

11-21-1990

Oita Sunrise City Resort Community Land Use Concept and Management Strategy

Harrison Price Company

INTRA

David A. Price Associates

Sumitomo Corporation



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Final Report

**OITA SUNRISE CITY RESORT
COMMUNITY LAND USE CONCEPT
AND MANAGEMENT STRATEGY**

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November 21, 1990**

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Section 1

INTRODUCTION

The Hayashi Kousan Company, a conglomerate with special skills in construction and tree farming has assembled 4 parcels of land currently aggregating approximately 249 hectares in the coastal plain of Oita Prefecture just to the north of Beppu. The bounds and topographic characteristics of these parcels are all amenable to adjustment by acquisition and trading of property.

Parcel 1 is 79.2 hectares (197.1 acres) located next to the fishing village of Ohga on both sides of Fukai Bay. Parcel 2 is 25.4 hectares (63.2 acres) of gently rolling inland tree farming operations, 10 kilometers to the northwest of parcel 1. Parcel 3 is approximately 14 hectares (34.9 acres) of inland tree farming operations just to the south of parcel 2 and directly west of parcel 1. Its topography is hilly. Parcel 4 contains 324 acres (130 hectares) some 5 kilometers west/northwest of parcel 1. Its topography is characterized by steep slopes in excess of 20 percent.

All of these parcels are located along the main route to Oita Airport a short distance to the north and east of the cities of Oita and Beppu which have a combined metropolitan area population of over half a million.

Parcel 1 on the waterfront is the primary location for resort community development. The inland parcels 2 and 3 provide potential space for additional satellite developments and parcel 4 subject to evaluation of topography has enough space for supporting golf and golf clubhouse development. The west side of parcel 1 on the west side of the harbor is referred to as parcel 1A in this report; the east side of parcel 1 on the east side of the harbor is referred to as parcel 1B. These two waterfront parcels are essentially separate properties but are amenable to linkage by highway and ferry.

Resorts abound in Oita Prefecture developed over many decades because of the large number of artesian steam and hot water springs in the area and the sea coast environment. However, much of the available resort product is old and passe'. The client's objective is to develop an urban resort concept containing residences, a spa

hotel, marina and village components with a strong image which will be unique and distinctive. In addition, the concept must be compatible with its local village environment and manifest positive economic feasibility. It must also maintain a positive relation between the built and natural environment.

The broad objective of this master planning assignment is to facilitate the development of a self-contained and self-sufficient residential resort community on the waterfront properties and to recommend an overall development strategy for all of the land holdings of the Company. The resort element is to stimulate, synergize, and catalyze the creation of a retirement community which will utilize the amenity elements of the resort and add to its economic viability. The project is to co-exist compatibly with the local Ohga Village community.

In addition to general economic stimulus, the overall program is to incorporate certain social objectives of this government such as:

1. enhanced welfare of older populations
2. greater utilization of seashore properties for the benefit of the people. The project should create public spaces as well as its private enclaves.
3. enhancement of programs for health consciousness and well being, in particular with retired people.

This work is a joint effort of the economic planner (HPC), the land planner Adam Krivatsy (INTRA), and the attractions architect (DAPA). HPC is the prime contractor. DAPA and INTRA are subcontractors to HPC. INTRA prepared the land use plan and development strategy. DAPA created an illustrative bird's-eye rendering of the development concept and sketches of the selected plan components. HPC prepared the market and economic feasibility evaluations and assembled the final report.

This report is not a static or fixed concept and plan. Rather, it is intended to be a dynamic document which will provide a flexible base for ongoing iteration and revision as implementation proceeds.

This final report contains eight sections. After an introduction, Section 2 presents a market overview. Section 3 presents a site analysis, Section 4 presents a preliminary development program, Section 5 presents a selected scenario for development,

Section 6 fixes on a selected concept plan showing interrelationship of all project elements and development phasing, Section 7 deals with a written documentation of the rationale behind the development concept and a related strategy for managing the properties and Section 8 presents a final position on phasing and economic projections including a cash flow model of the project over 10 years.

Section 2

MARKET OVERVIEW

A fundamental consideration in evaluating the outlook for the Oita Resort community is the size and quality of available market support and the supply of competitive facilities. This section of this report examines these critical forces.

For purposes of this analysis, the market position of the resort hotel and its amenities is projected by examining the share of the available business required for profitability and the following market support elements:

- Resident population within 50, 100, and 150 kilometers and its demography, particularly home ownership
- Tourist visitation to Oita Prefecture and the Oita City/Beppu coastal area
- Capacity, occupancy, and physical context of the hospitality industry
- Golf and marina infrastructure in the Prefecture.

The market position of the retirement community is primarily a function of the available upper income segmented older population (above retirement age 60). For purposes of this analysis, the market area is defined by:

- A primary segment which is the number of households headed by persons above 60 years of age and within 150 kilometers of the site.
- A secondary segment which is the same age breakdown from greater distances. It is classified as a secondary force because Japanese retirees, lacking a particularly advantageous climatic locale like a Florida or Southern California, will tend to prefer locations not too distant from friends, family, and pre-retirement locale.

The market support forces behind the golf course, marina and supporting retail and other enhancements in the resort are generally derived from tourist visitation to the Oita City/Beppu coastal area and residents within 50 kilometers of the site. The number and quality of competitive facilities is also a determinant of the market opportunity.

The amenity center for the development is conceived as a hybrid element drawing market support from the resort community, the spa hotel, the local resident population and tourism reaching the vicinity of the site.

These various forces are assessed in the following paragraphs.

Resident Populations

The resident market is delineated as follows:

1. The local expanded metropolitan area which includes the cities of Oita, Beppu, and Usa as follows:

	<u>1989 Population</u> <u>(0 0 0)</u>
Oita City	396.9
Beppu City	130.3
Usa City	<u>51.8</u>
	579.0

2. Primary resident population within 50 kilometers which is approximated by the population in Oita Prefecture. Its 1989 year end population was 1.2495 million. Population of the six largest cities in the prefecture (the three above plus Sakai, Hita and Nakatsu) totalled 764K. All but Hita are coastal.
3. The primary and secondary resident population essentially within 100 kilometers is approximated by adding 60 percent of the populations of Fukuoka and Kumamoto Prefectures and 25 percent of Saga Prefecture to the Oita Prefecture population as follows:

<u>Prefecture</u>	<u>1989 Population (000)</u>	<u>Percent Allocation</u>	<u>Included Population (000)</u>
Oita	1,249.5	100	1,249.5
Fukuoka	4,742.3	60	2,845.4
Kumamoto	1,848.2	60	1,108.9
Saga	883.3	25	<u>220.8</u>
Total primary & secondary containment within 100 kilometers			4,424.6

In order to approximate the 150 kilometer containment area the remaining portions of Fukuoka and Kumamoto Prefectures and additional portions of Miyazaki, and Saga Prefectures and all of Yamaguchi Prefecture population are added to the 100 kilometer containment area as follows:

<u>Prefecture</u>	<u>1989 Population (000)</u>	<u>Percent Allocation</u>	<u>Included Population (000)</u>
Oita	1,249.5	100	1,249.5
Fukuoka	4,742.3	100	4,742.3
Yamaguchi	1,579.0	100	1,579.0
Kumamoto	1,848.2	100	1,848.2
Saga	883.3	60	530.0
Miyazaki	1,184.0	60	<u>710.4</u>
			10,659.4

In summary the resident populations in radial containment areas are approximated as follows:

	<u>Population (000)</u>
0-50 Kilometers (primary)	1,249.5
50-100 Kilometers (secondary)	3,175.1
100-150 Kilometers (tertiary)	<u>6,234.8</u>
0-150 Kilometers (Total Resident Market)	10,659.4

It is a large population - about the same number as is contained in a like area around Chicago. Its valuation as a marketplace is enhanced by the fact that its population density is relatively constant in the containment areas around the site as indicated by the following relative ratios:

<u>Area</u>	<u>Ratio Analysis</u>		
	<u>Index of Containment Physical Area</u>	<u>Index of Contained Population</u>	<u>Index of Population Density</u>
0-50K	1.0	1.0	1.0
50-100K	2.0	2.5	1.2
100-150K	5.0	5.0	1.0

A strong factor influencing the potential for retirement home ownership is the degree to which home ownership is entrenched in the resident population of a particular society. According to data from the 1989 Japan Statistical Yearbook, home ownership by the Oita Prefecture population in 1988 was 252,000 out of 386,000 dwelling units an inordinately high 65.3 percent compared to the rest of the world's advanced economies. In the 150 kilometer containment area the home ownership percentage is as follows:

<u>Prefecture</u>	<u>Percent in Containment Area</u>	<u>Private Home Ownership (000)</u>	<u>Total Households (000)</u>	<u>Percent Ownership</u>
Oita	100	252	386	65.3
Fukuoka	100	800	1,477	54.2
Yamaguchi	100	332	506	65.6
Kumamoto	100	360	539	66.8
Saga	60	104	142	73.2
Miyazaki	60	<u>152</u>	<u>221</u>	68.8
		2,000	3,271	61.1

The tradition of home ownership in the 150 kilometer containment area is a strong 61.1 percent. This factor coupled with high personal savings and high income characteristics in the Japanese economy augers well for the future of a modernized retirement home industry in Oita and elsewhere in Japan. It remains only to supply the right product in the right place to tap this very large, latent and undeveloped segment of the Japanese home building industry.

