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Folder Title:
Asian-American Dinner 5/29/92 [OA 7576] [3]

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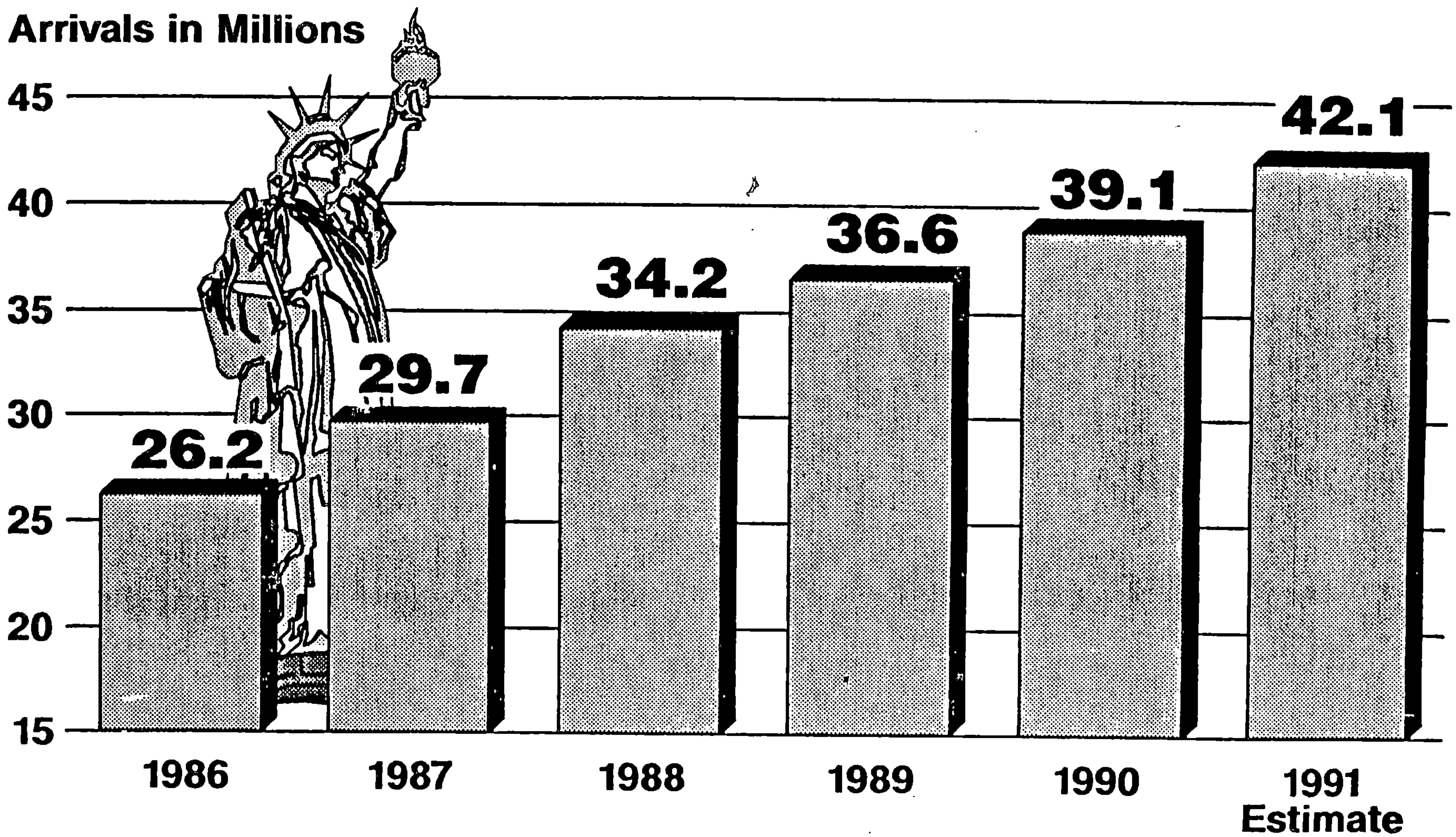
G	26	22	5	7

1992 OUTLOOK
REVISED

INTERNATIONAL TRAVEL TO AND FROM THE UNITED STATES

UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
February, 1992

TOTAL INTERNATIONAL TRAVEL TO U.S. UP 61% IN LAST 5 YEARS



Source: U.S. Travel and Tourism Administration
"Recap of International Travel To and From U.S. 1986-1990"

February 1992

MAJOR EVENTS AFFECTING TOURISM IN 1991

- Middle East Crisis/War
- Fluctuating Fuel Prices
- Lower Air Fares / Airline Bankruptcies
- Slow U.S. Economy
- Chapter II Filing and Disappearance of Major Airline(s)

PAN AM
EASTERN
MIDWAY

BK but still flying:
TWA
Continental

Source: U.S. Travel and Tourism Administration

February 1992

INTERNATIONAL VISITOR ARRIVALS
1991 ESTIMATES

Origin	1991 (000)		% Change 1991/1990	% Change 1991/1986	
Canada	18,954		10%	73%	
Mexico	7,032		4%	11%	
Overseas	16,128		7%	82%	
Europe	7,367		11%	98%	#1
Asia/Mid. East	4,854	11.5%	3%	89%	#2
So. America	1,613		22%	71%	
Caribbean	1,076		-5%	36%	
Oceania	637		-4%	69%	
Central America	444		8%	43%	
Africa	137		0%	-6%	
Total All Countries	42,114		8%	61%	

Source: U.S. Travel and Tourism Administration

February 1992

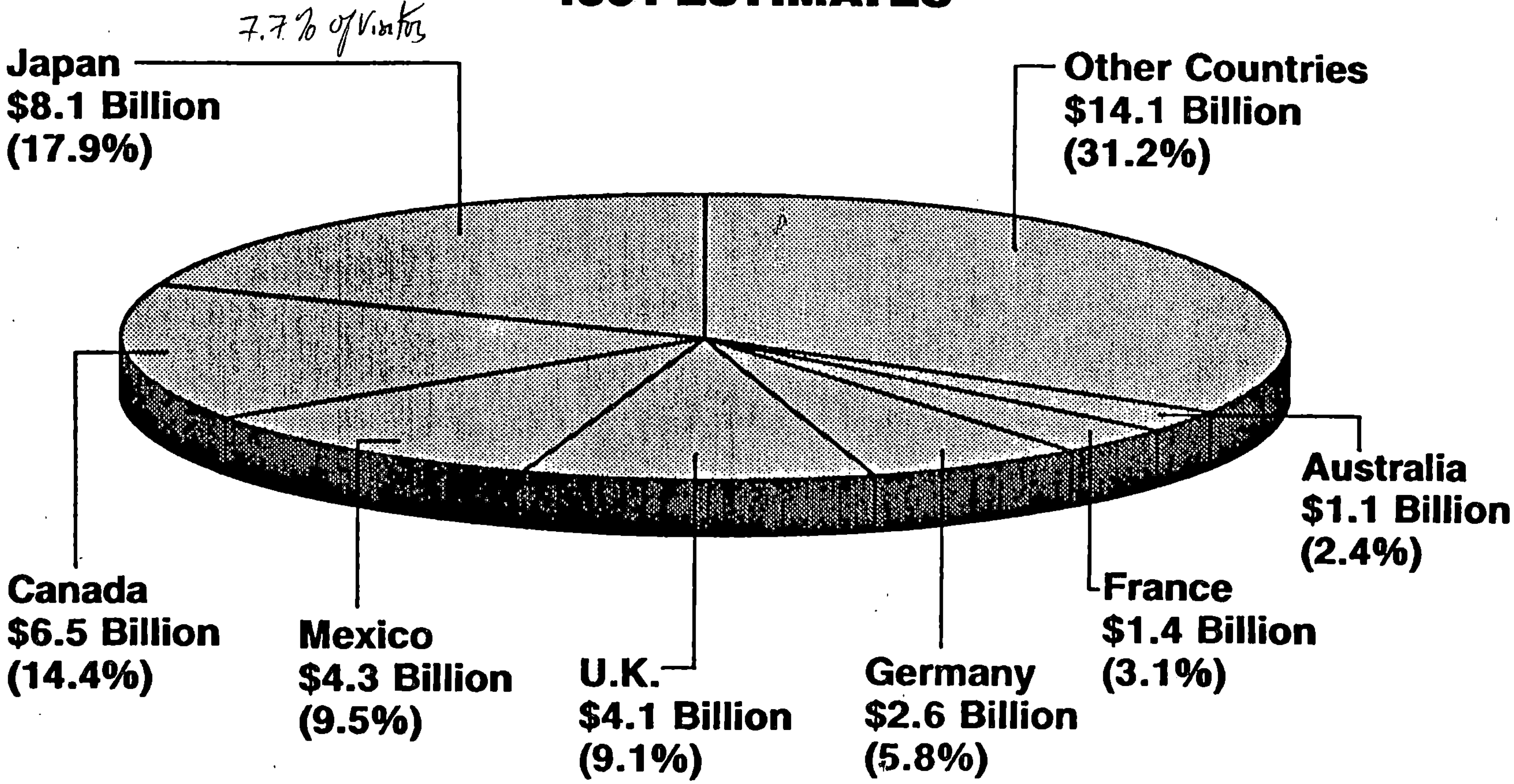
INTERNATIONAL VISITOR ARRIVALS FOR KEY MARKETS
1991 ESTIMATES

Origin	1991 (000)	% Change 1991/1990	% Change 1991/1986
Japan #3 Canada Mexico	3,251 {67% of Asia/Mid East 7.7% of Total	1% Persian Gulf War	93% volume
U.K.	2,480	11%	119%
Germany	1,429	19%	113%
France	781	9%	78%
Brazil	483	21%	87%
Italy	479	21%	79%
Australia	467	0%	89%
Netherlands	319	12%	96%
Venezuela	311	18%	132%

Source: U.S. Travel and Tourism Administration

February 1992

SOURCES OF U.S. INTERNATIONAL TRAVEL RECEIPTS
1991 ESTIMATES



Total: $45.2 Billion
(Excluding Int'l. Payments to U.S. Carriers)

Source: U.S. Travel and Tourism Administration

February 1992

ESTIMATES AND PROJECTIONS OF FOREIGN VISITOR ARRIVALS FOR 1992 AND 1993

Origin	1992 (000)	% Change 92/91	1993 (000)	% Change 93/92
Overseas	17,130	+6	18,180	+6
Europe	7,868	+7	8,364	+6
Asia/Mid. East	5,078	+5	5,310	+5
South America	1,838	+14	2,079	+13
Caribbean	1,090	+1	1,122	+3
Oceania	647	+2	671	+4
Central America	465	+5	486	+5
Africa	143	+4	147	+3

Source: U.S. Travel and Tourism Administration

February 1992

L/C-07-0003

ESTIMATES AND PROJECTIONS OF FOREIGN VISITOR ARRIVALS FOR KEY MARKETS

1992 AND 1993

	Origin	1992 (000)	% Change 92/91	1993 (000)	% Change 93/92	
1	Japan	3,319	+2	3,396	+2	— FLAT
2	U.K.	2,641	+7	2,781	+5	
3	Germany	1,539	+8	1,651	+7	
4	France	842	+8	894	+6	
5	Italy	534	+11	590	+11	
6	Brazil	555	+15	638	+15	
7	Australia	472	+1	490	+4	
8	South Korea	360	+28	433	+20	
9	Venezuela	354	+14	403	+14	
10	Netherlands	341	+7	361	+6	

Source: U.S. Travel and Tourism Administration

February 1992

UC-07-0004

U.S. Department of Commerce

United States Travel and Tourism Administration

Review of the Market

Japan

A. Size of the Market

Arrivals:	1989	actual:	3,080,396	+21%
	1990	actual:	3,231,495	+ 5%
	1991	estimate:	3,250,900	+ 1%
	1992	forecast:	3,319,000	+ 2%
	1993	forecast:	3,396,000	+ 2%
Receipts:	1989	actual:	$7,053 million	+36%
	1990	actual:	$7,694 million	+ 9%
	1991	estimate:	$8,056 million	+ 5%
	1992	forecast:	$8,427 million	+ 5%
	1993	forecast:	$8,890 million	+ 6%

$2478

U.S. Department of Commerce

United States Travel and Tourism Administration

Review of the Market

Japan

A. Size of the Market

Arrivals:	1989	actual:	3,080,396	+21%
	1990	actual:	3,231,495	+ 5%
	1991	estimate:	3,250,900	+ 1%
	1992	forecast:	3,319,000	+ 2%
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	1991	estimate:	$8,056 million	+ 5%
	1992	forecast:	$8,427 million	+ 5%
	1993	forecast:	$8,890 million	+ 6%

2478
106

B. U.S. Market Share/Competitive Environment

1. Market Share, Rank and Competition[1]

o Top five (country) destinations (1989):

Overall			Long-Haul		
1.	United States	32%	1.	United States	44%
2.	South Korea	14%	2.	Hong Kong	17%
3.	Hong Kong	12%	3.	Singapore	12%
4.	Taiwan	10%	4.	France	9%
5.	Singapore	9%	5.	United Kingdom	7%

1 Japan National Tourist Office 1990; long-haul travel excludes China, South Korea, and Taiwan

In 1990, Japanese spending in the United States accounted for 31 percent of their total international travel expenditures, excluding transportation[2].

2. Trends in Arrivals and Share

The United States market share of the total outbound Japanese travel market has remained around 30-31 percent throughout the 1980's and into the early 1990's. The United States has also enjoyed a large share of the Japanese long-haul market. In 1985, it was 46 percent, and then in 1986 and 1987 it increased slightly to 47 percent, where it peaked. In 1988, the USA's market share of the long-haul traffic dropped to 44 percent. In 1989, it remained at 44 percent of all long-haul travel. This is due to the tremendous growth in other long-haul destination, such as Hong Kong, Singapore, and Europe. The loss of long-haul share is an indication of increasing competition in the Japanese market.

The story of Japanese visitation to the U.S. is one of almost continual increase, yet in the early 1990's the growth rate will slow dramatically from the double digit growth of the 1980's. The Gulf War in 1991 deeply influenced the growth in arrivals to the U.S., with the Japanese showing their respect for the U.S.' involvement by not visiting the country. A very modest recovery is expected in 1992. Still, Japan is the number one overseas market in terms of volume.

C. Visitor Profile[3]

1. Current Profile:

The average Japanese traveler to the U.S. in 1990 was a male, on a vacation/holiday, spending an average of nearly 13 nights in the country, and is nearly as likely to travel with a spouse as he is to travel alone. Well over one-third of these visitors were making their first trip to the United States. However, the average number of trips in a lifetime to the U.S. was over 6. The average household income of the Japanese traveler was $64,000 a year. The Japanese traveler is heavily dependent upon the travel agent as a source of information, and over 82 percent use the travel

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[2] From the Bureau of Economic Analysis and the International Monetary Fund, "Balance of Payment Statistics", 1991

[3] USTTA In-Flight Surveys, 1984 and 1990

agent to book their air trip. Over half (51 percent) made their trip to the U.S. on a package, a rate bested by only the New Zealand traveler.

