



HOSPITALITY CONSULTING

Okinawa

Hotel Market Review

July 2019

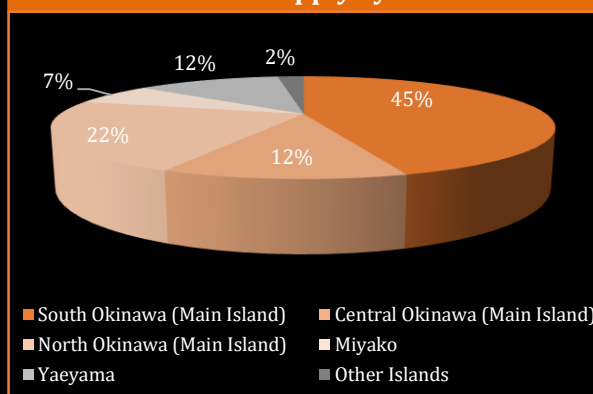
Solid hotel performance drives supply growth as more international brands enter pipeline

Airport arrivals accounted for 88% of total visitors last year

“Despite typhoon disruptions that hit the Prefecture last year, visitors to Okinawa hit a record-high total of 9.84 million. The demand was mainly driven by overseas source markets, which grew 14.2% y-o-y compared to domestic arrivals of 1.2%. This has pushed total market share of international travelers from 4.1% in 2008 to 29.5% in 2018, whereby the CAGR of total inbound visitors for the period averaged 6.4%. Nevertheless, those arriving from Mainland Japan still account for 76.8% of guest nights in accommodation establishments on the island, as majority of domestic travelers are Japanese from Tokyo, Osaka, Kobe, Fukuoka and Nagoya.

With demand on the rise, hotels are seeing improved performance in occupancy, while spending on accommodation has slightly declined as more non-traditional hotels are entering the market, such as condominium rentals and guest houses.

Okinawa Hotel Supply by Area - 2018



Source: Okinawa Convention & Visitors Bureau and C9 Hotelworks Market Research

Nevertheless, mainstream hotel operators remain positive on the prospect of performance going forward despite stronger competition. Demand is expected to significantly increase with a second airport runway. However, the lack of labor in the industry is a major concern for existing and upcoming hotels.”

Bill Barnett, Managing Director, C9 Hotelworks

Trends

- City hotels have the highest occupancy amongst all types of accommodation, with an average of 83% last year. This is followed by business hotels with 77% and resorts at 72%.
- Total average spend of visitors is JPY73,945 per day, with international travelers having a higher spend than domestic tourists of JPY100,265, and the latter at JPY72,284.
- Average length of stay for visitors averaged 3.09 nights, with longer stays for international visitors of 3.42 and domestic with 2.95 nights.

Forward Outlook

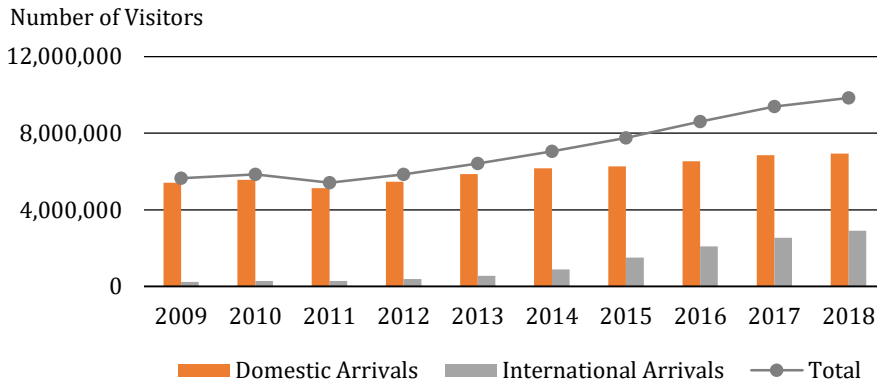
- Naha Airport is expected to complete its second runway in 2020, which will significantly increase its capacity of aircraft movements from 166,000 flights to 188,000 flights per year.
- A cruise campaign has stimulated growth of foreign tourist arrivals. Additional services will be launched at Motobu Port, Ishigaki Port and Hirara Port along with expansion plans.
- Pipeline hotels are concentrated in outer islands (45%), followed by south (26%), central (16%) and north (13%) areas of the main island.