Another strong force in the outlook for a retirement housing enclave is the age stratification of the resident population. Oita Prefecture population is 18.55 percent above age 60. In the 150 kilometer containment area, the age level of the population above 60 years is computed as follows:

<u>Prefecture</u>	<u>Total Households 1988 (000)</u>	<u>Percent in Containment Area</u>	<u>Households in Containment Area</u>	<u>Population Percent Above 60 Years</u>	<u>Households Headed By The Over 60 Group (000)</u>
Oita	386	100	386	18.55	71.6
Fukuoka	1,477	100	1,477	15.18	224.2
Yamaguchi	506	100	506	18.72	94.7
Kumamoto	539	100	539	18.54	99.9
Saga	236	60	142	18.28	26.0
Miyazaki	<u>368</u>	60	<u>221</u>	17.01	<u>37.6</u>
	3,512		3,271	16.71	554.0

Thus, it is apparent that the 150 kilometer containment area has 554,000 households headed by persons over 60 years of age out of a total household count of 3.512 million. In an income context, the top 20 percent is 110,800 upper income households. The 1,000 home five year development plan outlined in Section 4 of this report needs only to absorb 200/110,800 or 0.18 percent of this upper income segment each year, a very nominal requirement if the product is right. If 75 percent of sales are from the 150 kilometer containment area and 25 percent from outside the area, the required annual market absorption is only 0.14 percent of the available upper income householders in the 150 kilometer containment area.

The Overnight Visitor Market

The most important element of the visitor market is overnight tourism to Oita Prefecture. It can be approximated by estimating hotel room usage as shown in **Table 1**, Overnight Visitation to Oita Prefecture. Using known room inventories and rational estimates for occupancy, average stay time, party size, and the percentage of visitors in hotel rooms, an estimate of 6.3 million overnight visitors is computed.

As a comparison, 1988 overnight visitors to the prefecture are estimated at 6.53 million in the 1989 outline of the Kyushu Economy (see Table 3 page 2-). Among the seven prefectures of Kyushu Mainland and Yamaguchi, it is second only to Fukuoka which has a reported 10.1 million overnight visitors. The growth rate for Oita overnight tourism in recent years is:

Table 1
OVERNIGHT VISITATION TO OITA PREFECTURE
1988

1.	Total Number of Hotel Rooms:	
	Western Hotels	5,116
	Japanese Inns	<u>19,782</u>
		24,898
2.	Estimated Average Annual Occupancy Rate:	
	Western Hotels	65
	Japanese Inns	45
3.	Total Occupied Rooms Per Night:	
	Western Hotels (5,116 x .65)	3,325
	Japanese Inns (19,782 x .45)	<u>8,902</u>
		12,227
4.	Average Stay Time - Weighted Average:	
	$\frac{(3.3 \times 1.6) + (8.9 \times 2.1)}{12.27}$	1.95 days
5.	Average Party Size (estimate)	2.20 persons
6.	Persons Overnight:	
	$\frac{12,227 \times 3.65 \times 2.2}{1.95}$	5.04 million
7.	Percent of Overnighters in Hotels/Inns	80%
8.	Estimated Total Tourism	6.29 million

Source: Harrison Price Company.

	Overnight Visitors (millions)	Growth Rate (Percent)
1986	6.308	-----
1987	6.182	(2.0)
1988	6.530	5.6

As shown in **Table 2**, a similar series is tabulated and computed by the Tourism Promotion Section of the Oita Prefectural Government. It shows overnight tourism in Oita Prefecture at 8.04 million in 1979, essentially flat to 8.46 million in 1989.

For purposes of this analysis, the smaller series for overnight visitation is used as a basis for projection. Thus the total market (Oita overnight visitors plus residents) is estimated as follows:

50 Kilometer Resident Market + Overnight Tourism (1.25 + 6.53)	7.78 million
100 Kilometer Resident Market + Overnight Tourism (4.42 + 6.53)	10.95 million
150 Kilometer Resident Market + Overnight Tourism (10.66 + 6.53)	17.19 million

At the 17 million level, the total resident overnight and visitor market is slightly larger than the equivalent markets in Toronto and San Francisco, both slightly below the 17 million level. Oita is a major market.

Total Visitation (Overnight and Day Visitors)

The large number of day visitors to the prefecture is tabulated in Table 2. The total of day and a larger series for overnight visitors is summarized as follows:

<u>Year</u>	<u>Day Visitors (millions)</u>	<u>Overnight Visitors (millions)</u>	<u>Total Visitors (millions)</u>	<u>Growth Rate Over Previous Year (%)</u>
1979	30.77	8.04	38.81	2.6
1984	32.29	7.73	40.02	0.7
1987	35.81	8.29	44.10	0.9
1988	36.28	8.54	44.82	1.6
1989	37.34	8.46	45.80	2.2

Unlike overnight visitation which is flat, day visitation is growing. This may be due to the overage and obsolete character of much of the hotel product offered to the market.

Table 2

TOURISM DATA FOR OITA PREF.

1. NUMBER OF TOURIST AND EXPENDITURE

(UNIT : MILLION PERSON, BILLION YEN, ¥)

YEAR	NUMBER OF TOURIST						AMOUNT OF CONSUMPTION		
	A DAY VISITOR	PERCENTAGE	OVER NIGHT VISITOR	PERCENTAGE	TOTAL VISITOR	COMPARISON WITH PREVIOUS YEAR	AMOUNT	COMPARISON WITH PREVIOUS YEAR	PER CAP (YEN)
1979	30.77	79.3	8.04	20.7	38.81	102.6	159.0	106.2	4,096
1984	32.29	80.7	7.73	19.3	40.02	100.7	204.9	109.1	5,120
1987	35.81	81.2	8.29	18.8	44.10	100.9	231.2	103.2	5,243
1988	36.28	81.0	8.54	19.0	44.82	101.6	235.3	101.8	5,250
1989	37.34	81.5	8.46	18.5	45.80	102.2	240.4	102.1	5,248

2. NUMBER OF TOURIST BY REGION

(UNIT : MILLION PERSON, ¥)

REGION	'84	'87	'88	'89	PERCENTAGE	'89 / '88	'89 / '84
BEPPU CITY	11.76	11.98	11.99	12.14	26.5	101.3	103.3
OITA REGION (OITACITY)	5.77	7.07	7.36	7.60	16.6	103.3	131.6
KUSU REGION	5.22	6.91	7.13	6.70	14.6	94.0	128.4
HITA REGION	4.81	4.95	5.00	5.22	11.4	104.4	108.6
USA, KUNISAKI REGION	4.29	4.60	4.53	4.77	10.4	105.4	111.1
NAKATSU, YABAKEI REGION	3.39	3.39	3.33	3.61	7.9	108.3	106.5
DOONOGAWA REGION	1.77	2.26	2.24	2.37	5.2	105.5	133.9
KENNAN REGION	1.40	1.62	1.81	1.94	4.2	107.3	138.5
USA REGION	1.61	1.32	1.43	1.45	3.2	101.2	90.2

The Day Visitor group is a plus in the market but hard to capture. It is five times the size of the overnight market which means that it affords an opportunity for substantial exposure of the Oita Sunrise City community development to the excursioning public. The day visitor number is contaminated by heavy duplication and substantial non-recreational travel but it nevertheless indicates a great mobility of the visiting public and access to a large potential market.

Total tourism by destination within the prefecture is also shown in Table 2. This data demonstrates the importance of the coastal plain within the total Oita Prefecture tourist movement (about two to one) as follows:

	<u>1989</u> <u>Visits</u> <u>(millions)</u>	<u>Total</u> <u>Tourism</u> <u>Percent</u> <u>Distribution</u>
<u>Coastal Areas</u>		
Beppu City	12.14	26.5
Oita City Area	7.60	16.6
Usa Area	1.45	3.2
Nakatsu-Yabakei Region	3.61	7.9
Usa-Kunisaki Region	<u>4.78¹</u>	<u>10.4¹</u>
Total	29.58	64.6%
<u>Inland Areas</u>		
Kusa	6.70	14.6
Hita	5.22	11.4
Oonogawa Region	2.37	5.2
Kennan Region	<u>1.94</u>	<u>4.2</u>
Total	16.23	35.4%

Nearby Oita City, Beppu City, and the Usa-Kunisaki regions adjacent to the site account for 54 percent of the total tabulated visitation in Oita Prefecture.