The top states visited in 1990 were: Hawaii, California, Guam, New York, and Nevada. On average, they spend $1,352 per visitor while in the United States, or $106 per day.

2. Changes in the Visitor Characteristics (1984 - 1990)

Over the six year period, 1984 - 1990, there have been several significant changes in the travel behavior of the Japanese market to the United States. About 60 percent of Japanese travelers to the U.S. are here for a vacation/holiday, which is up 3 percentage points. Thirty seven percent of these travelers were on their first international trip, compared to 30 percent in 1984. Of these travelers over 51 percent used a package, which has dropped from 64 percent. The number of nights spent in the country in 1990 was 12.7, practically identical to the 1984 level of 12.6 nights. The use of different types of transportation within the U.S. overall has remained quite steady. Roughly half use an airline to travel within the USA. However, over 40 percent are currently using intercity buses, up 5 percentage points from 1984.

However, the number of states visited is decreasing. In 1990, exactly 70 percent of the Japanese visited only one state, compared to 59 percent in 1984. This change is reflected in the destination patterns for the Japanese. In 1984 and 1990, Hawaii was the top destination visited by Japanese travelers. In 1990, Hawaii had a 44.5 percent share and in 1984 its share was 50 percent, exactly. California is second in 1984 and 1990, but it too lost market share, dropping to 31.9 percent from the 1984 level of 37.1 percent. Guam, New York, and Nevada round out the top five destinations and only Guam has seen an increase in its market share of the Japanese traveler. While there has been lost market share for these states, all have seen increases in the numbers of Japanese travelers visiting their state. This is because between 1984 and 1990, the number of Japanese visiting the country has increased by 128 percent to 3,231,495 from 1,415,000, and the increase in numbers of travelers more than compensates for the lost market share.

Finally, total expenditures by Japanese in the U.S. reached $1,352 per visitor, or $106 per visitor per day, in 1990. This is up 33 percent and 23 percent, respectively, from the 1984 totals of $1,013 and $86.

D. Current Market Intelligence

Added by Field Office

E. Regional Interest[4]

In certain cases it is possible to promote Japanese inbound travel to specific tourism regions within the United States. The tourism regions are self motivated groupings of states than band together to best reach the international visitor. They conduct cooperative marketing activities, and this provide an excellent way to describe the Japanese travel interest to particular parts of the country. Yet, with the Japanese market, we must also look at a few individual states that do not belong to a tourism region.

In terms of interest, the Japanese traveler currently has an interest in three of the travel regions. They are **Visit U.S. West**, 86.4 percent; **Travel South**, 25.2 percent; and **Foremost West**, 22.2 percent. None of the other five regions received an interest level of 11 percent.

The Japanese traveler in the **Visit U.S. West** is here to see the outstanding scenery, take advantage of the good shopping and local cuisine, and participate in the sports and entertainment activities.

The visitor to **Travel South** is similar to the traveler interested in the West. Their interests center upon nightlife and entertainment, golf and tennis, live theater/concerts, and water sports. They are more budget and safety conscience than the traveler to the West.

The Japanese traveler interested in the **Foremost West** region is very different than the visitor to the other two regions. The main interest of travelers to this region are historic and archeological sites and cities, mountainous areas/wilderness, national parks and forests. the unique different native cultures of the region, and the local crafts and handiwork available from the region.

Finally, an unique analysis available from this region program is to be able to spot areas of interest the traveler is not visiting. Below is a table that illustrates this point and shows a few state markets that have a great potential for attracting

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4 Pleasure Travel Market to North America: Japan, 1989

the Japanese traveler to their area.

State	Top Three Places Interested in Traveling	Places Been to in the Past Three Years
California	72%	32%
New York	56%	16%
Hawaii	26%	67%
Florida	20%	4%
Arizona	16%	4%
Nevada	10%	7%
Washington DC	10%	7%
Washington	5%	3%
Colorado	5%	1%

As you can see from the table, California, New York, Florida, Arizona, and Colorado have the highest untapped potential for attracting Japanese travelers to their state.

F. Economic Outlook[5]

The Japanese economy will show good growth in 1993, compared to the 1992 level. Real Gross National Product will increase by 4.8 percent. Inflation will remain low, at 2.9 percent. This rate, while low, has fluctuated from 3.7 percent in 1991 down to 2.2 percent in 1992 and then up slightly for 1993.

Unemployment, by Japanese standards, will be moderate by Japanese standards, 2.2 percent, a very stable rate for the first three years of the 1990s.

The currency situation with Japan will be more favorable for the Japanese. The relationship of the yen to the U.S. dollar will drop slightly from the 1992 level

5 The WEFA Group, January 1992

of 142:1, to 136:1. This 4 percent drop in the exchange rate makes a trip to the United States somewhat more affordable.

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

South Korea

A. Size of the Market

Arrivals:	1989	actual:	149,323	+62%
	1990	actual:	211,260	+41%
	1991	estimate:	282,200	+34%
	1992	forecast:	360,000	+28%
	1993	forecast:	433,000	+20%
Receipts:	1989	actual:	$273 million	+85%
	1990	estimate:	$402 million	+47%
	1991	estimate:	$554 million	+38%
	1992	forecast:	$721 million	+30%
	1993	forecast:	$889 million	+23%

$ 1963

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

South Korea

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Arrivals:	1989	actual:	149,323	+62%
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	1993	forecast:	$889 million	+23%

1963

B. U.S. Market Share/ Competitive Environment

The general trend in travel to the U.S. from South Korea is an exciting one of tremendous double digit growth. The increase from one year to the next, however, can be rather erratic. The story of growth in the 1980's has been one of two steps forward and one back. However, beginning in 1989, with the removal of barriers to external travel, the market from South Korea showed explosive growth. This catapulted South Korea into the top twenty markets, and into 17th place in both 1990 and 1991. In 1993, arrivals from this country are expected to reach 435, 000. A PATA study showed that the potential market from South Korea would triple by 1991. USTTA anticipates very strong growth, above or close to 20 percent through the mid-1990's.

C. Visitor Profile[1]

The In-Flight Survey breaks out South Korea from Other Far East for the first time in 1990. The average traveler from South Korea to the United States is almost exclusively male, at 77 percent. This is of the highest rates of male travelers among all overseas countries studied; only the People's Republic of China has a higher rate of male travelers. In keeping with this phenomenon, he is more likely to be traveling alone than with a spouse or family. The South Korean is also one of the few overseas travelers who is more likely to travel for business (49 percent) than for any other purpose, bested again by travelers from the People's Republic of China. About 30 percent of these travelers use package trips to the U.S.

This traveler spends around 24 nights in the U.S. This traveler has an annual household income of just under $47,000 per year, some 20 percent lower than the typical overseas visitor and significantly lower than his fellow Far East travelers. Besides receiving most pre-trip information through a travel agent, he books through them as well.

The South Korean travels to many states, with 68 percent visiting two or more states. The favored destination at 50 percent is California, followed in popularity by New York at 37 percent. Lumped together at the 15 to 20 percent level are Hawaii, Florida, Illinois, and Washington, DC.

D. Market Intelligence

To be added by Field Office

E. Regional Interest[2]

In certain cases, it is possible to promote South Korean inbound travel to specific tourism regions within the United States. The tourism regions are self motivated groupings of states than band together to best reach the international visitor. They conduct cooperative marketing activities, and this provide an excellent way to describe the South Korean travel interest to particular parts of the country. Yet, with the South Korean market, we must also look at a few individual states

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1 USTTA In-Flight Survey of International Air Travel to the U.S., 1990

2 Pleasure Markets to North America: South Korea, 1991

that do not belong to a tourism region.

In terms of interest, the South Korean traveler currently has an interest in four of the travel regions. They are **Visit U.S. West**, 82 percent; **Foremost West**, **Travel South**, 25 percent; and **George Washington Country** at 18 percent. None of the other regions received an interest level of more than 11 percent.

In all cases, the prevalent travel philosophy for each region was an attitude that encompasses such notions as it's worth paying more for luxuries, would just as soon spend money on other things as on travel, like to stay in one spot, like to return to familiar places, and feel that travel arrangements are such a bother that, in many cases, they would rather stay at home.

The same trend follows with travel benefit or motivation, with a preference for watching and participating in sports, indulging in luxury, and visiting places that their family came from so that they can talk about the trip once they return home dominating in all four tourism regions.

Not surprisingly, the South Korean seeks products related to gambling, skiing, water sports, nightlife, golf and tennis for all four regions.

The South Korean traveler in the **Visit U.S. West** is here to see beaches, scenic places, and are quite interested in outdoors. Since this region contains California, the number one destination of interest to the South Korean traveler, as well as Arizona, Nevada and Washington, all of strong interest, travel to the region should continue strongly in 1993.

The South Korean traveler interested in the **Foremost West** region is looking for nature, scenery, history and outdoor activities, like skiing. Cultures different from their own are also a big attraction to these travelers and Arizona and Colorado (at 6 percent), two destinations of interest to the South Korean traveler, have an abundance of all these attributes including numerous Indian cultures.

The visitor to **Travel South** is heading for Florida, the beach, and warm, sunny weather. A large number are seeking luxury vacations, either in a package with no details to fuss with, or sitting quietly by the beach, doing nothing.

George Washington Country's big draw is Washington, DC with its museums and art galleries, festivals and special events, and big, modern cities. These are package travelers who prefer a guided tour.

Finally, an unique analysis available from this region program is to be able to spot areas of interest the traveler is not visiting. Below is a table that illustrates this point and shows a few state markets that have a great potential for attracting the South Korean traveler.

State	Top Three Places Interested in Traveling	Places Been to in the Past Three Years
California	61%	63%
New York	51%	54%
Hawaii	37%	24%
Arizona	23%	22%
Florida	20%	12%
Washington, DC	13%	19%
Nevada	9%	14%
Texas	8%	12%

Hawaii, and Florida have the highest untapped potential for attracting South Korean travelers to their state. A few states show more visitation than interest and may be want to consider other marketing tactics. These include California, New York, Washington, DC, Nevada and Texas.

E. Economic Outlook[3]

The South Korea economy will grow at a very good clip in 1993, despite a declining growth rate when compared to 1991. Real Gross Domestic Product will increase by 7.5 percent, a rate some 1.4 percentage points lower than the rate of increase in 1991. Nonetheless, this is the second highest rate of any of USTTA's 27 markets, following Taiwan. Inflation will drop nearly three percentage points over the same period, to 6.5 percent. Unemployment is nearly non-existent in South Korea, hovering below 3 percent for the 1990's, with the 1993 rate being 2.3 percent.

[3] The WEFA Group, January 1992

The South Korean won will appreciate very slightly against the U.S. dollar in 1993. It will take 1.6 percent fewer won to buy one U.S. dollar. This will have a positive impact on travel to the U.S. in 1993, and the dollar is anticipated to depreciate against the won for the remainder of the 1990's, adding more fuel to the fire to travel to the U.S. The pent up demand for travel to the U.S. will remain high, thus, keeping growth strong.

U.S. Department of Commerce

United States Travel and Tourism Administration

Review of the Market

Taiwan

A. Size of the Market

Arrivals:	1989	actual:	157,565[1]	-14%
	1990	actual:	239,345	+55%
	1991	estimate:	267,500	+12%
	1992	forecast:	302,000	+13%
	1993	forecast:	339,000	+12%
Receipts:	1989	actual:	$289 million[2]	- 2%
	1990	estimate:	$366 million	+27%
	1991	estimate:	$424 million	+16%
	1992	forecast:	$490 million	+16%
	1993	forecast:	$566 million	+16%

July 89

1585

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

Taiwan

A. Size of the Market

Arrivals:	1989	actual:	157,565[1]	-14%
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	1990	estimate:	$366 million	+27%
	1991	estimate:	$424 million	+16%
	1992	forecast:	$490 million	+16%
	1993	forecast:	$566 million	+16%

1585
$72/day

B. U.S. Market Share/ Competitive Environment

From 1981 to 1989, there had been nothing but increases from this market. It had grown almost 200% by 1989. Despite the dip in 1989 which may be due to use of another data source, growth continues in the double-digit range through the mid-1990's. A recent PATA study shows that the potential outbound pleasure market should come close to doubling by 1991. This will provide a much larger pie from which the U.S. can garnish a much larger slice.

1 Based on data from Tourism Bureau, Ministry of Communications, Republic of China

2 Based on trip expenditures within the U.S.; from the In-Flight Survey, Foreign Visitors to the U.S., 1989 and 1990

C. Visitor Profile[3]

The In-Flight Survey breaks out the Republic of China (Taiwan) from Other Far East for the first time in 1990. The average traveler from Taiwan to the United States is male, on vacation, and is more likely to be traveling alone than with a spouse or family. The Taiwanese have a fairly high ratio of package use to the U.S., at 40 percent. It follows, then, that 34 percent of arrivals from this country in 1990 were first time visitors.

This traveler spends around 21 nights in the U.S. and has an annual household income of $55,000 per year, some 5 percent lower than the typical overseas visitor and also slightly lower than his fellow Far East travelers. Besides receiving most pre-trip information through a travel agent, he books through them as well.

This traveler spends $1,531 in the U.S. or $72 per visitor per day.

The Taiwanese travel to many states, with 60 percent visiting two or more states. The far and away favorite destination at 69 percent is California, followed in popularity by Hawaii at 39 percent. Nevada makes a strong showing in third place with over 24 percent of the Taiwanese market to the U.S., with Washington, DC trailing at just under 8 percent.

D. Economic Outlook[4]

The Taiwan economy will grow at a very good clip in 1993. Real Gross National Product will increase by a whopping 7.9 percent, the highest rates of any of USTTA's 27 markets. The annual inflation will increase slightly to 4.2 percent. Like Singapore, unemployment is virtually unheard of in Taiwan, with the annual rate on the order of less than 2 percent for the last several years. The New Taiwan dollars will appreciate against the U.S. dollar, taking 6 percent fewer Taiwan dollars to buy one U.S. dollar. A trip to the U.S. will be even more attractive, due to the favorable relationship between the currencies.

