Shangri-La	422	5-Star	1994
Westin Taipei	Starwood	288	5-Star	1999
Total / % of Total 5-star Supply		3,700	64%	
Regional Hotel Operators				
Ambassador	Ambassador	428	5-Star	1964
Howard Plaza	Howard Plaza	606	5-Star	1984
Total / % of Total 5-star Supply		1,034	18%	
Owner-operated				
Grand Hotel Taipei	—	487	5-Star	1952
Ritz Landis	—	209	5-Star	1979
Sherwood Taipei	—	350	5-Star	1990
Total / % of Total 5-star Supply		1,046	18%	
Grand Total / % of Total Supply		5,780	28.7%	

Source: HVS International Research, 2002

There are 13 five-star hotels in Taipei, constituting 5,780 rooms or 28% of the total room inventory. Of these, 3,700 rooms are internationally branded. International hotel management companies, which currently lack brand representation in the city, are likely to consider hotel opportunities in Taipei. However, as only one hotel is proposed to enter the market within the next four years, opportunities for hotel operators remain limited.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Addtl Room Supply				
N/A				
Under Construction				
N/A				
Extensions				
N/A				
Other Proposed Projects				
Marriott Hotel	580	6th Neihu District (North of Taipei)	5-Star	2005
Total	580			
% Increase in 5-Star Supply	10%			

Source: HVS International Research, 2002

Barriers to Entry: Hotel development has been limited in Taipei during the last few years, as market conditions and scarcity of suitable land made it difficult justify such projects. As such the barriers to enter Taipei are relatively high. However, with the recent entry of Taiwan and mainland China into the World Trade Organisation (WTO), a higher level of interest from hotel developers and investors is likely to result.

Hotel Demand: The demand for five-star hotels is primarily driven by international travellers.

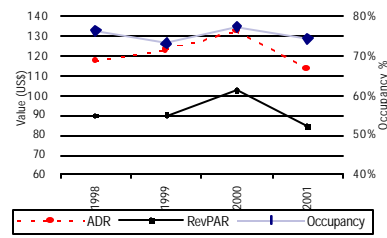
Market Segments, Taipei, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	50% - 55%	5% - 10%	2% - 3%	43% - 32%
Average Room Rate				
Five-Star	120 - 140	70 - 80	100 - 120	90 - 100
Average Length of Stay	2-3 Days	1-2 Days	1-3 Days	2-4 Days
Strongest	Autumn	High	Spring	ends

Source: HVS International Research, 2002

Hotel Performance Accommodated demand in the five-star market in Taipei increased marginally between 1998 and 2001. Following the growth in the Taiwanese economy, demand increased significantly in 2000 compared to 1999 levels. However, demand declined in 2001, due to the worldwide economic slowdown and the decline in demand for semiconductor computer components. The events of 11 September further impacted five-star hotels as American, European and Japanese demand was impacted. As such, between 1998 and 2001, market-wide occupancy and average room rates (ARR) in Taipei declined marginally, signalling rate sensitivity in the competitive market and an over-supply situation. In 2002, five-star hotels occupancy and ARR are likely to decline further, as demand from the US and Japan remains weak due to the economic downturn.

Historic Five-Star Hotel Performance, Taipei, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002 Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Taiwan.

Taipei Five-Star Hotel Market Value Outlook, Q1 2002

Factors Affecting Cashflow

Demand	↔
Supply	→
Occupancy Rate	↔
Average Room Rate (US\$)	↔
Gross Operating Profit	↔
Potential Cashflow	↔

Investment Parameters

Risk Perception	↗
Discount Rate	↗

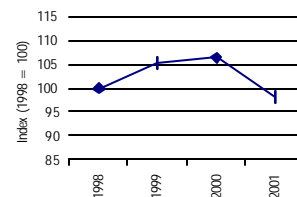
12-Months Value Outlook

Long Term Value Outlook	NEUTRAL
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Key	↔ Limited Change
↗ Increase	↗ Moderate Increase
↘ Decrease	↘ Moderate Decrease

In light of the economic downturn in the US and Japan, demand for five-star hotel accommodation in Taipei is likely to decline marginally in 2002, thereby affecting market-wide occupancy, ARR and potential cash flows. Furthermore, with investors' risk perception likely to increase in view of the substantial oversupply of five-star hotel rooms in the market, discount rates are likely to increase in 2002. Consequently, we expect five-star hotel values in Taipei to decline within the next 12 months. Moreover, considering the complex relationship between Taiwan and mainland China and the greater potential of mainland China, we consider Taipei's long-term outlook to be somewhat positive.

Taipei Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.

Market Area Overview: Tokyo is Japan's capital city and the country's commercial, industrial and financial centre.