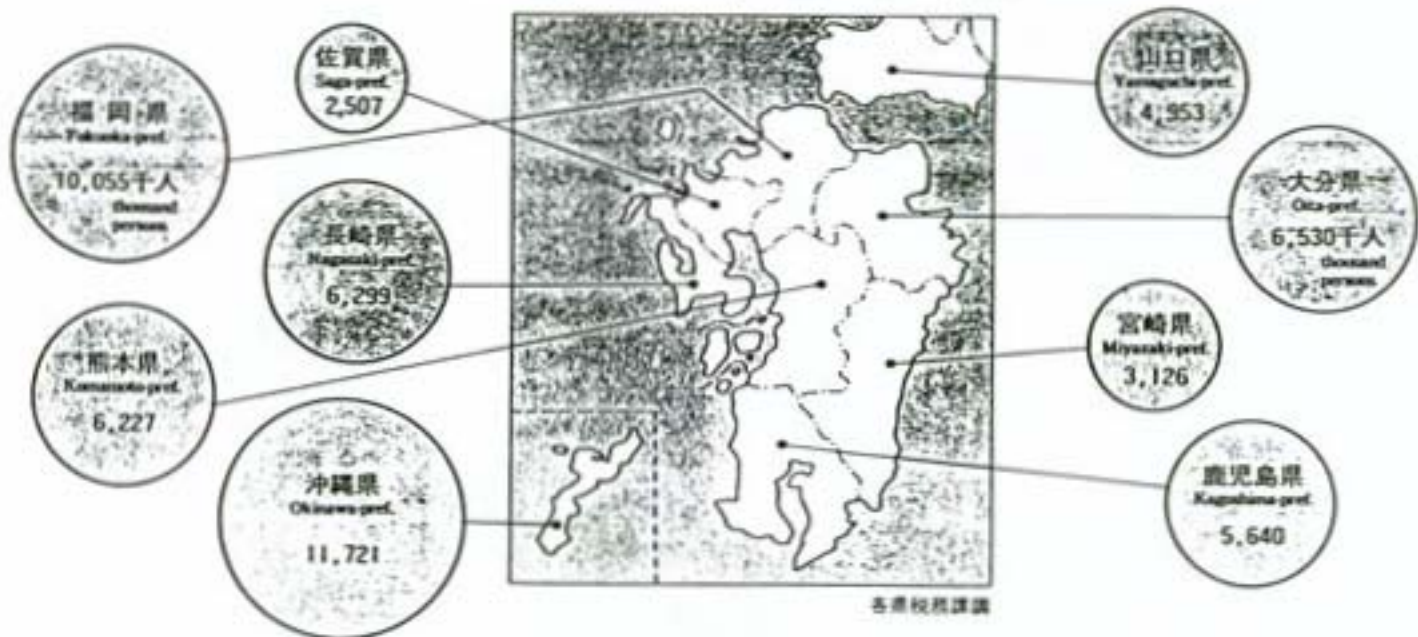
Total visitors to 5 key resort areas in Oita Prefecture are shown in **Table 3**, accounting for about 60 percent of the total movement in the prefecture (27 million out of 45 million). The mountain city visitor activity in Kokonoe and Yufuin is growing rapidly. The larger coastal activity in Beppu, Oita, and Usa is quite flat. A need for new product on the coast is indicated.

¹ Includes nearby cities of Aki (227K), Ketsuki (385K), Kunisaki (207K), and Hiji (248K).

Table 3

県別宿泊客数 (昭和63年度)

Overnight Visitors by Prefecture (F.Y. 1988)



主要観光地の入込客数
Visitors to Main Resort Areas

(単位 千人)
(thousand persons)

別府	1975	1980	1982	1983	1984	1985	1986	1987	1988
別府	12,035	12,174	12,423	12,006	11,757	11,774	11,857	11,977	11,991
九重	3,073	4,172	4,767	5,058	4,727	6,079	6,346	6,384	6,574
大分	4,375	2,770	2,625	2,723	2,742	3,096	3,176	3,208	3,316
湯布院	1,500	1,850	2,251	2,380	2,546	2,724	2,870	3,082	3,255
宇佐	2,521	2,264	2,241	2,316	2,252	2,850	2,560	2,565	2,464

Origin of total 1989 tourism in Oita Prefecture is shown in **Table 4**. Its key numbers:

<u>Generated From</u>	<u>Millions</u>	<u>Percent</u>
Oita Prefecture	12.48	27.2
Fukuoka	14.81	32.3
All of Kyushu	34.32	74.9
Chugoku Area	3.12	6.8
Shikoku Area	2.23	4.9
Kinki Area	2.16	4.7
Kanto Area	2.46	5.4

Clearly, the greatest visitor market potential for Oita Sunrise resort community is located close by in Kyushu. It accounts for 75 percent of visitation.

Also shown in Table 4 is means of transportation, summarized for 1989 as follows:

	<u>Millions</u>	<u>Distribution (Percent)</u>
By Auto	27.15	59.9
By Bus	<u>11.70</u>	<u>25.8</u>
	38.85	85.7

As shown in **Table 5**, overnight visitors from foreign countries have increased rapidly but are still a small number in comparison to total overnight visitors (66,933 out of 6.5 million or 1.0 percent). In 1989, total number of foreign visitors have increased by 35.9 percent compared to the previous year. Visitors from Korea where traveling abroad had been deregulated have increased 259.5 percent compared to the previous year.

The four top foreign nationality visitors in 1989 were Korea 23,133, Hong Kong 9,841, Taiwan 7,971, and the U.S.A. 7,304.

As shown in **Figure 1**, Number of Tourists By Month, total visitation (day visitors plus overnight visitors) has a relatively even flow. The average month is 45.8 million divided by 12 or 3.82 million. May, July, August, October and November are above the average. August is the high month (5.8 million); December and February are the low

Table 4

3. THE ORIGIN OF THE TOURIST

(UNIT : MILLION PERSON, %)

ORIGIN	'79	'84	'87		'88		'89	
			VISITOR	PERCENTAGE	VISITOR	PERCENTAGE	VISITOR	PERCENTAGE
OITA PREF.	13.39	12.30	13.29	30.2	13.00	29.0	12.48	27.2
FUKUOKA PREF.	11.99	13.35	14.84	33.8	14.54	32.4	14.81	32.3
OTHER PREF. IN KYUSHU	4.90	7.97	6.71	15.2	7.16	16.0	7.03	15.4
KYUSHU AREA	30.28	33.62	34.84	79.0	34.70	77.4	34.32	74.9
CHUGOKU AREA	1.75	2.09	3.01	6.8	2.87	6.4	3.12	6.8
SHIKOKU AREA	1.54	1.13	1.71	3.9	2.25	5.0	2.23	4.9
KINKI AREA	2.71	1.41	2.11	4.8	2.00	4.5	2.16	4.7
KANTO AREA	1.38	1.19	1.68	3.8	1.87	4.2	2.46	5.4

4. TRANSPORTATION OF VISITORS

(UNIT : MILLION PERSON, %)

TRANSPORTATION	'79	'84	'87		'88		'89	
			VISITOR	PERCENTAGE	VISITOR	PERCENTAGE	VISITOR	PERCENTAGE
AUTOMOBILE	18.30	20.48	25.18	57.1	26.48	59.1	27.15	59.3
BUS	11.36	12.52	12.51	28.3	11.50	25.7	11.70	25.5
RAILWAY	7.13	4.50	4.38	9.9	4.71	10.5	4.76	10.4
SHIP	0.95	0.86	1.00	2.3	1.00	2.2	1.04	2.3
PLANE	0.56	0.53	0.56	1.3	0.58	1.3	0.67	1.5

Table 5

5. SCHOOL EXCURSION TRIP - EXPENDITURE

(UNIT : MILLION PERSON, BILLION YEN, ¥)

YEAR	NUMBER OF TOURSIT						AMOUNT OF CONSUMPTION		
	A DAY VISITOR	PERCENTAGE	OVER NIGHT VISITOR	PERCENTAGE	TOTAL VISITOR	COMPARISON WITH PREVIOUS YEAR	AMOUNT	COMPARISON WITH PREVIOUS YEAR	PER CAP (YEN)
1979	1.15	63.8	0.66	36.2	1.81	105.9	5.2	111.3	2,854
1984	1.00	65.3	0.53	34.7	1.53	74.2	4.9	79.4	3,181
1987	0.95	64.7	0.52	35.3	1.47	109.2	5.7	115.0	3,868
1988	0.94	64.5	0.52	35.5	1.46	99.7	5.6	99.2	3,850
1989	0.95	65.1	0.51	34.9	1.45	99.5	5.8	103.2	3,993