TOURISM OVERVIEW

Demand Indicators

In 2019, visitors to Okinawa totaled 4,096,000 from January through May, which represents 4.6% year-on-year growth, with a strong uptick in domestic arrivals.

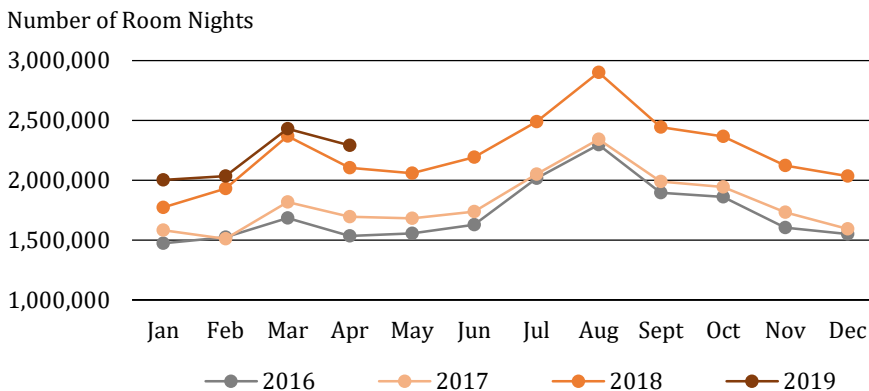
Visitor Arrival Trend



Source: Okinawa Convention & Visitors Bureau and C9 Hotelworks Market Research

In 2018, arrivals via domestic routes accounted for 71% of total visitors to the island, with majority being Japanese

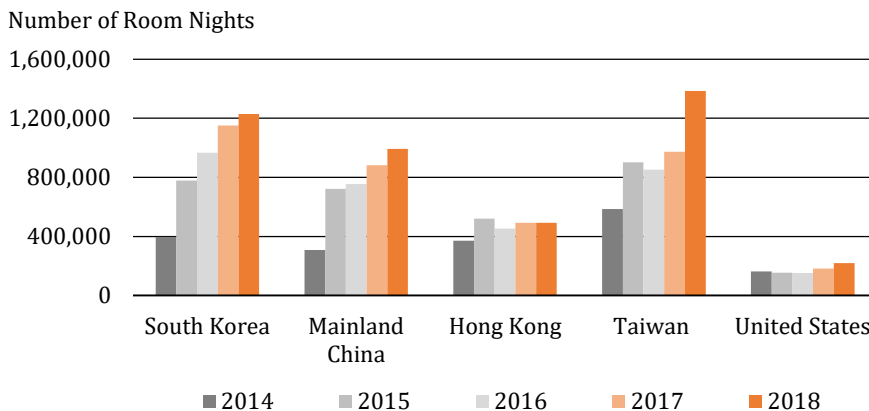
Room Night Trend at Accommodation Establishments in Okinawa



Source: Japan Ministry of Land, Infrastructure, Transport & Tourism and C9 Hotelworks Market Research

Demand grew by 24% in 2018, with business hotels added more than 6.5 million room nights

Top 5 Key International Source Market Trend



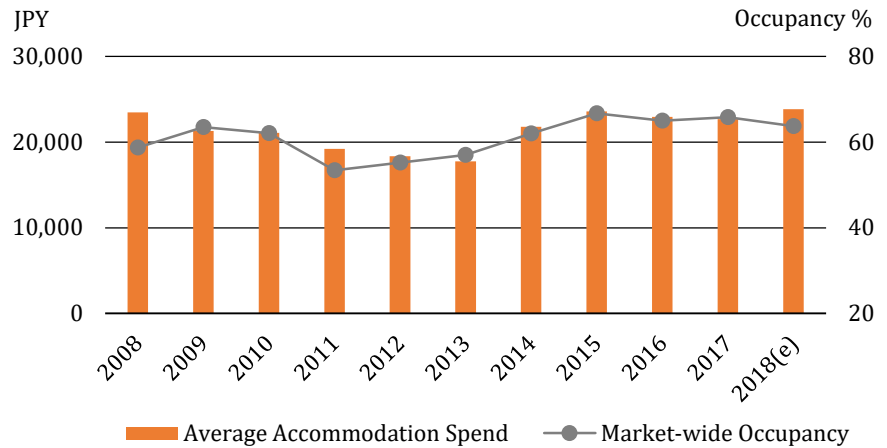
Source: Okinawa Convention & Visitors Bureau and C9 Hotelworks Market Research