Market Profile, Tokyo, 2002

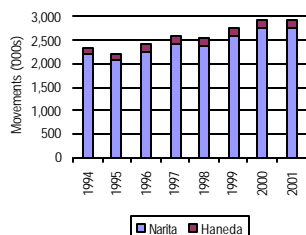
Province:	Tokyo
Total Area:	2,168 km ²
Population:	12 million
Main industries:	Financial Services, IT, Manufacturing
Topography:	Flat plain
Ethnic Composition:	Japanese
Religious Composition:	Shinto and Buddhism
Climate / Seasons:	Temperate to subtropical
	Demand is strong throughout the year
	Peak months in terms of arrivals: March & October
Avg. Annual Rainfall:	1,405 mm
Avg. Temperature Range:	2 °C - 31 °C
Tourist Attractions:	Imperial Palace, Ginza, Tokyo Disneyland, Shinjuku district, Ueno-koen Park, Hama Rikyu Detached Palace Garden

Source: HVS International Research, 2002

Development: Tokyo consists of 23 wards or districts. The areas of Chuo-ku, Chiyoda-ku, Minato-ku, Shibuya-ku and Shinjuku-ku are Tokyo's prime areas for hotel development. Chuo-ku, Chiyoda-ku and Minato-ku make up the Central Business District (CBD) of Tokyo. Most Japanese and international corporations are housed within this area. Consequently, these districts constitute a large proportion of both the commercial demand in Tokyo as well as the five-star room inventory. Shibuya-ku is primarily a residential and shopping area. There are only two notable five-star hotels in the district, namely the Westin Tokyo and the newly opened Cerulean Tower Tokyu Hotel. Shinjuku-ku is one of Tokyo's largest commercial centres. It is also known for its government-related businesses and is the centre for information technology. The Park Hyatt, the KEIO Plaza Inter-Continental, the Tokyo Hilton and the Century Hyatt are located within this district.

Accessibility: Tokyo benefits from excellent accessibility.

International Passenger Arrivals, Tokyo Airports, 1995-01



Source: Japan National Tourism Office

Tokyo is served by two major airports, namely Narita and Haneda airports. Narita is Japan's main gateway, with 44 international airline carriers servicing the airport and providing direct access to most parts of the world. Most domestic airlines fly to and from Haneda airport. In addition, Tokyo is connected to the rest of Japan by three "Shinkansen" or bullet train lines. Within the city, an extensive and reliable train network connects the different wards. Between 1994 and 2001, the number of passenger arrivals to both airports combined increased at a rate of approximately 3% per annum. In addition to strong domestic demand, key international feeder markets for five-star hotel accommodation are the US (17% of international arrivals to Tokyo airport) and neighbouring countries, such as South Korea and Taiwan. Although Japan's economy is still struggling, 2002 arrivals are likely to remain in line with 2001 levels, as Tokyo remains a key regional and international commercial city.

Hotel Supply: As at January 2002, there were 701 registered hotels, constituting approximately 81,000 rooms in Tokyo.

Total Five-Star Hotel Supply, Tokyo, 2002

Hotel	Affiliation	No. of Rooms	Star Rating	Opening Date
Global Hotel Operators				
Le Meridien Pacific	Le Meridien	954	5-star	1971
KEIO Plaza Inter-Continental	Six Continents	1,450	5-star	1971
Century Hyatt	Hyatt Int'l	770	5-star	1980
Hilton	Hilton Int'l	807	5-star	1984
ANA	ANA	901	5-star	1986
Hotel Seiyu	Rosewood	72	5-star	1987
Renaissance Ginza Tobu	Marriott	206	5-star	1989
Four Seasons Chinzai	Four Seasons	283	5-star	1992
Park Hyatt	Hyatt Int'l	178	5-star	1994
The Westin	Starwood	445	5-star	1994
Hotel Inter-Continental	Six Continents	339	5-star	1995
Tokyo Marriott Kinshicho Tobu	Marriott	383	5-star	1997
Le Meridien Grand Pacific	Le Meridien	884	5-star	1998
Total / % of Total 5-star Supply		7,672	59%	
Regional Hotel Operators				
Imperial	Imperial	1,059	5-star	1890
The Palace Hotels	Palace Hotels	389	5-star	1961
Capital Tokyu	Tokyu	459	5-star	1963
New Otani	New Otani	1,195	5-star	1964
Hotel Grand Palace	Palace Hotels	464	5-star	1972
Dai-ichi Hotel Tokyu	Dai-ichi	275	5-star	1993
Cerulean Tower Tokyu	Tokyu	414	5-star	2001
Total / % of Total 5-star Supply		4,255	33%	
Owner-operated				
Tokyo Dome Hotel		1,006	5-star	2000
Total / % of Total 5-star Supply		1,006	8%	
Grand Total / % of Total Supply		12,933	16.0%	

Source: HVS International Research, 2002

There are 21 five-star hotels in Tokyo, constituting 12,933 rooms or approximately 16% of the city's room supply. 59% of the five-star room inventory is internationally branded whilst 33% is under domestic brands. We consider that international management companies lacking brand distribution in Tokyo are likely to seek opportunities to gain brand representation within the market area. 1,143 new five-star rooms are anticipated to enter Tokyo's hotel market over the next six years.