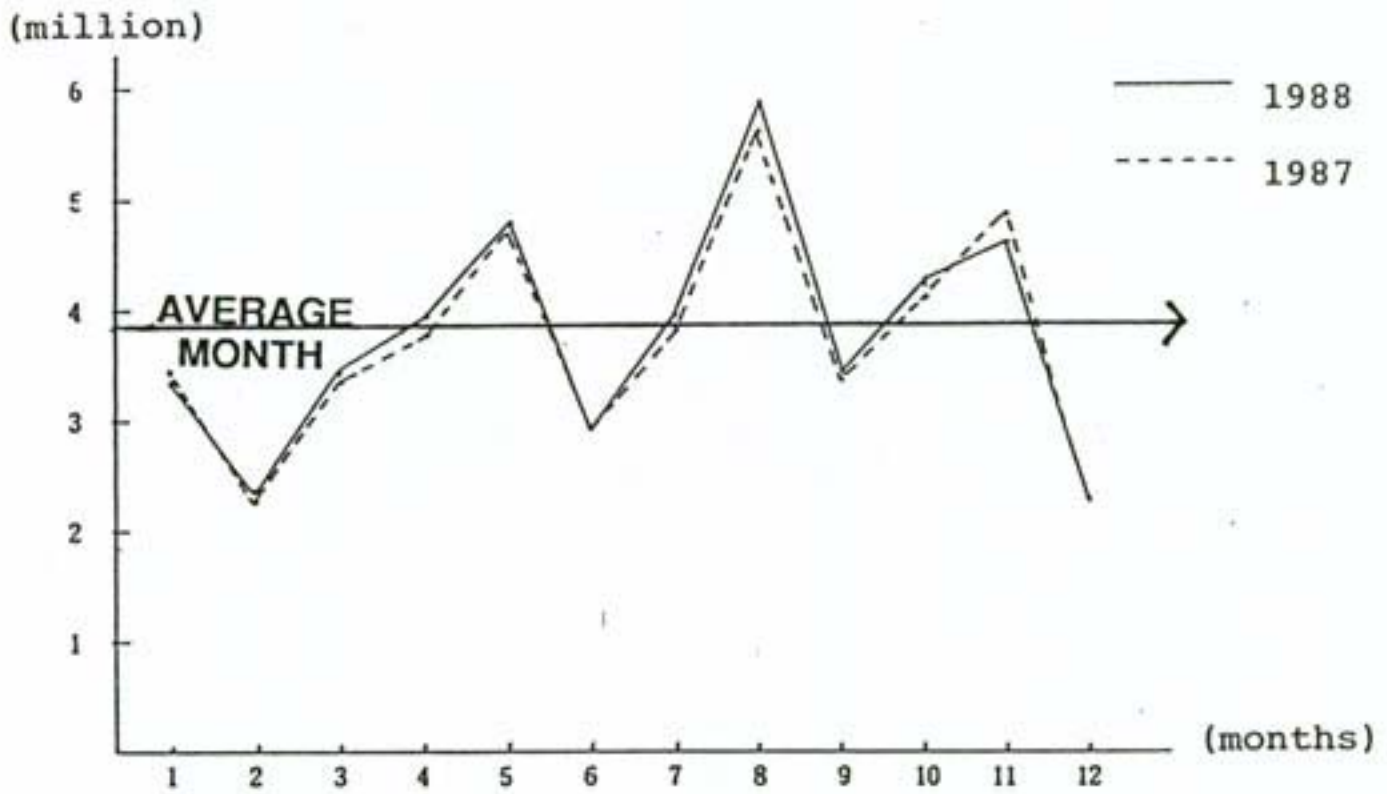
6. TOURIST FROM ABROAD

(UNIT : PERSON, ¥)

YEAR	A DAY VISITOR	PERCENTAGE	OVER NIGHT VISITOR	PERCENTAGE	TOTAL VISITOR	COMPARISON WITH PREVIOUS YEAR
1987	41,985	46.7	47,984	53.3	89,969	92.7
1988	40,638	46.1	47,482	53.9	88,120	97.9
1989	52,781	44.1	66,933	55.9	119,714	135.9

Source: Tourism Promotion Section of Oita Prefecture Government.

Figure 1
NUMBER OF TOURISTS BY MONTH



Source: Tourism Promotion Section of Oita Prefectural Government.

months (2.3 million). In the aggregate, the seasonal characteristic of the visitor market is quite favorable, compared to other leisure industry markets in Japan.

The Hotel Industry

The location of hotels by district within Oita Prefecture and their numbers and room counts are shown in **Figure 2**, and **Table 6**, Number of Lodging Facilities in Oita Prefecture.

The total room count as of December 1988 was 24,898 of which 5,116 are Western-style (20.5 percent) and 19,782 are Japanese-type inns (79.5 percent).

By numbers of inns and hotels, the competition to this development nearby the site is tabulated as follows:

<u>District</u>	<u>Western-Style Hotels (Number)</u>	<u>Japanese Inns (Number)</u>	<u>Total (Number)</u>
3 - Hiji	3	31	34
4 - Beppu	14	581	595
5 - Oita	<u>30</u>	<u>358</u>	<u>388</u>
Nearby Subtotal	47	970	1,017
Total Prefecture	72	1,612	1,684
Nearby Units as a Percent of Total	65.3%	60.2%	60.4%

Thus, it can be concluded that 60 percent of the overnight visitation business in Oita Prefecture is close by the site and that these primary facilities in the trade are drawing in excess of 4 million overnight visitors per year (6.53 million times 60.4%). As outlined in Section 4, the proposed project contains a 200-room spa inn. At a desired stabilized occupancy of 65 percent it must draw as follows:

Number of Rooms	200
Occupancy Per Room	2.0 persons
Average Stay	2.5 days
Number of Days	365
Occupancy	65%
Required Number of Visitors/Year	70,000

Figure 2

LOCATION OF THE PUBLIC HEALTH ADMINISTRATION

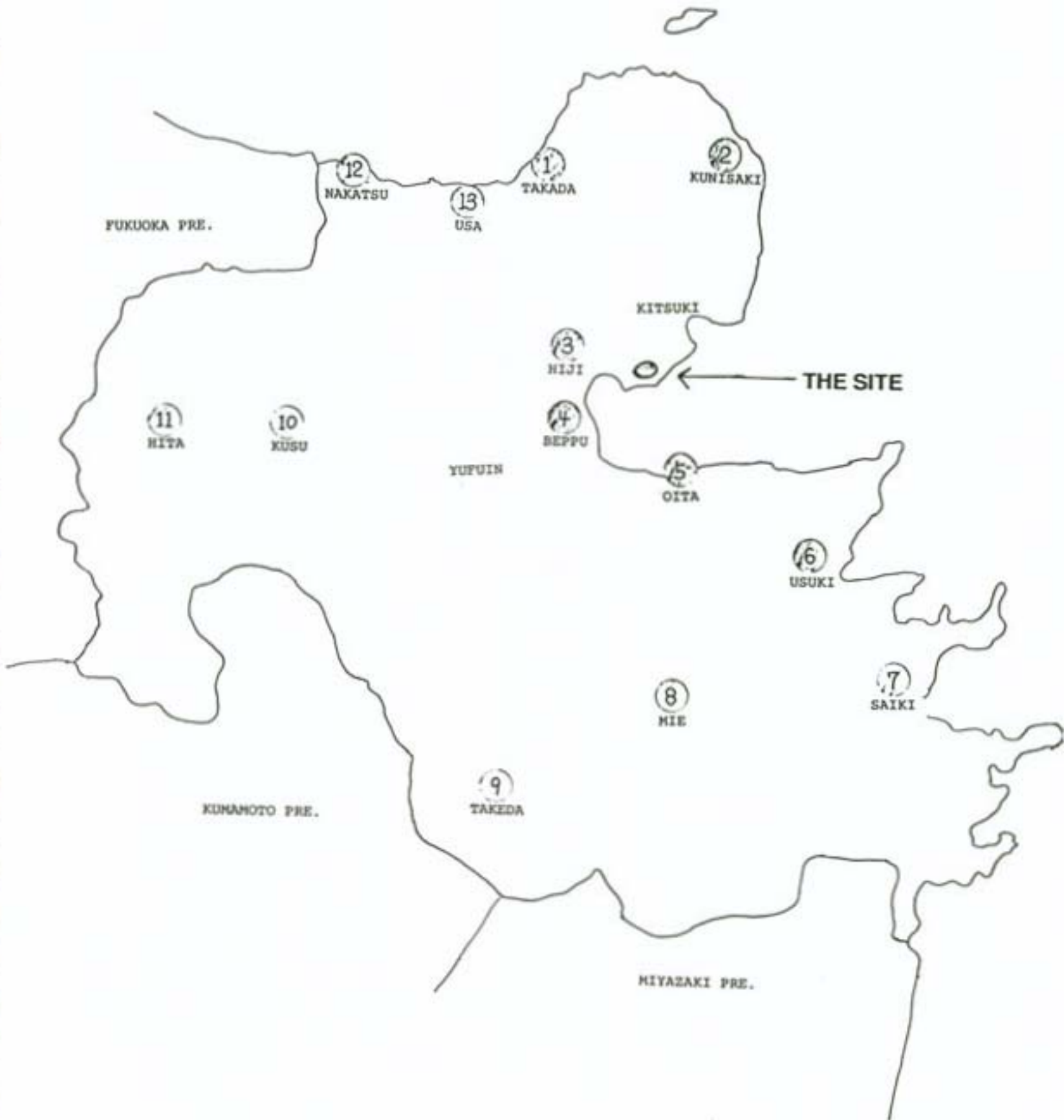


Table 6

NUMBER OF LODGING FACILITIES IN OITA PREF. (AS OF DEC. 31, '87)

NO.	DISTRICT OF PUBLIC HEALTH ADMINISTRATION†	HOTEL	JAPANESE TYPE INN	CHEAP LODGING HOUSE
①	TAKADA	1	24	8
②	KUNISAKI	-	58	6
③	HIJI	3	31	3 (SUNRISE CITY RESORT SITE)
④	BEPPU	14	581	4
⑤	OITA	30	358	18 (INCLUDING YUFUIN)
⑥	USUKI	5	48	12
⑦	SAIKI	7	109	13
⑧	MIE	-	37	4
⑨	TAKEDA	2	51	3
⑩	KUSU	-	107	26
⑪	HITA	3	95	7
⑫	NAKATSU	4	71	16
⑬	USA	3	42	4
	TOTAL	72	1,612	124
	(ROOMS)	(4,981)	(19,944)	
	TOTAL AS OF DEC.31 '88	76	1,588	
	(ROOMS)	(5,116)	(19,782)	

† THERE ARE 13 DISTRICT OF PUBLIC HEALTH ADMINISTRATION IN OITA PREF.

Source: Public Health Almanac.

Thus, the percentage of the present nearby inn and hotel business required in the Sunrise Village resort hotel and spa is 70,000 divided by 4 million or 1.75 percent. Achievement of this nominal level of market penetration is a function of the quality of the presentation and its effective marketing. It is a small percentage of the total activity.

A factor which influences any judgement on the risk of achieving this market penetration is occupancy of inns and hotels in the nearby market area.