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3 USTTA In-Flight Survey of International Air Travel to the U.S., 1990

4 The WEFA Group, January 1992

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

Hong Kong

A. Size of the Market

Arrivals:	1989	actual:	143,611	+14%
	1990	actual:	163,457	+14%
	1991	estimate:	179,600	+10%
	1992	forecast:	197,000	+10%
	1993	forecast:	215,000	+ 9%
Receipts:	1989	actual:	$263 million	+31%
	1990	estimate:	$311 million	+18%
	1991	estimate:	$355 million	+14%
	1992	forecast:	$399 million	+12%
	1993	forecast:	$448 million	+12%

$1977

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

Hong Kong

A. Size of the Market

Arrivals:	1989	actual:	143,611	+14%
	1990	actual:	163,457	+14%
	1991	estimate:	179,600	+10%
	1992	forecast:	197,000	+10%
	1993	forecast:	215,000	+ 9%
Receipts:	1989	actual:	$263 million	+31%
	1990	estimate:	$311 million	+18%
	1991	estimate:	$355 million	+14%
	1992	forecast:	$399 million	+12%
	1993	forecast:	$448 million	+12%

1977

B. U.S. Market Share/ Competitive Environment

- Top five (country) destinations (1990):[1]

1. Thailand 19%
2. Taiwan 13%
3. Japan 12%
4. Philippines 7%
5. United States 7%

The history of travel from Hong Kong is one of almost continual increase. With the exception of 1977 and 1985, each year has seen an increasing number of visitors from this small, but prosperous country. The prospects for continued near double digit increases are with us, at least through 1992. Through the early 1990's, increases at the 9 percent level are anticipated annually.

[1] Hong Kong Transit Authority and PATA, June 1991

C. Visitor Profile[2]

The average traveler from Hong Kong to the United States is a male, on vacation, spending around 18 nights in the U.S. and has traveled to the U.S. more than 17 times in his lifetime. He is twice as likely to be traveling alone as traveling with a spouse. He has a household income of nearly $69,000 per year, one of the highest of any of USTTA's markets, second only to the Swiss. Besides receiving most pre-trip information through a travel agent, he books through them as well.

The favored destination is California, with over two-thirds of all Hong Kong travelers visiting the state. This state is followed in popularity by New York and Nevada, where the draw of gambling plays an important role, and Hawaii, at 15 percent.

D. Economic Outlook[3]

The Hong Kong economy will continue to be subject to a number of political situations which may adversely impact foreign investment in that economy. Real Gross Domestic Product will increase by a modest 3.0 percent, in what appears to be a slow-down in the annual increase of GDP. Hong Kong has one of the lowest GDP's of all USTTA's markets, at 58. This is comparable to the Scandinavian countries and some South American countries.

Inflation will moderate somewhat, increasing at a slower rate, 9.8 percent, than in the past two years where double digit increases were noted. Unemployment is very low, at a consistent level of about 2 percent. Because the Hong Kong dollar is tied to the U.S. dollar, the exchange rate will remain the same between the two countries, at $7.8 Hong Kong to one U.S. dollar. As the end of the British occupancy nears, a great deal of uncertainty looms over Hong Kong's future.

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2 USTTA In-Flight Survey of International Air Travelers, 1990

3 The WEFA Group, January 1992

U.S. Department of Commerce
United States Travel and Tourism Administration

Review of the Market

Singapore

A. Size of the Market

Arrivals:	1989	actual:	48,567	+ 8%
	1990	actual:	53,565	+10%
	1991	estimate:	55,800	+ 4%
	1992	forecast:	57,000	+ 3%
	1993	forecast:	59,000	+ 3%
Receipts:	1989	actual:	$ 89 million	+23%
	1990	estimate:	$102 million	+15%
	1991	estimate:	$110 million	+ 8%
	1992	forecast:	$116 million	+ 5%
	1993	forecast:	$123 million	+ 6%

$1,971

U.S. Department of Commerce

United States Travel and Tourism Administration

Review of the Market

Singapore

A. Size of the Market

Arrivals:	1989	actual:	48,567	+ 8%	
	1990	actual:	53,565	+10%	
	1991	estimate:	55,800	+ 4%	
	1992	forecast:	57,000	+ 3%	
	1993	forecast:	59,000	+ 3%	
Receipts:	1989	actual:	$ 89 million	+23%	
	1990	estimate:	$102 million	+15%	
	1991	estimate:	$110 million	+ 8%	1971
	1992	forecast:	$116 million	+ 5%	
	1993	forecast:	$123 million	+ 6%	

B. U.S. Market Share/ Competitive Environment

The history of travel from Singapore is one of good growth. However, from 1982 through 1986 there was a stagnation when the numbers held to the mid-30,000's. This changed in 1987, when there was a sharp increase. Every since then Singapore has been a source of steady moderate growth. In 1990, arrivals topped the 50,000 mark. The trend for moderate growth looks to continue at least through the mid-1990's.

C. Economic Outlook[1]

The Singapore economy will grow at a very good clip in 1993, despite a declining in growth from the previous year. Real Gross Domestic Product will be 5.6 percent, one percentage point lower than 1992.

---

1 The WEFA Group, January 1992

Inflation will remain quite low, around 3.3 percent and is anticipated to remain around 3.5 percent through the 1990's. The U.S. dollar and the Singapore dollar will trade at the same rate through 1993, making a U.S. vacation an attractive option with no surprises in the exchange rate.

Employment Generated by International Visitor Expenditures

Total US

3/4 of Billion Jobs

One of the most important benefits of international visitor spending is the employment it supports. International visitor spending generated a total of 738,400 jobs in the U.S. during 1989. On average, each $46,630 in visitor spending directly supported one job. Table 12 provides the visitor generated employment estimates for the states by industry sectors.

International visitor spending generated the most jobs in the Lodging and Food Service sectors. Together, these two sectors accounted for two-thirds of the total employment generated from international visitor spending. This is partly attributable to the high level of expenditures in these two categories. It is also partly attributable to the high labor intensiveness of these two industries versus industries like Public Transportation which is more capital-intensive.

Overall, international visitor spending in California generated the most jobs (156,700). Florida was second with 114,600 jobs, and New York was third with almost 80,000.

Lodging in California generated the most jobs with 55,700, followed closely by Food Service with 50,600. Florida's Food Service sector was the third largest employer with 40,300 jobs, and Florida's Lodging sector ranked fourth with 35,000 jobs. New York's Lodging ranked fifth and Food Service was sixth with 27,800 jobs and 25,900 jobs, respectively.

California 160,000 Jobs

Florida 115,000

N.Y 80.000

Table 12: 1989 Employment Generated by International Visitor Expenditures in the U.S. by States (in thousands)

State	Public Transport	Auto Transport	Lodging	Food Service	Entertainment & Recreation	Incidentals/ Retail	Total
Alabama	0.1	0.0	0.7	0.6	0.2	0.3	2.0
Alaska	**	**	**	**	**	**	**
Arizona	0.8	0.2	4.4	4.5	1.5	2.2	13.6
Arkansas	**	**	**	**	**	**	**
California	10.3	0.7	55.7	50.6	15.1	24.3	156.7 21.2% of total US.
Colorado	1.3	0.0	3.9	3.5	1.3	1.4	11.4
Connecticut	0.1	0.0	1.4	1.1	0.4	0.5	3.5
Delaware	0.0	0.0	0.3	0.3	0.1	0.1	0.8
Florida	8.8	1.2	35.0	40.3	13.3	16.0	114.6
Georgia	1.7	0.0	3.7	3.4	0.8	1.4	11.0
Hawaii	2.5	0.4	13.2	16.1	11.5	9.3	53.0
Idaho	**	**	**	**	**	**	**
Illinois	2.1	0.1	9.6	8.1	2.4	3.8	26.1
Indiana	0.4	0.0	2.7	2.0	0.8	0.6	6.4
Iowa	**	**	**	**	**	**	**
Kansas	**	**	**	**	**	**	**
Kentucky	0.4	0.0	1.3	1.1	0.5	0.3	3.7
Louisiana	0.8	0.0	3.2	3.0	0.9	1.1	9.1
Maine	0.1	0.1	1.6	2.1	0.6	0.4	4.8
Maryland	0.1	0.0	0.5	0.6	0.2	0.3	1.7
Massachusetts	0.7	0.1	6.9	6.8	2.0	2.6	19.0

** State excluded due to inadequate sample size
Source: U.S. Travel Data Center, U.S. Travel and Tourism Administration

ECONOMIC IMPACT OF INTERNATIONAL VISITOR EXPENDITURES IN THE U.S.

International visitors traveling in the U.S. during 1989 purchased goods and services from retail and service establishments throughout the nation. Retail and service establishments in turn employed workers to produce and deliver these goods and services. These businesses also pay federal, state, and local taxes for the sales and income generated from international visitors.

Payroll Income Generated by International Visitor Expenditures

35 Billion

International visitor expenditures totaled $34.4 billion and generated approximately $8.9 billion in payroll or wage and salary income for United States employees during 1989. On average, every dollar of international visitor expenditures generated about 26 cents in payroll income. Table 11 demonstrates the distribution of this income by state and by industry sector.

9 Billion Payroll

The Lodging sector accounted for over $2.6 billion and captured almost 30 percent of all visitor generated payroll income in 1989. Food Service followed with almost $2.0 billion and about 22 percent. Public Transportation generated payroll income was $1.5 billion, followed closely Incidentals/Retail items ($1.5 billion) and Entertainment & Recreation ($1.2 billion).

As shown by Table 11, California, Florida and New York were the top three states in payroll income generated by international visitor expenditures. In terms of state shares, California had more payroll by a large margin than any other state, accounting for 22.5 percent of the total with over $2 billion. Florida was second with 15 percent, or almost $1.4 billion, while New York showed about 13 percent, or nearly $1.2 billion.

The distribution of the payroll among sectors was similar for most states. For the top three states with higher payroll income, Lodging accounted for the largest share, while Food Service ranked second, followed by Public Transportation and Incidentals/Retail items.

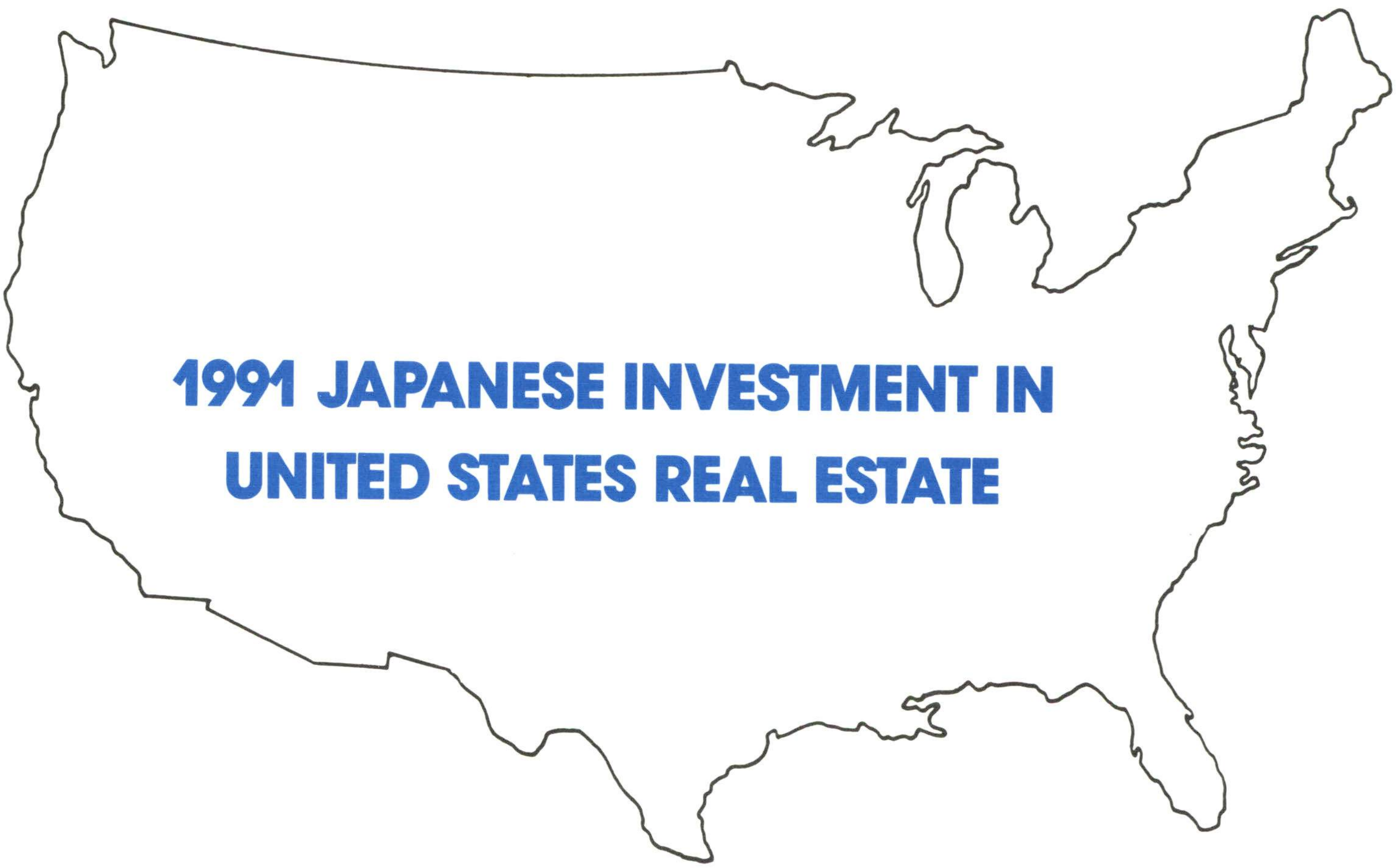
Calif 22.5% 2 Billion
Florida 15% 1.4 Billion
N.Y 13% 1.2 Billion

Table 11: 1989 Payroll Generated by International Visitor Expenditures in the U.S. by State ($ millions)

State	Public Transport	Auto Transport	Lodging	Food Service	Entertainment & Recreation	Incidentals/ Retail	Total
Alabama	$ 2.0	$ 0.1	$ 5.7	$ 4.5	$ 1.7	$ 3.5	17.5
Alaska	**	**	**	**	**	**	**
Arizona	17.4	2.7	38.4	32.2	15.7	26.8	133.2
Arkansas	**	**	**	**	**	**	**
California	348.6	13.7	598.0	426.1	292.8	331.6	2,010.8
Colorado	41.7	0.5	35.1	25.4	17.6	15.2	135.6
Connecticut	2.7	0.3	16.3	10.5	5.5	6.5	41.9
Delaware	0.3	0.0	3.3	2.0	0.8	1.1	7.5
Florida	272.2	19.1	355.2	330.2	190.9	190.4	1,357.9
Georgia	67.4	0.5	34.0	25.8	10.9	16.6	155.2
Hawaii	65.4	7.5	198.9	146.1	142.1	120.7	680.6
Idaho	**	**	**	**	**	**	**
Illinois	74.2	1.2	102.6	62.4	31.6	50.2	322.1
Indiana	7.7	0.1	19.7	12.9	7.9	6.4	54.7
Iowa	**	**	**	**	**	**	**
Kansas	**	**	**	**	**	**	**
Kentucky	9.3	0.3	9.4	7.8	5.1	3.2	35.1
Louisiana	22.0	0.5	31.7	22.1	10.4	12.4	99.0
Maine	**	**	**	**	**	**	**
Maryland	2.0	0.2	4.7	5.4	3.1	3.3	18.8
Massachusetts	23.8	1.6	79.3	60.2	30.7	33.1	228.7

22.5% of total U.S.