Foreign stays are mainly driven by travelers from Asian countries, with the top 5 markets accounting for 89% of total

HOTEL OVERVIEW

Market-wide Hotel Performance

Market-wide occupancy registered 64% in 2018. Spending on accommodation was nearly JPY23,000 per person, per day (2017 - latest data available)



Source: Japan Ministry of Land, Infrastructure, Transportation & Tourism and C9 Hotelworks Market Research

Hotel Pipeline

While the existing registered accommodation in hotels and ryokans totaled 36,488 keys as of 2017 (latest data available), there are 5,295 keys coming onstream between mid-year 2019 through 2022.

Hotel Name	Location	Keys	Opening Year
Chatan Habor Hotel	Chatan	88	2020
Shiraho Hotel & Resort	Ishigaki	201	Q3/Q4 2019
Nashiro Beach Hotel	Itoman	460	2020
PIC Ryukyu Hotel & Residence	Itoman	452	2022
TBA	Kin Town	120	2020
Hilton Okinawa Kin	Kin Town	190	Q4 2032
Corduo Ryukyu Terrace & Villas	Kohri Island	44	2020
Blue Ocean Irabujima	Miyako	24	Q3/Q4 2019
Hotel Sea Breeze Casual (2nd Phase)*	Miyako	150	2020
Irabujima Hotel	Miyako	200	2020
Miyakojima Airport Hotel	Miyako	200	2020
The Shigira Mirage (Villas)*	Miyako	40	Q3 2019
Hilton Okinawa Sesoko Resort	Motobu	300	Q1 2020
Hilton Grand Vacation Timeshare Resort	Motobu	132	2021
CHC Naha Hotel	Naha	260	Oct-19
Cabin Hotel	Naha	136	Q3/Q4 2019
EXES Naha	Naha	64	Q3/Q4 2019
Hotel Collective Naha	Naha	206	Q3/Q4 2019
Miebashi Station Hotel	Naha	220	2020
TBA	Naha	220	2020
Anteroom Naha	Naha	126	2020
Digo Hotle	Naha	25	2020
Y's Inn Naha Oroku Station	Naha	85	2020
Kohrijima Condominium	Nakijin	37	2020
Granvilio Resort	Ogimi	200	Q3/Q4 2019
Halekulani Okinawa	Onna	360	Jul-19
Loisir Living Suites Seragaki	Onna	105	Jul-19
Four Seasons Resort and Private Residences Okinawa	Onna	260	TBA
Hiyori Ocean Okinawa	Onna	204	2021
Grandistyle Okinawa Yomitan Resort	Yomitan	54	Jul-19
Hoshino Resort	Yomitan	132	2020

*Additional keys for existing hotel

Source: C9 Hotelworks Market Research

About C9 Hotelworks



Bill Barnett
Managing Director

C9 Hotelworks is an internationally recognized consulting firm with extensive experience in the Asia Pacific region. Its core business focus includes:

- **Hotel and Resort Development**
- **Asset Management / Ownership Representation**
- **Project Feasibility and Analysis**

Key competencies include international hotel operator search, selection and contract negotiation, mixed use hotel and residential planning and operation reviews.

A wide range of both institutional and private developers and a comprehensive portfolio of completed projects give C9 the skill set and background to focus on key issues, evaluate complex ones and assist clients in achieving solid results. Based in Phuket, Thailand and led by Managing Director Bill Barnett, who has 30 years of experience in Asia Pacific, the firm is well positioned to serve an increasing demanding marketplace.



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