Occupancy data for 15 major inns and hotels in the Beppu/Oita City areas is tabulated in **Table 7**. These 15 hotels account for 2,229 rooms in the area almost 20 percent of total capacity in the coastal areas around the Sunrise Village site. The weighted average 1988/89 occupancy for the group is a very high 71.1 percent which augers well for any strong entry in this area.

Marinas

Existing and future marinas are shown in **Figure 3**, Location of Marinas. The industry is presently underserved with 31 boat and yacht slips at Beppu Kitahama Yacht Harbor (#1, and 30 boat slips at Oita City Marina (#2).

As shown in **Table 8**, Future Marina Plans, substantial entry in the business is being discussed by 7 entities in the Prefecture but tangible action is minimal. The Oita Sunrise site is exceptionally well positioned for an entry in this field of endeavor. Although primarily intended to serve residence in the development, it is central to hotels in Hiji, Beppu, and Oita districts and close by the largest concentration of resident population in the Prefecture. It is an accessible boating destination. Fukai Bay is conveniently accessible to hotel guests on the site and its residents.

Yachting and boating is a growing business with a great future in Japan and Fukai Bay is a superior marina site. There is no constraint except proper timing and phasing. This project should establish a base in the marina field. It will enhance the amenity and lifestyle attributes of both the retirement community and spa hotel resort.

Table 7

MAJOR HOTEL OCCUPANCY
IN THE NEARBY MARKET AREA

<u>Hotel</u>	<u>Number of Rooms</u>	<u>1988-1989 Occupancy (Percent)</u>	<u>Weight</u>
Kamenoi	88	67.7	59,576
Kijima Korakuen	71	63.0	44,730
Suginoi	586	60.0	351,600
Hotel Star	52	80.0	41,600
Shiragiku	140	87.0	121,800
Oita Dai-Ichi Oriental	100	70.0	70,000
Oita Dai-Ni	98	80.0	78,400
Oita Dai-Ichi Hotel	136	76.0	103,360
Oita Nishitetsu Grand	213	65.2	138,876
Oita Park Inn	80	86.0	68,800
Oita Regent	138	68.0	93,840
Oita Washington	230	74.0	170,200
New Gloria	95	75.0	71,250
New Hayashi	84	80.0	67,200
Miyako Inn	<u>118</u>	80.0	<u>94,400</u>
	2,229		1,585,632

Weighted Average Annual
Occupancy of the Sample is

$$\frac{1,585,632}{2,229} = 71.1\%$$

Source: Hotel Almanac, Harrison Price Company and Sumitomo Corporation.

Figure 3

LOCATION OF MARINAS (EXISTING AND FUTURE PLANS) IN OITA PREFECTURE

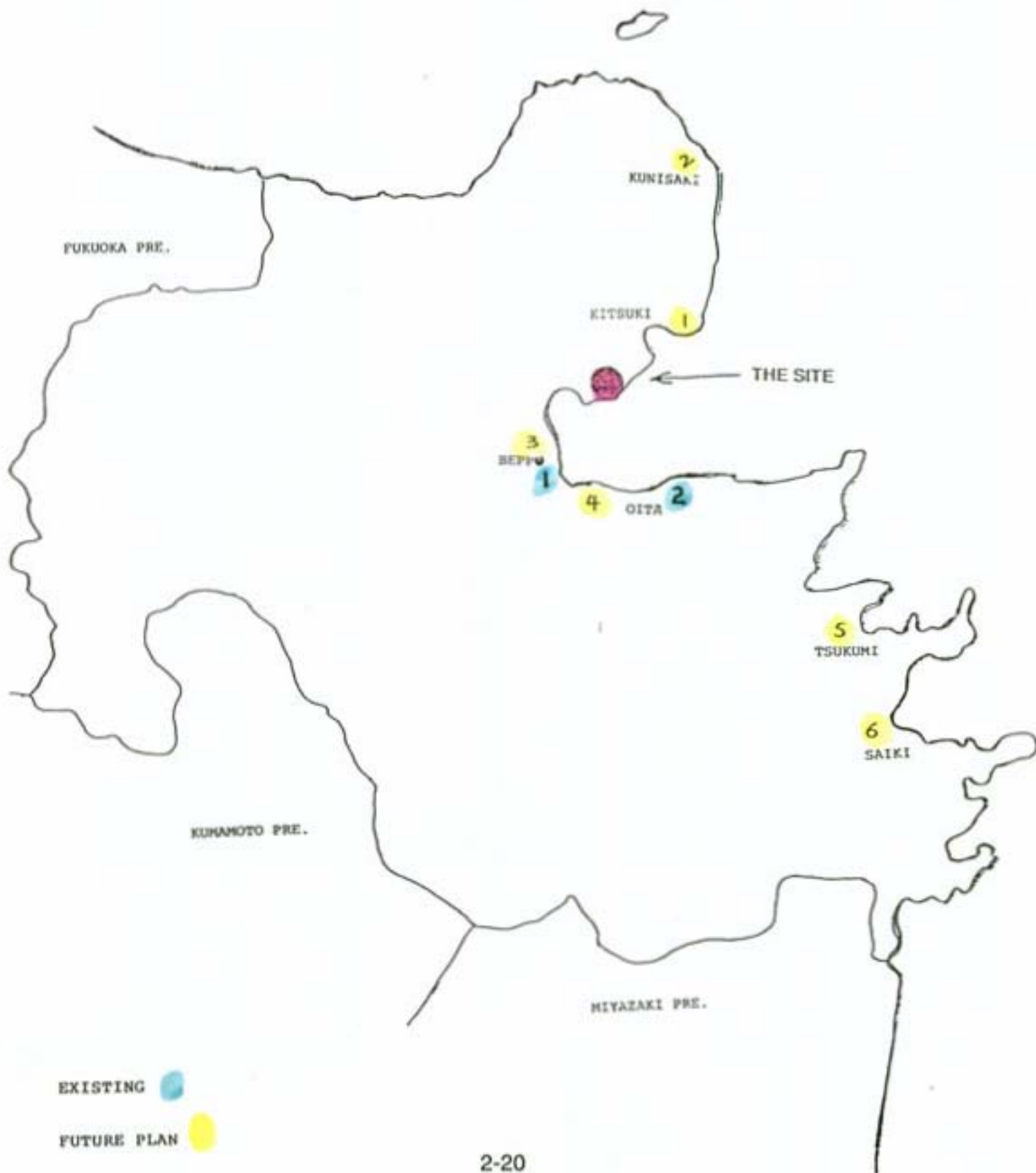


Table 8

FUTURE MARINA PLANS IN OITA PREFECTURE

<u>NO.</u>	<u>PLACE</u>	<u>DEVELOPER</u>	<u>STORAGE CAPACITY</u>
1.	KITSUKI CITY, SUMIYOSHIHAMA	SUMIYOSHIHAMA DEVELOPMENT INC.	300 (100 IN WATER, 200 ON LAND)
2.	KUNISAKI TOWN	B.F.R.	100
3.	BEPPU CITY	OITA PREFECTURE / BEPPU CITY GOVERNMENT	600
4.	OITA CITY (WEST OITA)	OITA PREFECTURE / OITA CITY GOVERNMENT	N.A.
5.	TSUKUMI CITY	SEIBU SAISON	N.A.
6.	SAIKI CITY	SEIBU SAISON	N.A.
7.	N.A.	KYUSHU HOUSING DEVELOPMENT INC.	N.A.

Source: Harrison Price Company and Sumitomo Corporation.

Golf

According to 1987 data in the Outline of Kyushu Economy, 1989, the Japanese average is 77,300 population per facility (1,588 courses, 122.8 million people). The Kyushu average, excluding Okinawa, is 85,900 population per course (155 courses, 13.3 million people). Rounds played per facility in Japan is 48,900 (77.6 million rounds, 1,588 courses). Rounds played per facility in Kyushu is 49,800 (7.72 million rounds, 155 facilities). Forty percent of the Japanese population has a strong interest in the sport according to available surveys on the subject.

Oita Prefecture presently has 21 courses. In addition, 3 are under construction and plans have been discussed for another 13 courses. Twenty existing courses are identified in **Table 9**, List of Existing Courses in Oita Prefecture. Sixteen under discussion including 3 under construction are listed in **Table 10**, List of Golf Course Developments in Oita Prefecture. As shown in Table 11, Golf Course Attendance in Kyushu, rounds played on 18 of the existing courses in Oita total 937,447 in 1989, an above average 52,000 per facility indicating that golfing is presently underserved and expansion is justified.

Market support for golf in Oita Prefecture comes from two primary sources, visitors and residents. Applying the Japanese standard to the Oita Prefecture resident population suggests a need for 16 courses¹. Adding in the additional course requirements for 6.5 million pleasure-bound overnight visitors would add 1.3 million rounds if 20 percent golf once. This 20 percent level is half of the measured national interest in golf. In turn, this is equivalent to 26 courses or a total of 42 courses². Adding to the market support for golf in Oita Prefecture is the tremendous number of day visitors circulating in the territory (about 37 million) who add the potential of a large number of additional rounds. Also significant for this specific project is the captive nature of the golf play generated in the spa hotel (which could generate 20,000 rounds per year or more) and the resort community (which eventually could generate 25,000 rounds or more in the aggregate development of 1,000 residential units).

¹ 1.2495 million resident population divided by 77,300 population/course (Japanese Standard) = 16.