** State excluded due to inadequate sample size
Source: U.S. Travel Data Center, U.S. Travel and Tourism Administration



1991 JAPANESE INVESTMENT IN UNITED STATES REAL ESTATE

A Study by

KENNETH LEVENTHAL & COMPANY

Certified Public Accountants

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An International Association

1991 JAPANESE INVESTMENT IN UNITED STATES REAL ESTATE

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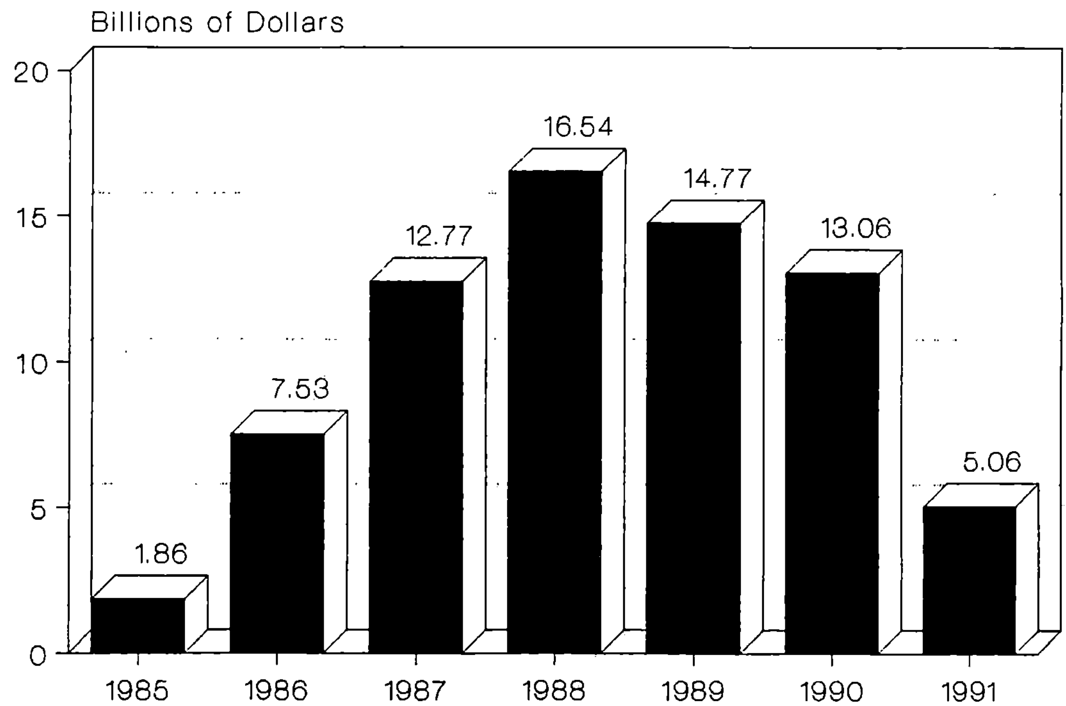
INTRODUCTION

Japanese investment in United States real estate in 1991 totaled $5.06 billion, the lowest level since 1985 when Kenneth Leventhal & Company (KL&Co.) began tracking such investment (Exhibit 1). The 1991 total investment amount exhibited a dramatic 61 percent decline from the 1990 investment amount of $13.06 billion. This precipitous decrease needs to be reviewed in the context of various national and international events affecting investment in U.S. real estate by the Japanese.

EXHIBIT 1

JAPANESE INVESTMENT IN U.S. REAL ESTATE



Source: Kenneth Leventhal & Company

Commercial real estate in the United States is substantially oversupplied, with resulting declines in property values and return on investment. Rent concessions translate into reduced cash flows. Nineteen ninety-one was a year of economic recession in the United States and a period of substantial economic decline in Japan. The Gulf War and global economic decline resulted in a year of international investment uncertainty and indecision.

In April of 1990, the Japanese Ministry of Finance imposed real estate lending restrictions on Japan's financial institutions which have only recently been eased. Japan's banks are still in the process of complying with the Bank of International Settlements' capital-adequacy rule (8 percent of their risk-adjusted assets by March 31, 1993). The Japanese stock market, a major source of investment capital in recent years, continued to experience an overall decline. The so-called Japanese bubble economy of the late 1980s seems to have burst. In addition, there was increased trade friction between the United States and Japan.

Japanese investment in the United States peaked in 1988 and is not expected to return to that year's levels in the near future because of an overhaul in Japan's financial system. A restrictive monetary policy, higher bank capital requirements, a declining stock market, the banking industry's low profit margins, and declining land prices have changed the profile of the Japanese financial system. These changes are restructuring the Japanese financial system into one that focuses more on profits than on growth, places a greater priority on domestic lending and forces Japan's financial institutions to compete on a more level playing field with the world's banks.

The emerging Japanese financial industry will see a number of mergers that will contract the once-plentiful supply of low-cost financing to the world's capital markets. The contraction of credit in Japan is being felt around the world. This is particularly evidenced by the dramatic decline of Japanese investment in U.S. real estate in 1991. Long-term capital outflow from Japan fell in 1990 to $44 billion from a high of $130 billion in 1988. For the first six months of 1991, there was a net inflow of long-term capital amounting to $4 billion, the first net inflow of capital into Japan in 11 years.

The surge in Japanese investment worldwide that capped the 1980s was led by the inexpensive cost of capital in Japan and the eagerness of Japanese banks to expand market share. The prevalence of liquidity resulted in higher asset values of Japanese property and financial instruments, which investors borrowed against to acquire vast quantities of real estate (particularly in the United States), as well as artworks, entire companies, and stocks and bonds. However, the higher interest rates and the resulting crash of the Japanese stock market caused the value of stocks to plunge, consequently shrinking the Japanese banks' capital base. Japan's banks are now being forced to raise capital at higher funding costs at the same time as they are being asked to set aside higher capital reserves in accordance with new international bank standards. The outlook for real estate loans is not favorable since mortgage and construction loans require additional capital reserves.

However, in spite of all these factors as well as other related matters, total Japanese investment in the United States in 1991 increased (albeit at a modest 7 percent) to $75.78 billion. The Japanese continue to be a significant force in U.S. real estate, with investments in at least 36 states and 75 metropolitan areas. Last year's Japanese investment is reflective of a different set of circumstances than those that triggered the $16.54 billion investment in 1988. The cyclical aspect of Japanese investment in U.S. real estate is becoming more apparent during its relatively short time horizon.

The single largest acquisition of a U.S. company by the Japanese occurred in 1991. The purchase of MCA Inc. by Matsushita, the giant Japanese electronics conglomerate, has been estimated at approximately $6.3 billion. KL&Co.'s Japanese Data Base does not track acquisitions of U.S. companies per se, but rather U.S. real estate transactions. However, a significant portion of the MCA-Matsushita purchase was real estate oriented, including office buildings, hotels, retail and land held for development. The amount of the total transaction that was real estate oriented was approximately $622 million. This figure does not include the two theme parks involved in the transaction since they were deemed to be primarily non-real estate based.

The MCA acquisition alone accounted for 12 percent of the total 1991 Japanese investment in U.S. real estate. The transaction was finalized on January 3, 1991. We have classified it as mixed-use due to its multiple property types. In terms of our methodology and recording procedures, the MCA-Matsushita transaction is considered a single transaction although the various real estate components are situated in several locations. The investment amounts, however, have been disaggregated into the appropriate geographical locations with all properties being classified under the umbrella of mixed-use. Explanatory comments are included in the report, as warranted, to present a comprehensive picture of 1991 Japanese investment activity.

Overall in 1991, hotel/resort was the leading investment category with 25 percent of total investment, followed by mixed-use and office (both with 19 percent), residential (16 percent) and land (11 percent).

On a cumulative basis, office is still the leading property type with 38 percent of total investment through 1991. Office investment is followed by hotel/resort with 26 percent, mixed-use (11 percent) and residential (11 percent).

The number of transactions declined from 307 in 1990 to 103 in 1991. However, the average transaction amount increased from $42.5 million in 1990 to $49.1 million in 1991. This 16 percent increase is partially attributable to the MCA transaction. The vast majority of the transactions in 1991 (88 percent) were less than $100 million in value.

Hawaii replaced California as the leading investment state in 1991 with 33 percent of total investment versus 19 percent for California. This is a significant turnabout. However, on a cumulative basis through 1991, California leads all states with 33 percent of total investment, with Hawaii in second place (24 percent), followed by New York (16 percent).

Regarding the investment allocation for metropolitan statistical areas (MSAs), New York is again the leading MSA with 17 percent of total investment in 1991, followed by Honolulu (13 percent) and Los Angeles (12 percent). In terms of cumulative MSA investment, the top three, Los Angeles, New York and Honolulu, each remain unchanged from their 1990 rankings.

In terms of investment by investor type, miscellaneous public/private companies and construction and development companies tied for first place, both with 37 percent of total investment. Individual investor/investment companies received 17 percent of total investment and finished in third place.

Full ownership accounted for 68 percent of the dollars invested, a substantial increase over the 1990 results. Joint ventures declined from 43 percent in 1990 to 32 percent in 1991. New construction received 53 percent of total 1991 investment, with existing properties declining 5 percent to 47 percent of total investment.

Observations

Speculation regarding any sizable liquidation of U.S. real estate by the Japanese was unfounded. However, while not numerous, there were more sales than in previous years, and a number of Japanese-owned properties are reportedly for sale. However, the Japanese do not seem to be disenchanted with U.S. real estate. Rather, they are beginning to recognize its cyclical fluctuations as well as its long-term potential. Furthermore, the Japanese realize that U.S. commercial real estate as a whole has become somewhat depressed, not just the properties they purchased. Certain Japanese who have sold or are considering selling their U.S. real estate holdings are doing so for portfolio diversification and/or to offset other investment losses.

The Japanese investors in U.S. real estate are cognizant that some of their properties have declined in value due to diminished cash flows resulting from depressed rents and lower occupancy rates. This has resulted in the classification of a number of real estate loans as nonperforming or in default. Likewise, the Japanese are aware that the increasing number of troubled real estate loans in the United States may push property prices down further. As a result, prudent Japanese investors have sought troubled debt restructuring for selected U.S. real estate holdings. The restructuring vehicle presents a viable alternative to foreclosure and enables both the bank and investor to focus on their long-term investment strategy outside of bankruptcy. This trend is likely to continue as U.S. bank regulators shift attention to Japanese real estate loans in the United States.

The following sections of this report present comprehensive and detailed analyses of Japanese real estate activity for 1991. This year's report should provide members of the real estate profession with valuable insights into existing and future trends.

METHODOLOGY

The annual Kenneth Leventhal & Company study of Japanese investment in U.S. real estate is derived from the firm's Japanese Data Base (JDB.) The JDB records transactions by dollar amount, property type, geographical location, buyer/developer and seller, and other characteristics on an ongoing basis. Data are analyzed to show trends in value of investment, percent contribution, product type, geographical distribution, types of investors, methods of investment, property characteristics and other factors. Contrasts and comparisons are made with prior JDB report findings so that the latest trends are presented.

The types of investments tracked in the JDB are primarily major investments that are "real estate driven," i.e., acquired or developed for investment purposes and oriented toward tenants/guests who pay rent, rather than being functional facilities from which business activities are conducted. Investments in factories and other manufacturing facilities, as well as transactions of which KL&Co. and its contacts are unaware, are not included in the JDB; neither are transactions involving individual, single-family detached residential units acquired by Japanese individuals.

KL&Co.'s Japanese Data Base is considered to be the most comprehensive and authoritative data base tracking Japanese real estate investment available. Our information is collected from a number of sources including Japanese clients and contacts, non-Japanese clients, KL&Co. regional offices and their public relations firms across the country, contacts maintained by KL&Co. personnel, and numerous media representatives. KL&Co. has an extensive tracking network in place. In addition, an extensive literature search is periodically performed by the KL&Co. National Library.

The JDB information is downloaded into a fully automated, computerized model. This electronic processing system gives the JDB a large storage capacity and enables the information to be readily manipulated in a variety of ways. The ability to present data in different sorts and subsets and to array various distributions facilitates and expedites KL&Co.'s analytical procedures.

We consider an investment in real estate to encompass both equity investment in and convertible debt secured by real estate in the United States. Real estate financed by a Japanese financial institution, but in which there is no Japanese equity investment, is not included in the JDB. For transactions that are purchases of existing properties, estimated value is based on the acquisition price. The acquisition price or estimated value is recorded to the extent that the seller does not retain a percentage interest in the property.

With new construction, the estimated value is based primarily upon the costs to complete the project, including the cost of land. The project is subdivided into individual phases whenever possible. Similarly, with joint venture transactions, the Japanese contribution is recorded separately as available. The dollar investment amount placed in the JDB is based upon the total asset value net of any seller-retained or non-Japanese interest.

The JDB provides an indication of the magnitude of the contribution to U.S. Gross Domestic Product made by property acquisitions and build-outs. Through the use of this measurement approach, the effects on the U.S. economy and on particular real estate markets can be evaluated in a quite comprehensive manner.