Recent Additions to / Future Five-Star Supply, 2001-05

Hotel	No. of Rooms	Location	Star Rating	Due
Recent Add'l Room Supply				
Cerulean Tower Tokyo	414	Shibuya-ku	5-star	2001
Under Construction				
Four Seasons Marunouchi	57	Minato-ku	5-star	2002
Grand Hyatt	400	Chuo-ku	5-star	2003
Mandarin Oriental	171	Chiyoda-ku	5-star	2006
Extensions				
N/A	N/A	N/A	N/A	N/A
Other Proposed Projects				
Proposed boutique hotel	40	Shibuya-ku	5-star	—
Proposed Hotel	175	Chiyoda-ku	5-star	—
Proposed Hotel	300	Minato-ku	5-star	—
Total	1,143			
% Increase in 5-Star Supply	9%			

Source: HVS International Research, 2002

Barriers to Entry: In light of the current performance of five-star hotels in Tokyo, triggered by the substantial decline in demand in line with the economic slowdown and the 11 September events, hotel values are generally under pressure. This makes stand-alone hotel developments hard to justify. Although new hotel projects are being considered, we find that the barriers to enter Tokyo are very high.

Hotel Demand: The demand for five-star hotel accommodation is driven both by international and domestic travellers.

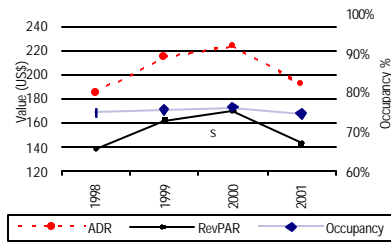
Market Segments, Tokyo, 2002

	Segment			
	Commercial	Airlines	MICE	Leisure
Percentage of Total				
Five-Star	40% - 45%	2% - 5%	3% - 5%	55% - 45%
Average Room Rate				
Five-Star	220 - 250	120 - 140	200 - 220	160 - 180
Average Length of Stay	1-2 Days	1-2 Days	1-3 Days	1-3 Days Holiday
Seasons when Demand is Strongest	All Year	High	Spring & Autumn	periods, Week ends

Source: HVS International Research, 2002

Hotel Performance: Between 1998 and 2001, five-star accommodated demand increased by 3% per annum whilst five-star room supply increased by 2.8% per annum. As such, market-wide occupancy rates remained relatively constant. Between 1998 and 2000, average room rates (ARR) increased by approximately 10% per annum mainly due to a sharp increase in room rates at the Park Hyatt, the Four Seasons and the Westin. In 2001 however, market-wide ARR declined by approximately 16% due to a drop in international demand, primarily from the US, in the aftermath of the 11 September events. In 2002, five-star hotel occupancy is likely to remain in line with 2001 levels due to strong domestic demand. However, with demand from its key feeder market, namely the US, expected to remain uncertain in the first half of the year, market-wide ARR is expected to decline marginally during the same period.

Historic Five-Star Hotel Performance, Tokyo, 1998-01



Source: HVS International Research, 2002

Value Outlook for 2002: Hotel values are derived from prevailing market conditions and the perceived risk in achieving cash flows. The table below sets out our short-term value outlook for the five-star hotel market in Tokyo.

Tokyo Five-Star Hotel Market Value Outlook, Q1 2002

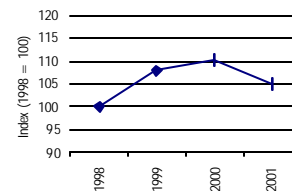
Factors Affecting Cashflow

Demand	→
Supply	→
Occupancy Rate	→
Average Room Rate (US\$)	→
Gross Operating Profit	→
Potential Cashflow	→
Investment Parameters	
Risk Perception	→
Discount Rate	→
12-Month Value Outlook	
Long-term Value Outlook	POSITIVE

Key	→ Limited Change
↑ Increase	↗ Moderate Increase
↓ Decrease	↘ Moderate Decrease

Owing to increases in supply, market-wide occupancy is expected to decline marginally and ARR is expected to come under pressure, affecting potential cash flows and yield expectations of investors and lenders. Consequently, we expect five-star hotel values in Tokyo to decline marginally within the next 12 months. However, in view of Tokyo's economic and commercial position, we consider Tokyo's long-term outlook to remain positive.

Tokyo Five-Star Hotel Value Index, 1998-01



Note: HVS estimates five-star hotel values in major destinations in Asia. Operating data for each hotel within a market is aggregated to produce an average performance for the city. This is used to derive a forecast of income and expense for each market. A discounted cashflow valuation technique is then applied, using the prevailing market rates of return.



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