² 1.3 million rounds divided by 48,900 rounds per course (Japanese Standard) = 26.

Table 9

LIST OF EXISTING GOLF COURSES IN OITA PREFECTURE

1.	Oita CC Tsukigata Course	18 Holes
2.	Oita CC Yoshino Course	"
3.	Oita Sunnyhill Golf Course	"
4.	Oita Chuo Golf Course Yokose Course	"
5.	Oita Tokyu Golf Course	"
6.	Oita Public Golf Course Jyootakio Course	"
7.	Oita Fujimi CC	"
8.	Oita President CC	"
9.	Kijima Kourakusen CC	"
10.	Hita Kokusia Golf Course	"
11.	Beppu Kokusai Golf Course Oogiyama Course	"
12.	Beppu Golf Course Toyooka Course	27 Holes
13.	Beppu Nitto Golf Course	"
14.	Beppu Wan Golf Course	18 Holes

Table 10

LIST OF GOLF COURSE DEVELOPMENTS IN OITA PREFECTURE

	<u>Location</u>	<u>Holes</u>	<u>Construction Schedule</u>
1.	Kitsuki City	18	October 1990 - July 1993 (under construction)
2.	Kuju Town	18	May 1990
3.	Hiji Town	18	1990 - 1992
3.	Beppu City	18	1991 - 1992
5.	Oita City	18	May 1989 - October 1990 (under construction)
6.	Kokonoe Town	27	1992 - 1995
7.	Kunisaki Town	18	June 1989 - October 1990 (under construction)
8.	Mie Town	18	July 1989 - October 1990
9.	Hita City	18	1990 - 1991
10.	Sanka Town	18	1991 - 1992
11.	Kokonoe Town	18	1991 - 1994
12.	Hiji Town	18	1990 - September 1991
13.	Kunimi Town	27	1991 - 1994
14.	Beppu City	18	1990 - February 1992
15.	Aki Town	18	1991 - 1993

Locations of 20 existing and 16 courses proposed or under construction are shown in **Figure 4, Location of Golf Courses in Oita Prefecture**. Of those proposed, five courses are under discussion in Hiji Town and Beppu raising the possibility that playing time for the Sunrise Resort project could be acquired by negotiation. Half of all courses (17 of 36 existing and proposed courses) are fairly close to the site.

Comparative golf attendance data is detailed in **Table 11** for prefectures of Kyushu. The data indicates that member play is very high in Oita Prefecture (77 percent) which suggests that more courses are justified to take care of high non-resident overnight and day visitor traffic in the Prefecture.

Climate

Oita Sunrise Village is the possessor of a mild, pleasant climate as shown in **Tables 12 and 13, Average Maximum and Minimum Temperatures by Months**. (The Kitsuki station is adjacent to the site.) The coldest month is February with an average maximum of 9.3° C (48.7° F). The average minimum at night is 0°C, 32°F.

Annual precipitation (**Table 14**) has ranged from 1,043mm to 1,987mm over the last decade (41.1" to 78.2"). For Japan it is a relatively dry and pleasant climate. Annual temperature peaks and minimums, worst wind conditions and maximum precipitation are shown in **Table 15** for 1988, none of which indicate serious weather problems. A real asset of the climate is the relatively high level of sunshine on the coastal plain ranging from 1,780 hours at Kitsuki to 2,050 hours at Oita City (see **Table 16**).

Summary of Market Overview

The market outlook for the proposed state-of-the-art resort community, resort spa hotel and a highly developed amenity program is decidedly favorable. To take advantage of this condition, the development should have the size and scope to give it critical mass and a concept which is talked about all over Japan. Its target is the burgeoning retirement market and its focus is on wellness and good health in an active retired lifestyle.

Figure 4

LOCATION OF GOLF COURSES (EXISTING AND PLANS) IN OITA PREFECTURE

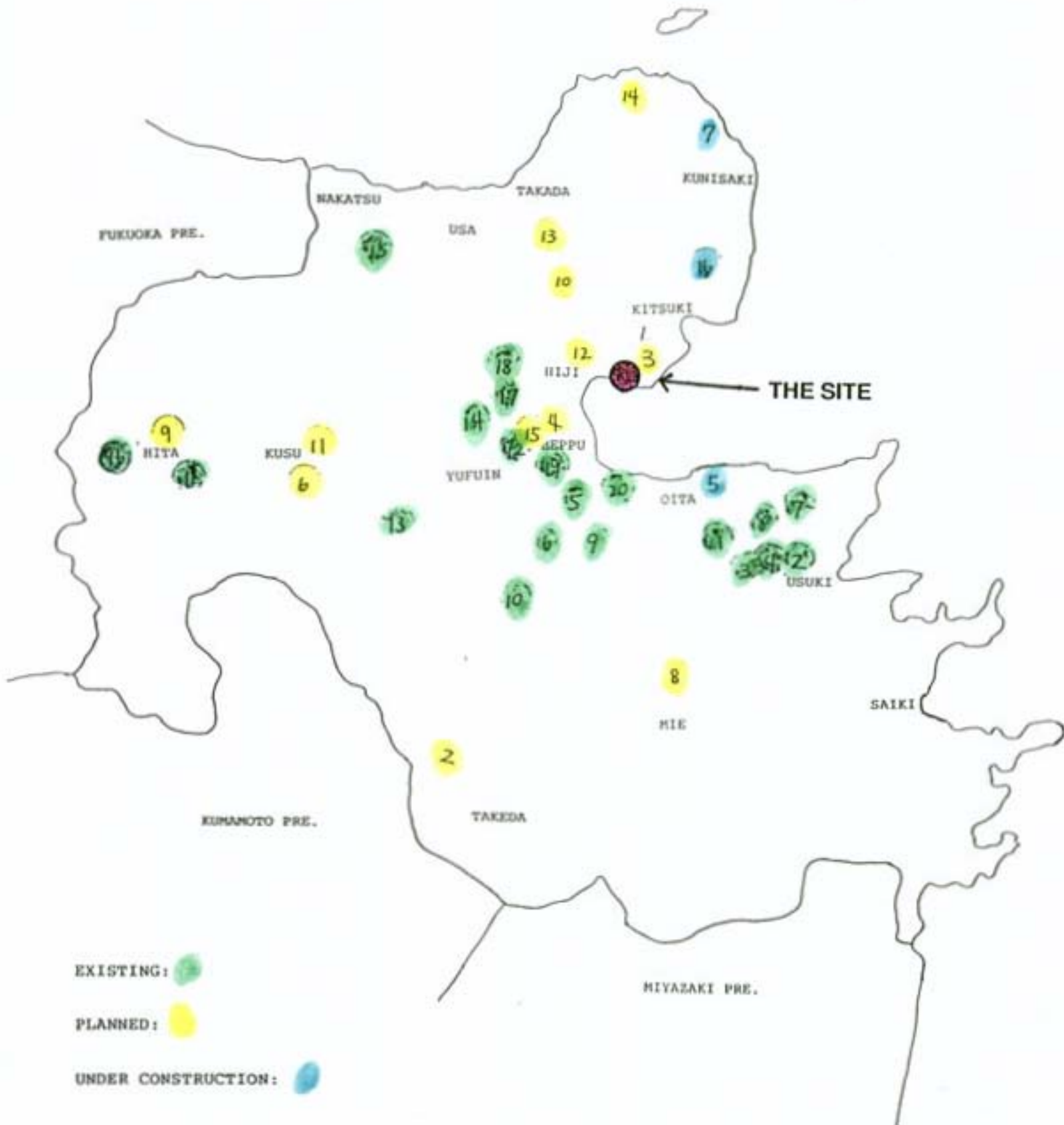


Table 11
GOLF COURSE ATTENDANCE IN KYUSHU
1989

Pref.	Number of Golf Course 1989	Number of Attendance 1989						Attendance Per Golf Course			Number of Golf Course 1988	No. of Attendance 1988	Difference Between '89 & '88		
		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total A	Member	Visitor B	B/A	Avg.			Month Avg.	A/C	Increase
Fukuoka (North)	(1) 20	(9,062) 238,342	(15,348) 327,864	(14,098) 313,426	(15,501) 328,490	(54,007) 1,208,122	(25,498) 347,910	(28,509) 860,212	0.72	60,743	5,062	(1) 20	(27,003) 1,091,092	1.08	90,026
Fukuoka (South)	21	278,859	377,010	361,842	375,325	1,393,036	486,010	927,028	0.67	66,335	5,528	21	1,316,749	1.06	76,287
Saga	(2) 10	(10,586) 102,004	(31,121) 161,102	(33,076) 159,389	(27,104) 145,725	(101,887) 568,220	(17,333) 159,379	(84,554) 408,841	0.70	58,292	4,858	8	439,919	1.06	26,414
Nagasaki	15	136,202	177,058	174,742	177,412	665,414	232,079	433,335	0.65	44,361	3,697	15	601,533	1.11	63,881
Oita	18	183,891	243,183	250,459	259,914	937,447	215,310	722,137	0.77	52,060	4,340	18	844,150	1.11	93,297
Kumamoto	(2) 23	(9,595) 290,950	(12,873) 396,552	(12,463) 419,469	(28,594) 408,895	(63,525) 1,515,666	(16,838) 373,081	(46,687) 1,142,585	0.75	69,150	5,762	(1) 22	(11,071) 1,313,475	1.11	149,737
Miyazaki	8	154,454	156,844	144,083	166,856	622,237	141,170	481,067	0.77	77,780	6,482	8	578,647	1.08	43,590
Kagoshima	(1) 18	(11,196) 267,450	(12,810) 290,622	(11,685) 278,135	(13,432) 309,856	(49,143) 1,146,083	(9,709) 240,140	(39,434) 905,923	0.79	64,525	5,377	(1) 18	(31,636) 1,028,553	1.10	100,003
Okinawa	7	171,963	170,013	157,408	169,845	669,029	289,082	399,947	0.60	95,576	7,965	7	625,190	1.07	43,839
Total	(6) 140	(40,439) 1,824,115	(72,150) 2,300,248	(71,322) 2,258,953	(84,651) 2,341,918	(268,562) 8,725,234	(89,378) 2,444,161	(199,184) 6,281,073	0.72	63,109	5,259	(3) 137	(69,710) 7,839,308	1.09	687,074

Note: Numbers in () refer to golf courses which became members of Kyushu Golf Federation after January 1988.