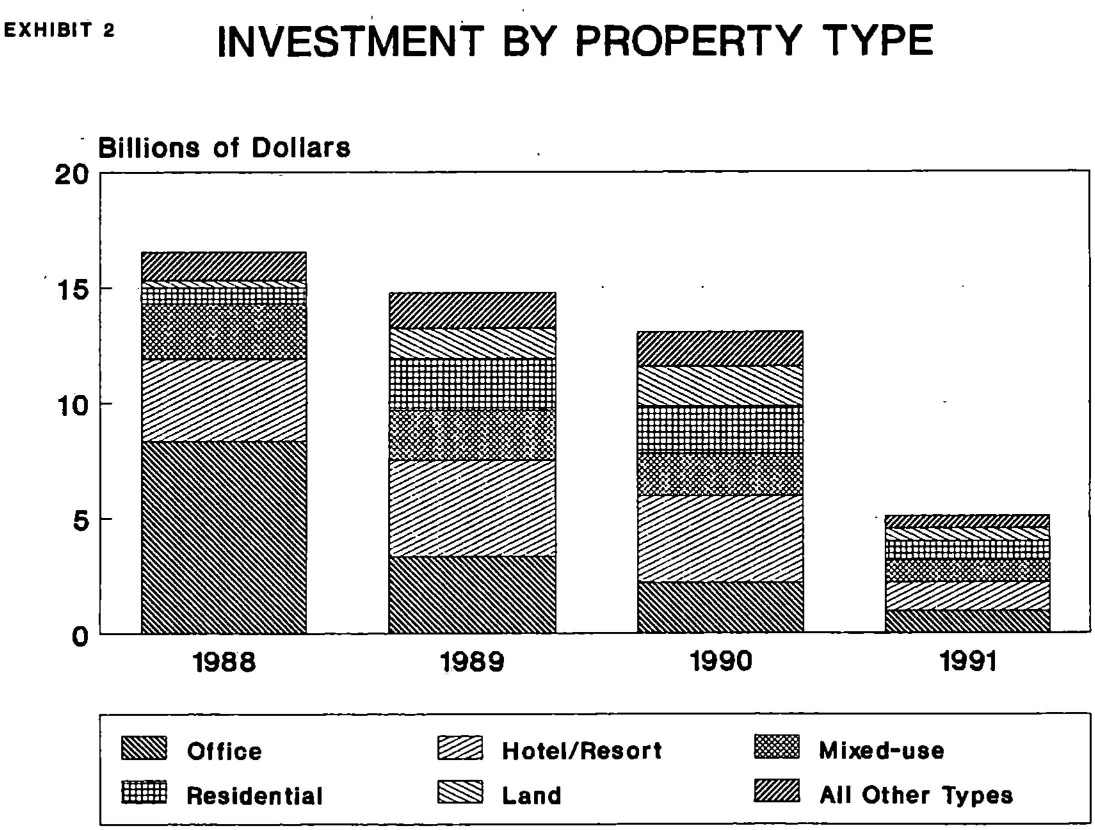
JAPANESE INVESTMENTS

Types of Properties

Exhibits 2 and 3 illustrate Japanese investment by property type over the past three years. Investment in all property types decreased in 1991, and most of these declines were pronounced. The property type experiencing the largest percentage increase was mixed-use; it increased from 14 percent to 19 percent of total investment. This is largely attributable to the MCA-Matsushita transaction. The largest percentage distribution decline occurred with hotel/resort, which decreased from 29 percent to 25 percent. The percentage allocations for other property types were quite similar to the 1990 numbers.

The trends depicted in Exhibits 2 and 3 illustrate that Japanese investment has been declining since 1988 and is becoming more diversified according to product type. Investment in office properties has declined substantially both in absolute and percentage terms. The supply-demand imbalances in the office sector have been well documented. The Japanese preference for hotel/resort properties is apparent: hotel/resort has been the leading investment property type for the last three years. Residential property has also been capturing a steady share of approximately 15 percent of total investment for the past three years, although in diminishing dollar amounts.

EXHIBIT 2



Source: Kenneth Leventhal & Company

EXHIBIT 3

INVESTMENT BY PROPERTY TYPE

Property Type	1988 Dollar Amount (Millions)	1988 Percentage of Total	1989 Dollar Amount (Millions)	1989 Percentage of Total	1990 Dollar Amount (Millions)	1990 Percentage of Total	1991 Dollar Amount (Millions)	1991 Percentage of Total
Hotel/resort	$ 3,577	22%	$ 4,158	28%	$ 3,790	29%	$ 1,258	25%
Mixed-use	2,416	15	2,184	15	1,834	14	963	19
Office	8,310	50	3,331	23	2,163	17	941	19
Residential	702	4	2,216	15	2,056	16	809	16
Land	302	2	1,321	9	1,718	13	581	11
Golf course	202	1	394	3	547	4	325	6
Retail	644	4	350	2	524	4	136	3
Industrial	310	2	305	2	129	1	35	1
Other	81	-	517	4	298	2	12	-
Total	$16,544	100%	$14,775	100%	$13,059	100%	$ 5,060	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

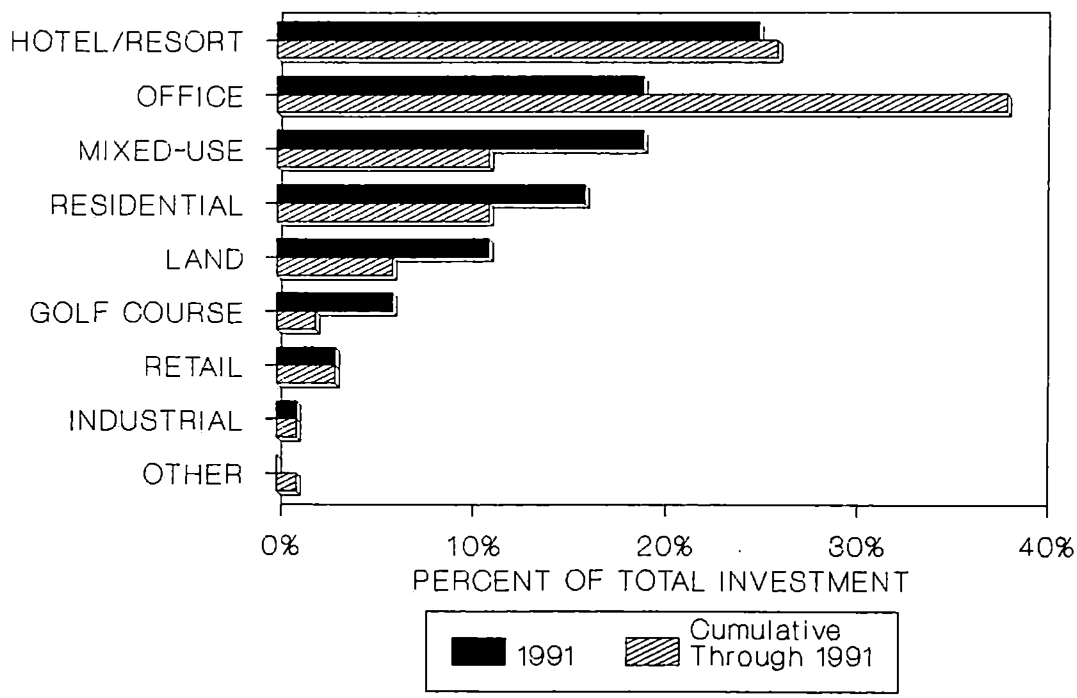
In 1991 the Japanese continued to purchase additional land, although they are postponing the development of prior land acquisitions until market conditions improve and financing becomes more readily available. Land acquisitions are a good indicator of Japanese intentions in the future. While golf course acquisitions continue to receive considerable media attention, they remain only a minor investment type.

Exhibits 4 and 5 illustrate cumulative Japanese investment by property type. Office is clearly the dominate property type with 38 percent of the overall investment. However, in 1989, office accounted for 44 percent of total investment. The second leading investment category, hotel/resort, has been maintaining an even cumulative percentage share since 1989, slightly over 25 percent. The aggregate Japanese investment in hotel/resort properties is now $20 billion.

The cumulative investment in mixed-use remained rather static at approximately 10 percent. Cumulative dollar investment for mixed-use is about $8.5 billion. Much the same can be said for residential, i.e., a cumulative percentage of investment of about 10 percent and an aggregate investment slightly exceeding $8 billion. Land held even at 6 percent of cumulative investment in both 1990 and 1991 after experiencing a relatively slight cumulative percentage gain after 1989. On a relative basis, the aggregate investment in land in 1991 was rather minimal. However, there are substantial land acquisitions that have not yet been developed but eventually should be over the next few years as conditions for the new development improve.

EXHIBIT 4

INVESTMENT BY PROPERTY TYPE
PERCENT OF TOTAL INVESTMENT



Source: Kenneth Leventhal & Company

EXHIBIT 5

CUMULATIVE INVESTMENT BY PROPERTY TYPE

Property Type	Cumulative Dollar Amount Through 1989 (Billions)	Percentage of Total Through 1989	1990 Dollar Amount (Billions)	1990 Percentage of Total	Cumulative Dollar Amount Through 1990 (Billions)	Percentage of Total Through 1990	1991 Dollar Amount (Billions)	1991 Percentage of Total	Cumulative Dollar Amount Through 1991 (Billions)	Percentage of Total Through 1991
Office	$25.36	44%	$ 2.16	17%	$27.52	39%	$ 0.94	19%	$28.46	38%
Hotel/resort	14.96	26	3.79	29	18.75	27	1.26	25	20.01	26
Mixed-use	5.80	10	1.83	14	7.63	11	0.96	19	8.59	11
Residential	5.32	9	2.06	16	7.38	10	0.81	16	8.19	11
Land	2.33	4	1.72	13	4.05	6	0.58	11	4.63	6
Retail	1.88	3	0.52	4	2.40	3	0.14	3	2.54	3
Golf course	0.75	1	0.55	4	1.30	2	0.32	6	1.62	2
Industrial	0.66	1	0.13	1	0.79	1	0.03	1	0.82	1
Other	0.60	1	0.30	2	0.90	1	0.01	-	0.91	1
Total	$57.65	100%	$13.06	100%	$70.72	100%	$ 5.06	100%	$75.78	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

Financial Profiles

Exhibit 6 illustrates various financial trends in the purchase of U.S. real estate by the Japanese. Over the seven-year period beginning in 1985, the price range has gradually widened, with some fluctuations, with the lower end being pushed down by investments in land purchases (1987), condominiums (1988), an apartment complex (1989), a small office building (1990), and an incremental investment in an office building (1991). The upper end has been driven by the size of the premier office complex (1985-1989) or large mixed-use projects, which were acquired in both 1990 and 1991.

EXHIBIT 6

TRANSACTION PROFILE TRENDS

Year	Magnitude of Transactions (Millions)	Average Transaction (Millions)	Annual Percentage Change
1985	$4.0 - $542.0	$ 88.6	-
1986	4.0 - 620.0	110.0	+24%
1987	1.4 - 670.0	150.0	+36
1988	1.2 - 500.0	78.0	- 48
1989	0.3 - 744.0	50.8	- 35
1990	0.8 - 800.0	42.5	- 16
1991	0.3 - 621.6	49.1	+16

Source: Kenneth Leventhal & Company

The average transaction price increased 16 percent in 1991 to $49.1 million. This was a reversal of the trend toward smaller-sized transactions that began in 1988. However, the increase ($6.6 billion) was not of major proportions and can be attributed to the reduced number of 1991 transactions combined with a substantial increase in the percentage distribution of more expensive transactions, i.e., a somewhat skewed distribution.

Exhibit 7 illustrates the dollar distribution of Japanese investment. There have been only relatively minor changes in the percentage distribution of transactions by category over the last three years. In the category of transactions under $100 million, the percentage of transactions is virtually unchanged from 1989 to 1991. The pattern is basically the same with both the $100-to-less-than-$200-million and the $200-million-to-less-than-$300 million categories. Even in the over-$300-million category, the transaction percentage allocation increased to only 5 percent from 1 percent in both of the previous years.

EXHIBIT 7

DISTRIBUTION OF JAPANESE INVESTMENT
(MILLIONS OF DOLLARS)

Investment Category	1989		1990		1991	
	Amount	Transactions	Amount	Transactions	Amount	Transactions
< $100 million	$ 7,653	256	$ 7,046	272	$2,002	91
Percent	52%	88%	54%	89%	40%	88%
$100 to < $200 million	$ 3,736	25	$ 4,151	30	$ 608	5
Percent	25%	9%	32%	10%	12%	5%
$200 to < $300 million	$ 2,093	8	$ 722	3	$ 470	2
Percent	14%	3%	6%	1%	9%	2%
≥ $300 million	$ 1,294	2	$ 1,140	2	$1,980	5
Percent	9%	1%	9%	1%	39%	5%
Total	$14,755	291	$13,059	307	$5,060	103
Percent	100%	100%	100%	100%	100%	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

As would be expected, the major allocation changes occurred in the dollar amounts of the transactions. The leading category (under $100 million) remained the same, receiving 40 percent of total investment in 1991, a substantial decline from 54 percent in 1990. The average transaction amount in this category was only $22 million. However, a very significant increase occurred in the over-$300-million category. In 1991, this category received 39 percent of the total investment, up from 9 percent in both 1989 and 1990. While the over-$300-million category consisted of only five transactions, the average transaction amount was nearly $400 million. The other two categories accounted for only about 20 percent of 1991 investment. The 1991 transaction amount distribution seems somewhat related to an inversion of the normal distribution, exhibiting a marked increase in the dollar amount of transactions exceeding $300 million.

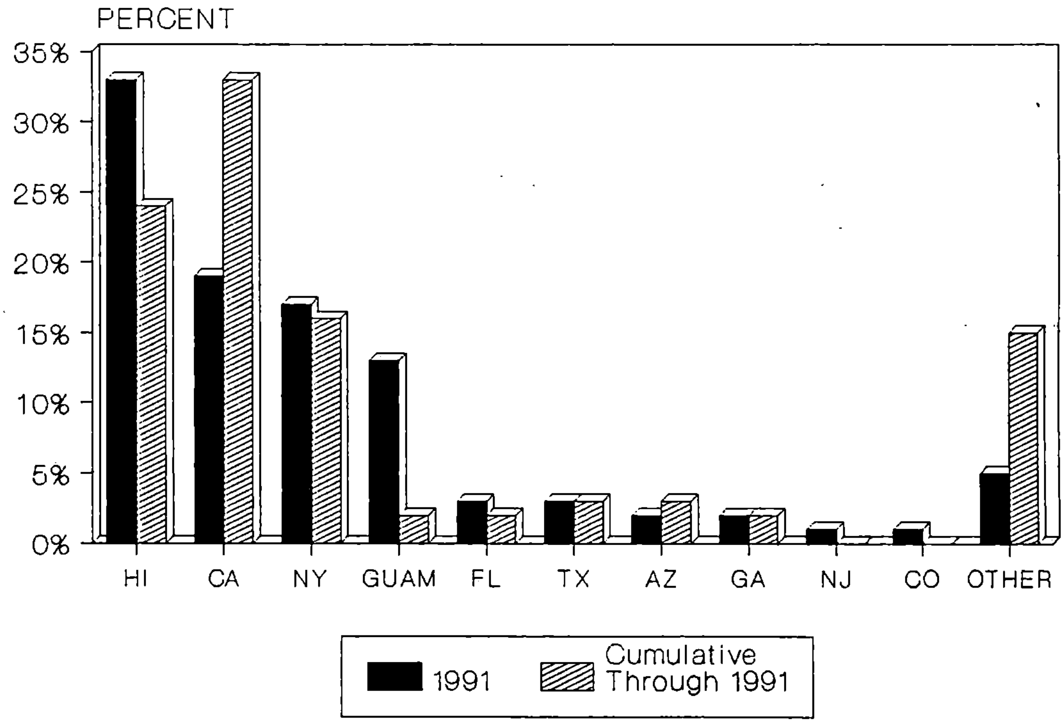
GEOGRAPHICAL DISTRIBUTION

State Allocation

Japanese investment also contracted geographically in 1991, occurring in 18 different states or territories, down from 27 in 1990. As illustrated in Exhibits 8, 9, and 10, Hawaii and California remain the preeminent states for Japanese investment, capturing $2.63 billion or 52 percent of the 1991 total. New York regained its position as the third-ranking state in 1991 with a doubling of investment (17 percent of the total) compared to 1990. The continued development of resort projects on Guam propelled that small U.S. territory to a fourth ranking, with 13 percent of total investment.