Source: Kyushu Golf Federation.

Table 12

**AVERAGE MAXIMUM TEMPERATURE BY MONTHS
1988**

(UNIT °C)

	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	AVERAGE
KITSUKI	10.7	9.3	11.3	17.4	21.4	24.5	28.1	28.6	25.9	21.7	15.3	11.9	18.8
YUFUIN	8.2	6.4	9.2	16.4	21.7	24.2	28.0	27.7	24.3	19.5	12.5	9.2	17.3
OITA	11.2	9.7	11.5	18.0	22.3	25.5	29.2	29.7	26.5	21.9	16.1	12.6	19.5

Table 13

**AVERAGE MINIMUM TEMPERATURE BY MONTHS
1988**

(UNIT °C)

	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	AVERAGE
KITSUKI	1.2	0.0	3.2	7.3	12.9	18.2	22.1	22.0	19.9	12.7	5.6	1.0	10.5
YUFUIN	-1.5	-2.2	0.6	4.7	10.7	16.5	20.3	19.4	16.3	8.4	1.8	-2.2	7.7
OITA	2.9	1.9	4.3	9.1	14.1	19.0	23.0	22.7	20.1	13.6	7.0	2.8	11.7

Table 14
PRECIPITATION

(UNIT mm)

	78	79	80	81	82	83	84	85	86	87	88
KITSUKI	NA	1,796	1,987	1,306	1,880	1,353	1,043	1,684	1,437	1,884	1,456
BEPPU	NA	2,411	2,474	1,572	NA	1,600	NA	1,924	1,558	1,849	NA
YUFUIN	1,132	2,230	2,528	1,746	2,473	1,758	1,363	1,920	1,765	2,283	1,909
OITA	998	2,079	2,531	1,254	2,191	1,308	1,180	1,572	1,349	2,039	1,530

	88	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
KITSUKI	1,456	25	40	161	96	140	424	233	107	177	38	15	NA
BEPPU	NA	NA	NA	NA	109	180	571	321	323	142	48	32	NA
YUFUIN	1,909	36	68	189	110	198	584	224	225	203	33	29	10
OITA	1,530	22	49	178	94	204	484	135	139	180	41	4	0

NA means not available.

Source: Oita Weather Bureau.

Table 15
OTHER WEATHER CONDITIONS

'88

	MAX TEMPERATURE		MIN TEMPERATURE		MAX VELOCITY OF WIND		MAX PRECIPITATION IN ONE HOUR		MAX PRECIPITATION IN ONE DAY	
	DATE	°C	DATE	°C	DATE	m/s	DATE(TIME)	mm	DATE	mm
OITA	JUL.10	35.4	FEB.4	-4.9	NOV.29	10.1	MAY 4 (13)	36.0	JUN.2	162.0

2-31

Source: Oita Weather Bureau.

Table 16
MONTHLY HOURS OF SUNSHINE

(UNIT : HOURS)

'88

	ANNUAL TTL	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
KITSUKI	1,778.9	133.5	148.1	117.6	177.0	174.8	89.1	108.7	157.4	136.9	181.2	184.2	170.4
YUFUIN	1,490.8	100.9	127.8	98.7	167.6	166.2	84.8	106.0	113.9	99.7	152.6	135.0	137.6
OITA	2,052.3	151.6	171.2	123.5	193.2	205.5	121.5	177.3	188.7	150.4	185.0	192.2	192.2

The resident market supporting this complex of activities is substantial, approximately 10.7 million within 150 kilometers. That is the primary source for future residents and visitors to the community and its spa hotel.

Within that containment area there are 3.3 million dwelling units of which 2.0 million are privately owned. Within this area, some 554,000 dwelling units are headed by persons 60 years of age or older.

Discounting 80 percent of the market, the indicated upper income level is 110,800 households above 60 years of age. A 1,000 unit development carried out over time has a large older age, high income market from which to draw its customers.

Home ownership is strong in the containment area, 61.1 percent, about as high as anywhere in the world. It is a tradition which favors the outlook for the retirement community under consideration. Likewise, the high income character of the population in the containment area favors the creation of demand for a high quality project of the kind under consideration.

The overnight visitor market in Oita Prefecture is a robust 6.5 million, two-thirds of it on the coastal plain near the site for this development. In addition, a very large excursion and day visitor market, 6 times as large as the overnight market (37 million), provides broad market exposure and visibility for the development.

The primary source of business for the development (condo sales and hotel visitors) will come at least 75 percent from the 150 kilometer containment area. This simplifies the marketing context which can concentrate its effort on half a dozen close-by prefectures.

The hotel industry in coastal Oita is large and healthy from the standpoint of occupancy. A new type of product emphasizing a highly developed resort atmosphere could readily compete with existing facilities. It could have a qualitative edge in the marketplace. With its amenity program featuring high quality golf, marina facilities, and supporting retail in a garden-like recreational setting.

The climate condition in the coastal plain of Oita is superior to most of Japan in terms of sunshine, rainfall, and general mildness of the weather.

Section 3

SITE ANALYSIS

The Market Overview must be complemented with an analysis of the properties which are to accommodate the intended development. The HPC team conducted such an analysis at two levels of detail:

1. In view of the Hayashi Kousan Company's focus on their holdings associated with Ohga Village and Fukai Bay, the waterfront holdings were examined at considerable detail. The extent of this analysis was limited only by the amount and accuracy of the related technical information made available to the team.
2. The inland holdings represented by parcels 2 and 3 have been analyzed only to ascertain their probable future supporting role in developing a waterfront resort community on parcels 1A and 1B. Parcel 4 is dealt with as a captive source of golf course playing time for the community's residents and spa hotel visitors.

As the Market Overview responds to the Hayashi Kousan Company's stated development objectives, so does the Site Analysis reflect the need to understand how suitable the properties are for accommodating the intended development.

The concept of development for the Oita Sunrise City Resort project is centered on seven related but separate functions. They are:

1. the residential resort community
2. the spa hotel
3. an amenity center serving the community and the spa hotel
4. the marina and associated yacht club
5. the beachfront and waterfront promenade
6. possible village enhancements
7. golf course development.

Parcels 1A and 1B have been analyzed as to their suitability for development of items 1 through 6. The team invited a noted golf course architect, Mr. Robert Muir Graves to comment on the suitability of parcel 4 for accommodating golf play. His position was positive. The team reviewed the four properties from the points-of-view of access, regional setting, topography, and their suitability for development. In evaluating development potential, the team has also considered the potential benefits of purchasing additional land.

Access

A review of the regional road map indicates that none of the four properties has direct access from a major highway. Parcels 1A and 1B appear to have the best access, perhaps because they are related to Ohga Village, a working community. Access to the other three parcels is not the direct, inviting access that a developer would wish to secure for a successful development. This means that if and when the Hayashi Kousan Company wishes to consider making improvements on any of the inland parcels, the Company will have to affect possible measures to safeguard the integrity of the associated access routes.

This will be also true for the access routes to parcels 1A and 1B. The developers will have to assure that it is easy to find the planned resort community from the airport and Oita City as well, and that the travel experience to the resort community is not marred by unsightly roadside development. Steps will have to be taken to establish a clear "identity" on the regional highway system, and better entry experiences may have to be assured for parcel 1B.

Regional Setting

While in the regional context all four properties are well situated, perhaps parcels 1A, 1B and 4 are located best for their intended purposes:

- Parcels 1A and 1B are located on the waterfront on a point that is visible across the bay from Oita, and yet, also much closer to the airport than the city. The two parcels gain strong identity through their close association with Ohga Village and Fukai Bay.

- The Kakunji parcel is just upland from Beppu City, and is practically in the "backyard" of the Fukai Bay community. Any development considered there will have spectacular views of the bay and a strong association with the urban services below.

Development on parcels 2 and 3 would have to create its own identity. A good example for such effort is Castellaras near Nice in Southern France, where a non-descript hill gained special recognition when a residential developer built a walled hill-town on its slopes.

The four properties' future potential is also determined by the travel time-distances between them. If they would be close to each other, there would be a potential for transferring values through association. Such transfer of value would be possible within a 3 to 5 minute driving time. Unfortunately, the properties are quite far from each other, and therefore such value transfer through association is not likely to be achieved among the four properties. The only exception may be parcel 4, where a golf course with strong destination characteristics could be established as the joint resource clearly associated with development on the other three properties held by Hayashi Kousan Company.