EXHIBIT 8

DIVERSIFICATION BY STATE
PERCENT OF TOTAL INVESTMENT



Source: Kenneth Leventhal & Company

Hawaii attracted the most Japanese investment for the first time in four years, capturing 33 percent of the 1991 total, or $1.66 billion (Exhibit 9). This represents a decrease in dollars but an increase in relative percentage of investment. Investment in Hawaii was $4.44 billion in 1989 and $2.86 billion in 1990, representing 30 percent and 22 percent of total investment, respectively. Investment in Hawaii continues to be concentrated in resort development, with this property type increasing its investment share from 37 percent in 1990 to 48 percent in 1991.

In terms of cumulative Japanese investment in U.S. real estate, Hawaii is second only to California, capturing $18.02 billion, or 24 percent of the $75.78 billion cumulative Japanese investment through 1991 (Exhibit 10). This is a modest increase from 21 percent of cumulative investment through 1988 and 23 percent through 1989 and 1990. Cumulative percentage investment in Hawaii seems to be leveling off after peaking at 27 percent of total investment through 1987. It should be noted, however, that a number of large projects (aggregating more than $1 billion) have been put on hold until market conditions improve.

Although finishing behind Hawaii in 1991, California remains the dominant state for Japanese investment on a cumulative basis. California received 19 percent of Japanese investment in 1991, or $976 million (Exhibit 9). This is significantly lower than the 45 percent the state captured in 1990 and the 36 percent it captured in 1989. On a cumulative basis (Exhibit 10), California exceeds all other states with 33 percent of total investment, down slightly from 34 percent through 1990.

EXHIBIT 9

INVESTMENT BY STATE

State	1990 Dollar Amount (Millions)	1990 Percentage of Total	1991 Dollar Amount (Millions)	1991 Percentage of Total
Hawaii	$ 2,860	22%	$1,656	33%
California	5,824	45	976	19
New York	418	3	859	17
Guam	1,099	8	655	13
Texas	207	2	162	3
Florida	510	4	160	3
Arizona	296	2	117	2
Georgia	107	1	88	2
New Jersey	94	1	64	1
Colorado	50	-	61	1
All others	1,594	12	262	5
Total	$ 13,059	100%	$5,060	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

EXHIBIT 10

CUMULATIVE INVESTMENT BY STATE

State	Cumulative Dollar Amount Through 1988 (Millions)	Percent of Total Through 1988	Cumulative Dollar Amount Through 1989 (Millions)	Percent of Total Through 1989	Cumulative Dollar Amount Through 1990 (Millions)	Percent of Total Through 1990	Cumulative Dollar Amount Through 1991	Percent of Total Through 1991
California	$12,641	29%	$17,938	31%	$23,762	34%	$24,738	33%
Hawaii	9,065	21	13,502	23	16,362	23	18,018	24
New York	8,633	20	10,938	19	11,355	16	12,214	16
Illinois	2,951	7	3,057	5	3,359	5	3,365	4
Arizona	1,730	4	2,010	3	2,306	3	2,423	3
Texas	1,720	4	2,044	4	2,251	3	2,412	3
Guam	-	-	28	-	1,127	2	1,782	2
Florida	683	2	881	2	1,391	2	1,551	2
Washington	1,072	2	1,221	2	1,324	2	1,378	2
Georgia	848	2	1,020	2	1,127	2	1,215	2
All other areas	3,541	8	5,019	9	6,353	9	6,680	9
Total	$42,884	100%	$57,658	100%	$70,717	100%	$75,776	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

New York ranked third in 1991 investment at $859 million or 17 percent of the total (Exhibit 9). After experiencing a significant decline in investment in 1990, the state reported the greatest increase in investment from 1990 levels primarily as the results of two large transactions. New York continues to rank third in cumulative Japanese investment with 16 percent of the total, down from 20 percent through 1988 (Exhibit 10).

Guam was the fourth-ranked area for Japanese investment in 1991. After experiencing a record level of investment for the island in 1990, Guam continued to capture investment interest related to projects under construction. Investment in 1991 was $655 million or 13 percent of the 1991 total (Exhibit 9), sufficient to make Guam the seventh-ranked area for investment on a cumulative basis (Exhibit 10), just behind Texas.

Texas rebounded from a tenth-place ranking in 1990 investment to place fifth in total investment and sixth in cumulative investment in 1991. Investment in Texas was $162 million in 1991, which accounted for 3 percent of total 1991 investment. On a cumulative basis, Texas has also received 3 percent of total Japanese investment to date.

Florida, which ranked fourth in 1990, slipped to sixth place in 1991 with $160 million in investment, less than one-third the dollar amount of investment reported in 1990. On a cumulative basis, Florida is eighth-ranked with 2 percent of cumulative investment. Most of the investment in Florida has been in hotel and resort properties.

Although 1991 investment in Arizona was $117 million, down significantly from $296 million in 1990, the state maintained its seventh-place ranking. On a cumulative basis, Arizona ranks fifth with 3 percent of total investment.

Georgia, with $88 million in investment, ranked eighth in 1991 and tenth on a cumulative basis with 2 percent of total investment. New Jersey ranked ninth in total investment in 1991 with $64 million, although it did not make the top-ten list for cumulative investment.

Colorado finished tenth in 1991 investment with $61 million, but, like New Jersey, it is not among the top ten states on a cumulative basis.

Although not among the top ten states for investment in 1991, Washington has 2 percent of total cumulative Japanese investment, placing it ninth overall.

Investment in the top ten states totaled $4.80 billion, or 95 percent of total investment in 1991. The top three states, Hawaii, California and New York, accounted for 69 percent of all Japanese real estate investment. On a cumulative basis, states other than the top ten have attracted only 9 percent of total Japanese investment.

Profile of Leading States

Exhibits 11 and 12 present the investment highlights of 1990 and 1991 investment for the three leading states: Hawaii, California and New York. In 1991, the average transaction amount in Hawaii increased by $31.3 million, or 71 percent over the 1990 figure. Hawaii's typical acquisition amount was 53 percent, or $26.2 million, above the national average. The comparison with all other states (excluding California and New York) shows an even more pronounced difference, with Hawaii's average transaction amount more than twice as large as the others.

EXHIBIT 11

INVESTMENT PROFILE OF LEADING STATES

State	Dollar Amount (Millions)		Percent of Dollar Amount		Percent of All Transactions		Average Transaction (Millions)	
	1990	1991	1990	1991	1990	1991	1990	1991
Hawaii	$ 2,860	$ 1,656	22%	33%	21%	20%	$ 44.0	$ 75.3
California	5,824	976	45	19	35	26	53.9	34.9
New York	418	859	3	17	3	5	46.4	171.8
All other areas	3,957	1,569	30	31	41	49	31.6	29.1
Total	$13,059	$ 5,060	100%	100%	100%	100%	$ 42.5*	$ 49.1*

*National average

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

During the last year, Hawaii increased its relative percentage of total investment dollars. However, its percentage of total transactions declined from 21 percent to 20 percent. This is consistent with the substantial increase in Hawaii's average transaction amount in 1991.

California displayed a pattern of declining average transaction amount similar to that of most other states. From 1990 to 1991, the average transaction amount in California declined by $19.0 million, or 35 percent.

New York experienced the highest average transaction amount ($171.8 million) of any state in 1991. Two large transactions were responsible for the majority of the state's investment this year and the high average transaction amount.

Exhibit 12 presents a summary of the leading property types, acquisition methods and investor types for these three leading investment states. In 1991, the percentage of Hawaii investment in the residential and land categories was similar to 1990 levels. Hotel/resort investment continued to dominate property preferences, increasing from 37 percent of total Hawaiian investment in 1990 to 48 percent in 1991.

Regarding the leading property types in California, the most noteworthy change from 1990 and 1991 was the increase in mixed-use investment from 29 percent to 44 percent. This increase is due primarily to the classification of the real estate portion of the MCA acquisition. Office investment declined from 18 percent in 1990 to 13 percent in 1991. Offsetting this decline, residential investments increased from 14 percent in 1990 to 19 percent in 1991.

Investment in New York, on the other hand, was not as diversified by property type, but rather was concentrated in office properties, which constituted 89 percent of 1991 investment.

In terms of leading acquisition methods, the overall pattern depicts a trend toward greater Japanese emphasis on full ownership, particularly in California. The other major observation is the marked increase of investment in new construction in the state of Hawaii. As Japanese investment declined in 1991, construction projects became increasingly prominent in the year's results.

EXHIBIT 12

TRANSACTION PROFILE OF LEADING STATES

State	Leading Property Types				Leading Acquisition Methods				Leading Investor Types			
	1990		1991		1990		1991		1990		1991	
Hawaii	Hotel/resort	37%	Hotel/resort	48%	Existing property - F.O.	39%	New construction - F.O.	50%	Construction/development co.	38%	Construction/development co.	57%
	Residential	22	Residential	21	New construction - F.O.	35	New construction - J.V.	29	Individual/investment co.	33	Misc. public/private co.	29
	Land	18	Land	20					Misc. public/private co.	15	Trading co.	7
California	Mixed-use	29	Mixed-use	44	New construction - J.V.	40	Existing property - F.O.	65	Construction/development co.	51	Misc. public/private co.	47
	Office	18	Residential	19	Existing property - F.O.	38	New construction - J.V.	18	Individual/investment co.	16	Financial/leasing co.	15
	Residential	14	Office	13					Financial/leasing co.	13	Construction/development co.	13
New York	Hotel/resort	36	Office	89	Existing property - F.O.	66	Existing property - J.V.	48	Misc. public/private co.	65	Individual/investment co.	48
	Retail	25	Residential	9	Existing property - J.V.	25	Existing property - F.O.	39	Construction/development co.	30	Misc. public/private co.	37
	Residential	18	Retail	2					Individual/investment co.	4	Construction/development co.	15
All other states	Hotel/resort	45	Mixed-use	34	Existing property - F.O.	33	New construction - F.O.	50	Construction/development co.	46	Construction/development co.	43
	Office	20	Hotel/resort	22	New construction - F.O.	30	Existing property - F.O.	25	Individual/investment co.	18	Misc. public/private co.	39
	Residential	13	Residential	12					Misc. public/private co.	17	Individual/investment co.	11
Total	Hotel/resort	29%	Hotel/resort	25%	Existing property - F.O.	38%	New construction - F.O.	35%	Construction/development co.	46%	Misc. public/private co.	37%
	Office	17	Mixed-use	19	New construction - J.V.	29	Existing property - F.O.	33	Individual/investment co.	20	Construction/development co.	37
	Residential	16	Office	18					Misc. public/private co.	15	Individual/investment co.	16

Notes: State listing is in descending dollar volume; percentages are of total dollar volume for that state; J.V. = Joint Venture; F.O. = Full Ownership.

Source: Kenneth Leventhal & Company

Metropolitan Area Allocation

A more precise analysis of Japanese investment is possible through separating such investment by metropolitan areas (Exhibits 13 and 14). Here the main trend visible is the declining dominance of California locations among the top ten investment areas. Only three of the top ten metropolitan areas in 1991 were in California -- Los Angeles, San Diego, and San Francisco-Oakland. In 1990, six of the top ten metropolitan areas were in California. This demonstrates the magnitude of both the economic and real estate recessions in California.

A second trend in 1991 was the continued increase in investment in nonmetropolitan areas. These areas, which include cities with populations of fewer than 50,000 and rural areas, captured 35 percent of the 1991 investment, compared with 22 percent the previous year.

Of the $1.76 billion invested in nonmetropolitan areas, $655 million was invested in Guam and $994 million was invested in the Hawaiian islands other than Oahu. (The entire island of Oahu is included in the Honolulu metropolitan area.) Most of this Hawaiian investment was in hotels and resorts ($619 million) and land ($300 million). The remaining $114 million of investment in nonmetropolitan areas was primarily in hotel and resort properties scattered across the United States.

Investment in the New York metropolitan area totaled $859 million in 1991, moving New York from seventh place in 1990 to first place in the 1991 rankings. On a cumulative basis, New York maintained its second-place ranking in 1991, with 16 percent of the total Japanese investment, almost equaling Los Angeles.

Honolulu had the second-highest level of investment in 1991 with $662 million, or 13 percent of total investment. On a cumulative basis, investment in the Honolulu metropolitan area exceeded $8.80 billion, or 12 percent of cumulative Japanese investment. This places Honolulu third behind Los Angeles and New York in cumulative investment.

In 1991, for the first time in four years, Los Angeles was not the top metropolitan area for Japanese investment for the year, both New York and Honolulu receiving more investment. With $590 million, or 12 percent of total 1991 investment, the Los Angeles metropolitan area dropped to third place. On a cumulative basis, however, Los Angeles is still ahead of New York as the metropolitan area with the most Japanese investment. The Japanese have invested a cumulative total of $12.43 billion, or 16 percent of their total investment, in Los Angeles.

San Diego received the fourth-largest amount of Japanese investment, with $138 million or 3 percent of the total investment in 1991. On a cumulative basis, San Diego climbed to fifth place with 4 percent or $3.11 billion of total investment.

San Francisco-Oakland ranked fifth in 1991 investment, with $127 million or 3 percent of Japanese investment. In terms of cumulative investment, San Francisco-Oakland still ranks sixth with $2.89 billion in total investment.

Orlando ranked sixth among the top ten metropolitan areas in 1991 with $122 million of investment. Cumulatively, Orlando does not rank in the top ten metropolitan areas.

With $88 million of investment in 1991, Atlanta captured 2 percent of the total Japanese investment. Cumulative investment in Atlanta now totals $1.20 billion, or 2 percent of total investment.

Residential properties in Phoenix continue to attract Japanese investors. Investment in Phoenix was $74 million, or 1 percent of the 1991 total. Phoenix, with $2.38 billion, has 3 percent of cumulative investment and ranks seventh overall.

Denver broke into the top ten metropolitan areas in 1991, finishing ninth. Denver received $59 million, or 1 percent of 1991 Japanese investment. Cumulatively, however, Denver is still not one of the top ten metropolitan areas, having less than 1 percent of the total investment.

Anchorage attracted Japanese investment for the first time this year and even made the top ten, with $54 million of investment. Cumulatively, however, Anchorage is not one of the top ten metropolitan areas.

Several metropolitan areas that have consistently attracted Japanese investment in previous years were not among the top ten in 1991. These areas include Anaheim, Riverside, Chicago, Dallas, and Washington, D.C. On a cumulative basis, however, the Chicago metropolitan area continues to rank fourth, while Anaheim ranks eighth and Washington, D.C. ranks ninth. Dallas holds a tenth-place ranking on a cumulative basis.

EXHIBIT 13

INVESTMENT BY METROPOLITAN AREA

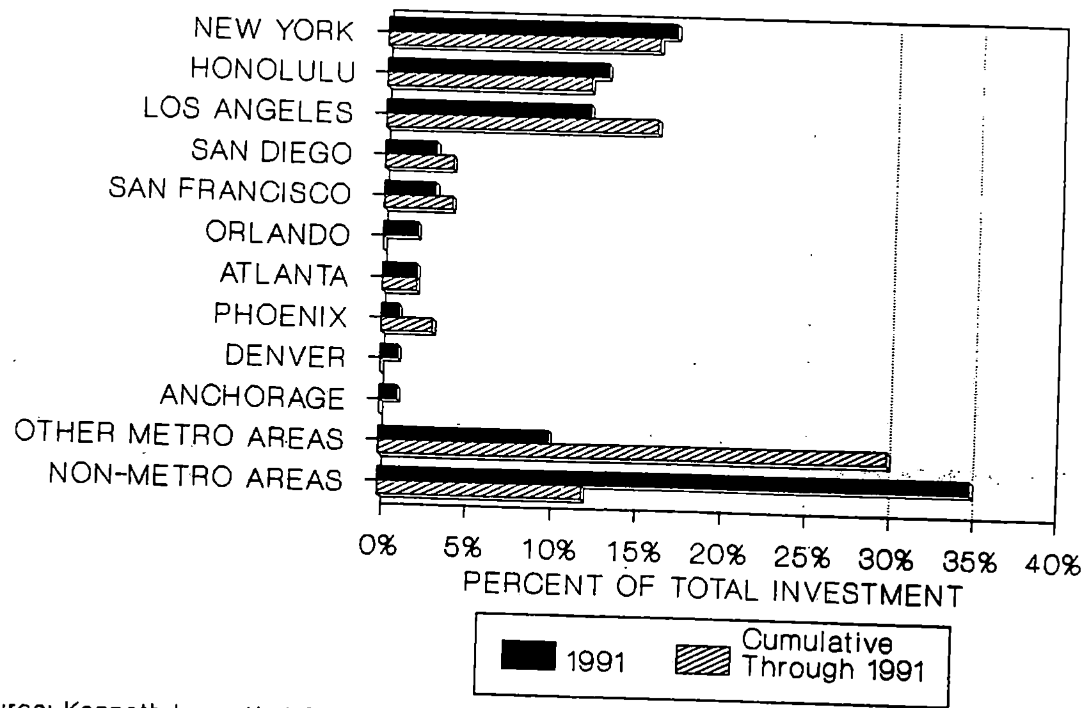
Metropolitan Area	Through 1988 Total Dollar Amount (Millions)	Through 1988 Percentage of Total	1989 Dollar Amount (Millions)	1989 Percentage of Total	1990 Dollar Amount (Millions)	1990 Percentage of Total	1991 Dollar Amount (Millions)	1991 Percentage of Total
New York, NY	$ 8,633	20%	$ 2,304	16%	$ 402	3%	$ 859	17%
Honolulu, HI	5,745	13	1,064	7	1,325	10	662	13
Los Angeles, CA	7,619	18	2,512	17	1,704	13	590	12
San Diego, CA	821	2	1,103	7	1,052	8	138	3
San Francisco, CA	1,912	4	358	2	488	4	127	3
Orlando, FL	-	-	-	-	234	2	122	2
Atlanta, GA	836	2	172	1	106	1	88	2
Phoenix, AZ	1,730	4	280	2	297	2	74	1
Denver, CO	54	-	128	1	4	-	59	1
Anchorage, AK	-	-	-	-	-	-	54	1
Other metropolitan areas	14,875	35	3,174	22	4,515	35	524	10
Non-MSAs	659	2	3,680	25	2,932	22	1,763	35
Total	$ 42,884	100%	$ 14,775	100%	$ 13,059	100%	$ 5,060	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

The top ten metropolitan areas accounted for $2.77 billion, or 55 percent of the 1991 Japanese investment. The $524 million included in metropolitan areas other than the top ten represents 10 percent of the total 1991 investment and is spread across 21 different metropolitan areas.

EXHIBIT 14 **DIVERSIFICATION BY METROPOLITAN AREA PERCENT OF TOTAL INVESTMENT**



Source: Kenneth Leventhal & Company

Profile of Leading Metropolitan Areas

Exhibits 15 and 16 present the salient investment characteristics of the five leading metropolitan areas. Exhibit 15 shows the considerably smaller range in the 1991 investment amounts versus the 1990 figures. The total dollar amount is also more concentrated among the top three MSAs than in previous years.

EXHIBIT 15

INVESTMENT PROFILE OF LEADING METROPOLITAN AREAS

Metropolitan Area	Dollar Amount (Millions)		Percent of Dollar Amount		Percent of All Transactions		Average Transaction (Millions)	
	1990	1991	1990	1991	1990	1991	1990	1991
New York	$ 402	$ 859	3%	17%	3%	5%	$50.3	$171.8
Honolulu	1,325	662	10	13	10	11	42.7	55.2
Los Angeles	1,704	590	13	12	9	6	63.1	84.3
San Diego	1,052	138	8	3	9	5	39.0	27.6
San Francisco	488	127	4	3	3	2	48.8	63.5
All other areas	8,088	2,684	62	52	66	71	39.2	34.4
Total	$13,059	$ 5,060	100%	100%	100%	100%	$42.5*	$ 49.1*

*National averages
Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

The average transaction amount for Honolulu ($55.2 million) approximates the national average. The average transaction amount for Los Angeles ($84.3 million) is approximately 72 percent greater than the national average of $49.1 million. The considerably larger figure for Los Angeles is the result of the impact of the transaction associated with the MCA acquisition.

Exhibit 16 presents a summary of the leading property types, investor methods and investment types. New York reported the most heavily skewed results of any metropolitan area, with 89 percent of all investment in the office category. The second- and third-most popular investment categories, residential and retail, were relatively insignificant. Hotel investment, the top category in 1990, was absent among the 1991 transactions in New York.

EXHIBIT 16

TRANSACTION PROFILE OF LEADING METROPOLITAN AREAS

Metropolitan Area	Leading Property Types				Leading Investment Methods				Leading Investor Types			
	1990		1991		1990		1991		1990		1991	
New York	Hotel/resort Retail Residential	38% 26 19	Office Residential Retail	89% 9 2	Existing property - F.O. Existing property - J.V.	64% 26	Existing property - J.V. Existing property - F.O.	48% 39	Misc. public/private co. Construction/development co. Individual/investment co.	63% 33 4	Individual/investment co. Misc. public/private co. Construction/development co.	48% 37 14
Honolulu	Hotel/resort Office Residential	34 16 15	Residential Hotel Golf course	44 27 24	New construction - F.O. Existing property - F.O.	42 41	New construction - F.O. New construction - J.V.	82 13	Construction/development co. Individual/investment co. Misc. public/private co.	46 35 11	Construction/development co. Misc. public/private co. Individual/investment co.	58 27 15
Los Angeles	Office Mixed-use Retail	45 15 12	Mixed-use Office Hotel	70 17 11	New construction - J.V. Existing property - J.V.	53 41	Existing property - F.O. New construction - J.V.	87 13	Financial co. Construction/development co. Misc. public/private co.	42 30 15	Misc. public/private co. Financial co. Construction/development co.	70 11 8
San Diego	Hotel/resort Land Residential	29 19 17	Residential Land -	71 29 -	New construction - J.V. Existing property - F.O.	54 39	Existing property - J.V. New construction - J.V.	29 29	Construction/development co. Individual/investment co. Trading co.	34 29 19	Individual/investment co. Construction/development co. Trading co.	38 33 29
San Francisco	Hotel/resort Office Mixed-use	33 29 22	Hotel Residential Land	40 39 21	Existing property - F.O. New construction - J.V.	70 30	New construction - F.O. New construction - J.V.	61 39	Construction/development co. Individual/investment co. Trading co.	69 28 13	Individual/investment co. Financial co. Misc. public/private co.	40 39 21
All other areas	Hotel/resort Residential Mixed-use	31 18 16	Hotel/resort Mixed-use Land	36 20 18	Existing property - F.O. New construction - J.V.	41 28	New construction - F.O. Existing property - F.O.	40 30	Construction/development co. Individual/investment co. Misc. public/private co.	51 19 15	Construction/development co. Misc. public/private co. Individual/investment co.	47 35 8
Total	Hotel/resort Office Residential	29 17 16	Hotel/resort Mixed-use Office	25 19 18	Existing property - F.O. New construction - J.V.	38 29	New construction - F.O. Existing property - F.O.	35 33	Construction/development co. Individual/investment co. Misc. public/private co.	46 20 15	Misc. public/private co. Construction/development co. Individual/investment co.	37 37 16

Notes: Metropolitan area listing is in descending dollar volume; percentages are of total dollar volume for that metropolitan area; J.V. = Joint Venture; F.O. = Full Ownership; N/A = Not applicable.

Source: Kenneth Leventhal & Company

In Honolulu, residential investment achieved the number one position among property types. In this market, full ownership acquisitions accounted for over 80 percent of the transactions in 1991. The three leading investor types remained the same but miscellaneous public and private companies increased to the number two position over individual investor/investment companies.

The MCA acquisition had a substantial impact on leading property type, investment method and investor type for Los Angeles in 1991. A similar phenomenon in 1990 Los Angeles investment skewed the results toward office buildings as the leading property type, due primarily to two downtown office investments. Los Angeles experienced a substantial increase in its percentage allocation of mixed-use investment in 1991 versus 1990. The metropolitan area had a disproportionately large share of its transactions in the existing property - full ownership category, with miscellaneous public and private companies as the dominant investor type due to the MCA transaction. Financial companies slipped to second place as the most common investor type while construction and development companies fell to third place.

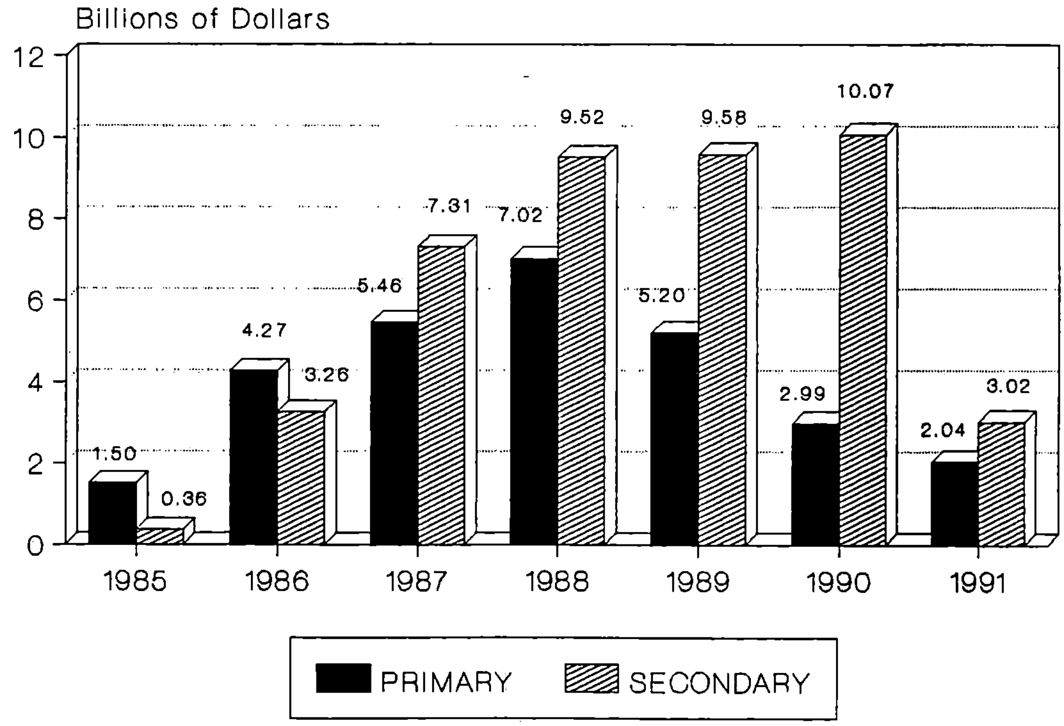
San Diego experienced a significant increase in the residential category in 1991. In contrast with 1990, San Diego did not report any investment in hotel/resort properties. New construction - joint ventures and existing property - joint ventures were the two most common investment methods, accounting for 58 percent of all investment. Individual investor/investment companies were the number one investor type in San Diego, followed by construction/ development and trading companies.

In 1991, San Francisco-Oakland reported a sizable increase in its percentage allocation for residential transactions, giving hotel and residential investment the number one and two rankings, respectively. Construction/development companies, which accounted for 69 percent of investment in San Francisco-Oakland in 1990, did not make any new investments in 1991.

Primary/Secondary Market Allocation

Kenneth Leventhal & Company has continued to analyze the geographical variations of Japanese real estate investments according to primary and secondary market areas (Exhibit 17). The primary market areas consist of the cities of Los Angeles, New York, San Francisco and the island of Oahu, Hawaii (the Honolulu metropolitan area). The secondary market areas consist of all other areas that encompass other metropolitan areas, the suburban portions of the Los Angeles, New York and San Francisco metropolitan areas, nonmetropolitan areas, and the other Hawaiian islands.

EXHIBIT 17 **INVESTMENT BY PRIMARY AND SECONDARY GEOGRAPHIC MARKETS**



Source: Kenneth Leventhal & Company

The primary market areas were the first markets to be the recipients of major Japanese real estate investments. They are the nation's major international cities, have coastal locations and contain some of the "best known" real estate in the nation. The Japanese were familiar with these areas through their existing commercial presence. The terminology "primary/secondary" is intended to differentiate the market areas initially receiving the vast majority of the Japanese investment from those markets receiving increasing subsequent attention. No implication regarding the quality of real estate product is intended.

The four primary markets had been receiving a decreasing share of Japanese investment through 1990, comprising 81 percent of total investment in 1985, 42 percent in 1988, and only 23 percent in 1990. However, in 1991 the primary markets received 40 percent of total investment. (This is largely attributable to the portion of the MCA-Matsushita transaction located in Los Angeles.) The primary markets had shown increases in absolute investment each year through 1988. Since 1989 and continuing into 1991 that trend has been changing. Absolute investment declined in the primary markets while absolute investment increased in the secondary markets in 1989 and 1990, despite the overall decrease in Japanese investment. In 1991, however, there was a significant decline in absolute investment in the secondary markets.

The steady decreases in investment in the primary markets are attributable to a number of factors. The large cumulative existing investment in the primary markets means that relatively fewer "preferred" properties are left to be acquired. Within three of the four (Honolulu being the exception), office facilities have been the predominant property type acquired. The current condition of the office market has resulted in a slowing of investment and a more selective investment strategy for this product type. Increased familiarity with real estate markets in the United States has heightened Japanese awareness of and interest in secondary markets over the last few years. In addition, many Japanese companies own multiple properties in the United States and have sought to decrease geographic risk by diversifying the locations of their properties.

JAPANESE INVESTORS

Investor Type

The diversification in property types invested in is mirrored by the diversification of investors. In 1991 miscellaneous public/private companies invested the largest dollar amount (Exhibits 18 and 19), with 37 percent of total investment. Construction and development companies, the leading investor type for the previous three years, dropped to second place, also with 37 percent of total investment. The percentage allocation for individual investors/investment companies declined from 20 percent in 1990 to 17 percent in 1991, moving from second to third ranking. Life insurance companies, which were major investors in earlier years, have had only a very minor presence in the market for the past two. Financial companies and trading companies, whose percentages of investment had substantially increased in 1990, both decreased their investment levels in 1991.

In 1991, investment by construction and development companies dropped 9 percent from 1990's percentage, but they are still the overall dominant investor type. Although these companies are investing in all property types, they are involved in a disproportionately large share of hotel/resort and residential investment (Exhibit 20). Not surprisingly, these companies have a low share of office building investment, since office acquisitions are mainly of existing properties, allowing less opportunity for construction and development companies to capitalize on their own expertise.

Individual investors and investment companies have spread their investment broadly across most property types. This group holds a disproportionate share of golf course investment. Although these investors represented only 17 percent of total investment, they purchased 47 percent of the golf courses in 1991.

Miscellaneous public and private companies have also invested in a broad range of real estate product types. They acquired the MCA real estate and, hence, the disproportionate share of investment in mixed-use property. This investment category also favors hotel/resort, land and office investments.

EXHIBIT 18

INVESTMENT BY INVESTOR TYPE

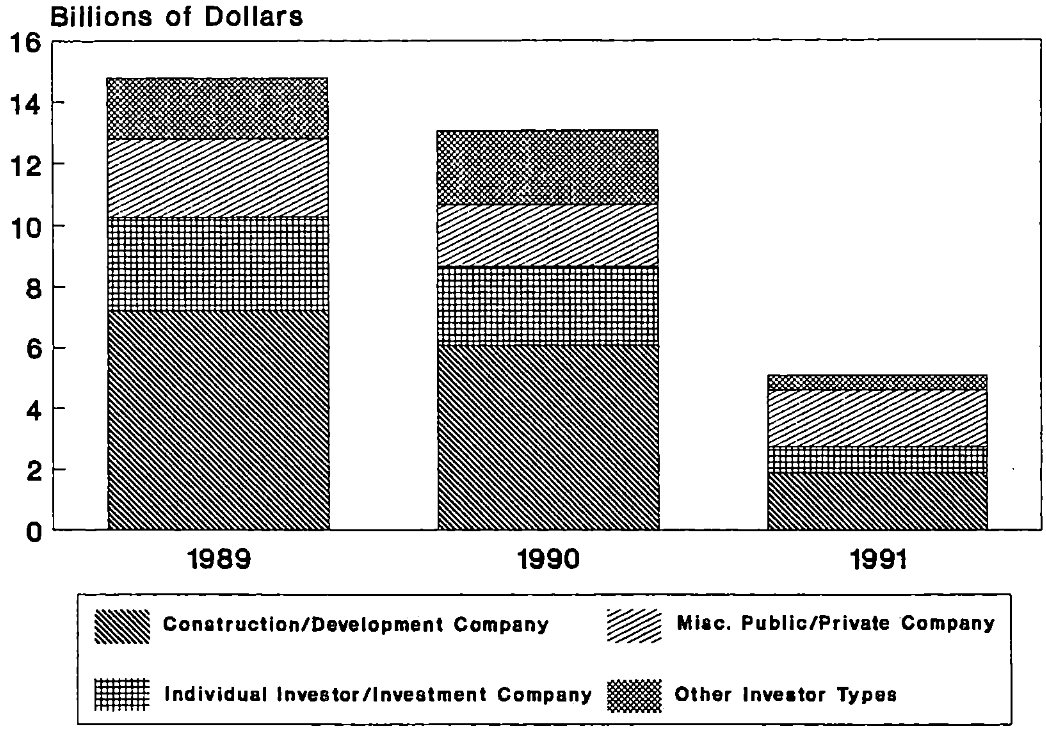
Investor Type	1989 Dollar Amount (Millions)	1989 Percentage of Total	1990 Dollar Amount (Millions)	1990 Percentage of Total	1991 Dollar Amount (Millions)	1991 Percentage of Total
Miscellaneous public/private company*	$ 2,549	17%	$ 2,011	15%	$ 1,879	37%
Construction/development company	7,222	49	6,038	46	1,869	37
Individual investor/investment company	3,034	21	2,601	20	835	17
Trading company	84	1	978	7	228	5
Financial company	318	2	942	7	148	3
Life insurance company	891	6	113	1	10	-
Other unclassified companies**	677	5	376	3	91	2
Total	$14,775	100%	$13,059	100%	$ 5,060	100%

* Companies whose type of business is known but does not fit into another listed category, e.g. manufacturing, retail, transportation, etc.
** Companies whose type of business could not be determined.
Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

EXHIBIT 19

INVESTMENT BY INVESTOR TYPE



Source: Kenneth Leventhal & Company

EXHIBIT 20

1991 INVESTMENT
BY PROPERTY AND INVESTOR TYPE
(MILLIONS OF DOLLARS)

Investor Type	Office	Hotel/ Resort	Residential	Retail	Land	Golf Course	Industrial	Mixed-Use	Other	Total
Miscellaneous public/private company*	$ 329	$ 370	-	$ 100	$ 370	$ 58	-	$ 640	$ 12	$1,879
Construction/development company	106	663	$ 488	15	150	90	$ 35	322	-	1,869
Individual investor/investment company	431	60	157	13	21	153	-	-	-	835
Trading company	-	100	88	-	40	-	-	-	-	228
Financial company	30	65	54	-	-	-	-	-	-	148
Life insurance company	-	-	-	8	-	-	-	2	-	10
Other unclassified companies**	45	-	22	-	-	24	-	-	-	91
Total	$ 941	$1,258	$ 809	$ 136	$ 581	$ 325	$ 35	$ 963	$ 12	$5,060

* Companies whose type of business is known but does not fit into another listed category, e.g. manufacturing, retail, transportation, etc.
** Companies whose type of business could not be determined.
Note: the sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

Investment Method

The data on investment method for 1991 reflect an acceleration of trends that were noted in 1990. Japanese investors are relying less on joint ventures, particularly for new construction. In 1990, for the first time, full ownership represented the majority of Japanese investment. Full ownership transactions became even more popular in 1991, accounting for 68 percent of investments, up from 57 percent in 1990 and 46 percent in 1989 (Exhibits 21 and 22). Among the joint ventures, numerous transactions involved only Japanese companies.

The growing Japanese knowledge of U.S. real estate markets is also shown in the increase in the percentage of investment in new construction. In 1991, new construction represented 53 percent of the total Japanese investment, increasing from 48 percent in 1990 and 44 percent in 1989.

The increase in new construction is partly a result of prior investments in land, but is nonetheless somewhat surprising since a number of Japanese companies slowed or postponed development of their projects in 1991, waiting until the U.S. real estate markets strengthen. The increase in new construction is also indicative of the continuing participation by Japanese construction/development companies. The percentage of new construction should continue to increase as the real estate markets stabilize and land purchases, which are considered existing properties, are turned into construction projects.

An analysis of investment method by investor type (Exhibit 23) provides further insights. Miscellaneous public/private companies are both increasingly choosing full ownerships over joint ventures, particularly with existing properties. The construction/development companies are now using more full ownerships than joint ventures for new construction.

The construction/development companies continue to invest substantially more in new construction than in existing properties. The new construction totals probably understate the importance of new construction because raw land acquisitions, which have represented major investments by construction/development companies, are categorized as existing properties. The individual investors/investment companies continue to purchase more existing properties.

EXHIBIT 21

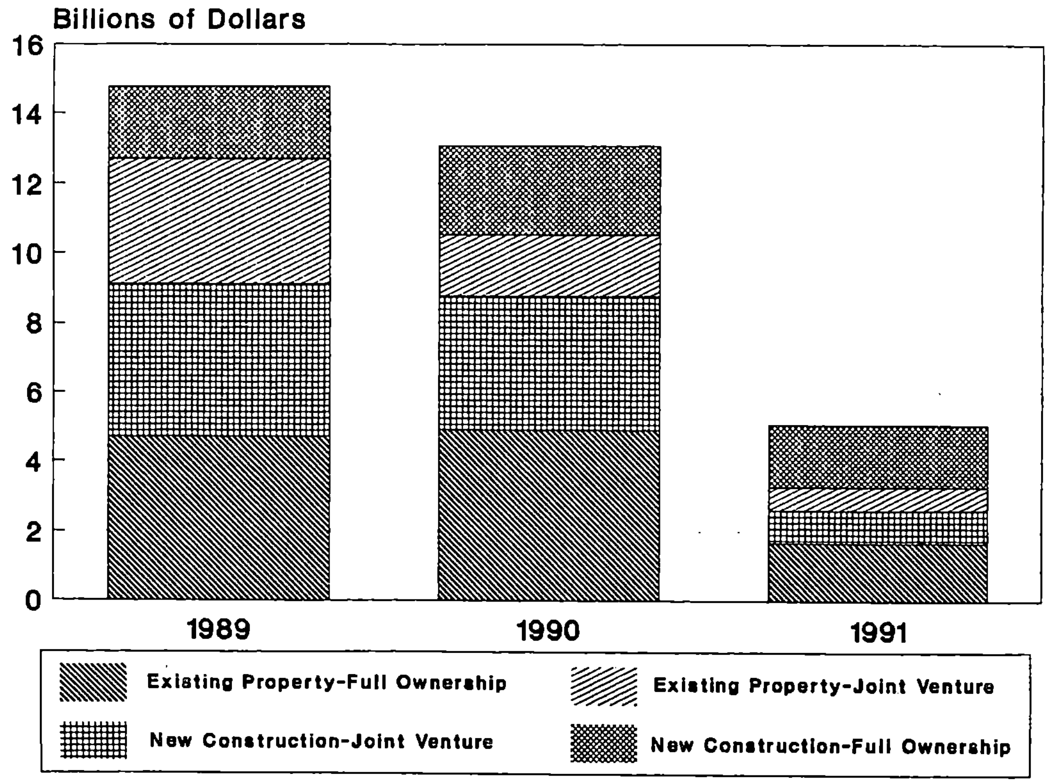
INVESTMENT BY PROPERTY INVESTMENT METHOD

Property Investment Method	1989 Dollar Amount (Millions)	1989 Percentage of Total	1990 Dollar Amount (Millions)	1990 Percentage of Total	1991 Dollar Amount (Millions)	1991 Percentage of Total
New construction - full ownership	$ 2,088	14%	$ 2,534	19%	$ 1,765	35%
Existing property - full ownership	4,717	32	4,904	38	1,678	33
New construction - joint venture	4,397	30	3,847	29	931	18
Existing property - joint venture	3,574	24	1,773	14	686	14
Total	$14,775	100%	$13,059	100%	$ 5,060	100%

Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

EXHIBIT 22 INVESTMENT BY PROPERTY INVESTMENT METHOD



Source: Kenneth Leventhal & Company

EXHIBIT 23

PROPERTY INVESTMENT METHOD BY INVESTOR TYPE
PERCENT OF TOTAL INVESTMENT

Investor Type	Percent of Existing Property - Full Ownership		Percent of New Construction - Full Ownership		Percent of Existing Property - Joint Venture		Percent of New Construction - Joint Venture		Percent of Total	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
Miscellaneous public/private company*	8%	27%	2%	8%	1%	2%	5%	-	15%	37%
Construction/development company	16	2	12	23	4	2	15	10%	46	37
Individual investor/investment company	10	2	4	4	3	8	3	2	20	16
Trading company	2	-	1	-	2	1	3	4	7	5
Financial company	1	1	-	-	3	-	3	2	7	3
Life insurance company	-	-	-	-	1	-	-	-	1	-
Other unclassified companies**	1	2	1	-	-	-	1	-	3	2
Total	38%	34%	19%	35%	14%	13%	29%	18%	100%	100%

* Companies whose type of business is known but does not fit into another listed category, e.g. manufacturing, retail, transportation, etc.
** Companies whose type of business could not be determined.
Note: The sum of individual components may not correspond to totals due to rounding.

Source: Kenneth Leventhal & Company

CONCLUSIONS AND OUTLOOK

The decline in Japanese investment that many individuals expected in 1990 did not actually occur until 1991. Last year Japanese investment in U.S. real estate was $8 billion less than in 1990. The primary factors contributing to this decrease in investment dollars were the U.S. recession and its anemic and/or faltering recovery; the supply-demand imbalances in the United States commercial real estate markets, resulting in impaired financial performances; the restructuring of the Japanese financial system, which reduced the former plentiful supply of low-cost financing; the real estate lending constraints imposed by the Japanese Ministry of Finance; the contraction of the Japanese economy; the international disruptions resulting from the successful Desert Storm operation; the disappointing and declining financial returns of some Japanese investments in the United States and the need to financially restructure some properties; and the severity of both the economic and real estate recessions in California.

These factors and conditions became more pronounced in 1991 as their duration was extended and their cumulative effects intensified. Many of the 1990 Japanese transactions proceeded with planning and infrastructure development under the assumption that economic conditions would improve. However, as conditions became less favorable and constrictions intensified in 1991, decisions to postpone or forgo certain investments were made. Many of the projects placed on hold may be reactivated in the third and fourth quarters of 1992 as the recession draws to a conclusion.

Kenneth Leventhal & Company forecasts 1992 Japanese investment to range from $3 billion to $5 billion. The conditions under which the Japanese previously invested in U.S. real estate have markedly changed since the late 1980s and are not expected to be reversed. The acquisition of trophy properties will be lacking. Residential, the least oversupplied real estate sector, will be increasingly the beneficiary of Japanese investment. Capital infusions will flow into new single-family and apartment development projects. This investment will assist in filling the financing void created by the curtailment of traditional lending sources. A considerable portion of this investment should occur in Southern California.

Japanese investment in terms of both equity and debt has played an important role is providing capital to the financially strapped U.S. real estate industry. The easing of restrictions on the part of the Ministry of Finance should help lay the basis for future Japanese investment as market conditions improve. This investment has increased in importance as the U.S. real estate industry struggles to recover from the financial and regulatory constraints imposed over the past two years.

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