Measurements of the shortest distances between the four properties reveal the following facts:

- The direct distance between the waterfront property and parcel 4 is six kilometers;
- The direct distances between the waterfront holdings and parcels 2 and 3 are five and two and one half kilometers, respectively;
- Parcel 4 is more than five "air-kilometers" from parcel 3 and seven and one half kilometers from parcel 2.

The road connection between the various parcels is quite circuitous. Considering the existing 2-lane roads, the travel-time-distances between the parcels far exceed the 3

to 5 minute travel time that would create the perception that the properties owned by Hayashi Kousan Company are practically "next door" to each other.

Topography

The properties' suitability for economical development will be strongly affected by terrain. While moderate slopes often offer excellent opportunities for creating view-sites, slopes in excess of 30 percent limit the sites' potential to residential development of very low densities, or terraced housing, built at considerable cost.

A rough measure of land available for various uses is tabulated as follows:

<u>Parcel Number</u>	<u>Gross Acres</u>	<u>Acreage Hectares</u>	<u>Percent Buildable</u>	<u>Buildable Acres</u>	<u>Acreage Hectares</u>
1A	71.0	28.5	85.9	61.0	24.5
1B	126.1	50.6	84.9	117.1	47.0
2	63.2	25.4	30.0	19.0	7.6
3	<u>34.9</u>	<u>14.0</u>	<u>80.0</u>	<u>27.9</u>	<u>11.2</u>
	295.2	118.5	72.8	225.0	90.3

In addition some of the 324 acres (130 hectares) of parcel 4 are presently available for golf course development.

Development Suitability

Parcels 1A and 1B

Analysis of the waterfront property focused on an evaluation of the site's suitability for developing a residential resort community. The inland properties have been analyzed as to their potential for accommodating probable supporting uses. The team's findings presented herein, reflect data derived from measurements from the maps furnished by the clients' office. While the land areas quoted here may not be precise, they are sufficiently accurate for the purpose of conceptual planning.

Parcels 1A and 1B appear to have 71 and 126 acres of land area, respectively, representing a total land area of 197 acres. Some of this land is unbuildable for

various reasons; parcel 1A has 10 acres of such land, while on parcel 1B there are about 9 unbuildable acres. The sum total of developable land on parcels 1A and 1B is 178 acres.

This "buildable" land represents the combination of real estate resources that Hayashi Kousan Company may wish to consider for development on its waterfront property. In addition, other land may also be acquired. The potential for resort facilities and various forms of residential development is affected by the terrain, the orientation and the accessibility of the property. The land form divides the property into potential "development parcels" that can be categorized in three groups:

1. Flat, high mesas, buildable slopes, and low land: It is easy to develop. It offers views only along its perimeters to about 100-200 feet depth. Parcel 1A has 35.8 acres of such land; on parcel 1B there are 77.0 acres of mesas. Parcel 1A has 2,312 meters of "view frontage" along the perimeter of its mesas, with 1,437 meters oriented to the sea and the remaining 875 meters overlooking Fukai Bay. Parcel 1B is blessed with 3,250 meters of ocean-view perimeter on its mesas, and 875 meters of such perimeter with less valuable "inland" orientation, representing a total of 4,125 meters of premium "frontage."
2. Buildable slopes: Still feasible to develop in the form of "terrace housing," these slopes offer excellent views if developed smartly, with attention to the views potential. On parcel 1A there are 16.2 acres of buildable slopes; on parcel 1B there are 30.1 acres of such land.
3. Low-lying valleys and waterfront shelves: These are also easy to develop, and they may hold special development opportunities, due to their small scale and distinct identity. Parcel 1A has 8.9 acres of low land, with the majority of it associated with the beach. On parcel 1B there are five small ocean-oriented valleys and two inland valleys, representing a total area of 9.9 acres.

All of these areas imply a certain form of residential use, or--in certain instances--the siting of a resort or community facility. The "mesas" will achieve their maximum development potential through a creative combination of suitable uses of land: a) the perimeters can bring special premiums through view-oriented development; and b) additional values can be generated through limited development at greater building

heights within the body of the high lands, and through the skillful application of gardens or other forms of open space.

Slopes offer opportunities for creation of "hillside developments." Properly designed, these hillside locations can serve as sites for hotels, related resort condominiums or view-oriented housing.

Most of the low-lying land on parcels 1A and 1B has a close association with the waterfront. Subject to verification of no tsunami threat, these sites invite development of recreational facilities and other forms of amenities built for the use of related neighborhoods, or the entire community.

Mr. Hayashi requested that the HPC team not feel constrained by the existing property boundaries. This open-minded approach to evaluating the development potential of the Company's land holdings has proven to be especially wise when considering the limitations inherent in the present configuration of parcel 1B. There are four areas which are not held by the Company that suggest both missed opportunities and potential liabilities to the developers. There is also an area which--if acquired--could greatly enhance the overall development potential of parcel 1B.

The northernmost of these areas (1B-1) would require the acquisition of about 19.4 acres, and would assure the high quality "entry experience" required for the success of a planned resort community.

The triangular area at the fork of the road (1B-2) measures 9.0 acres. Ownership of this parcel would create an opportunity to create a "focus," an important central place in the community.

The third area (1B-3) is a 6.8-acre, 24 meter high hill overlooking the fish ponds, Fukai Bay and parcel 1A beyond. Control of this area could facilitate the continuity which is so essential for creating a successful resort environment.

The fourth area (1B-4) that could enhance the development potential of parcel 1B is part of the headlands overlooking the entrance to Fukai Bay. Through acquisition of this property the Company could create an important presence for the parcel 1B development on the Bay, and would gain control of both sides of the harbor entrance.

This 14.1-acre addition would also represent an opportunity for development of a retail/restaurant/condominium complex on the waterfront without impacting or imposing on the traditional fishing village.

The fifth area (1B-5), required for establishing continuity within the community, measures 6.8 acres. Through this acquisition, the developer could control uses and travel experience along the main road within parcel 1B.

Parcel 1A is well defined by mostly natural boundaries. However, if the prices are right, the Company may wish to consider acquisition of additional land in two areas:

A 9.3 acre area (1A-1) would enhance the development potential of parcel 1A and would give the developers a better control of the beach environment and the associated slopes. This area includes some mesa, and some beach-oriented slopes and low lands.

These six land areas add up to 64.6 acres of additional land, representing 32 percent of the Company's waterfront holdings. The acquisition of all of this additional real property may not be feasible. However, each of these parcels of land would effectively contribute to the success of the planned resort community.

Parcels 2 and 3

The Hayashi Kousan Company refers to parcels 2 and 3 as resources that should be considered for enhancing the development potential of a residential resort community on the waterfront lands. The team had an opportunity to visit parcel 3, which serves as a site for a tree farm and nursery operation. The HPC team believes that the present use of the property would be of great benefit in the community building process, and could contribute to building a tree-shaded "garden community" on parcels 1A and 1B. Actual use of the property should be determined in the future when Oita Sunrise City has been well established as a successful development.

According to the records provided by the Company, parcel 2 measures 63.2 acres. The team did not have a chance to visit the site. Analysis of the topographic information suggests a land area with rough terrain, narrow valleys and some prominent ridges. Lacking aerial photography and more detailed information the team

had to conclude that only about 20 percent of the parcel is suitable for "hillside development." HPC must reserve further commentary, pending the availability of additional information.

Parcel 4

This large inland parcel is being considered for the development of golf play. At the request of Hayashi Kousan Corporation, Kumagai Gumi Company, Ltd. prepared a golf layout and a brief report on the costs and golf play associated with the site. While the land area has steep topography, a closer analysis might confirm the feasibility of building a golf course on such hilly terrain. Any golf course construction would certainly require considerable grading and movement of dirt. The specific problems of earth movement including the degree of rock encountered will strongly affect the cost of construction.

Mr. Hayashi solicited the team's comments regarding the possible need for acquiring further lands in order to create opportunities for golf play on parcel 4. The team is of the opinion that the feasibility of golf play would be greatly enhanced by adding some land that has less steep terrain. According to the topographic map, such land can be found on the east side of parcel 4, between the two easterly expanses of the property.

Mr. Robert Muir Graves, golf course architect, reviewed topographic conditions and their effect on the potential of golf play on parcel 4. In his summary opinion, he states that the site is "average" for Japan in its development complexity, and that with considerable grading an 18-hole golf course could be built on the site.

Section 4

PROGRAM DEVELOPMENT

The concept of the resort residence community is described as a resort environment with a life style characterized as an active retirement. This implies that a spa hotel will be created which offers an extensive amenity program in health maintenance and longevity, arts and crafts, sports, and other recreation. The resort and the community are interdependent on their need for this amenity program. The resort component of the community is its social and physical center; the residence component of the rest of the land utilizes this focus as the source of life and activity in an urban context.

Thematically, the words used to describe the physical nature of the community include:

Sunrise	Serenity
Sea	Gardens
Seaside	Leisure
Shores	Village
Cove	Port
	Harbor

The venture is also described as a "silver" retirement setting for healthy, active people of retirement age. The eventual naming and logo of the development should reflect these values and images.

The resort retirement community and its elements are conceived as a garden environment sharply contrasting to the harsh urban scene of most major cities. With its botanical gardens, greenhouses, fountains, sculpture gardens, streams and brooks, and connecting walkways it is a new breed of retirement experience. The development can offer the ambience of the Calloway Gardens in Georgia or the Sumitomo Gardens in Kyoto or the Brookgreen Gardens established by the Huntingtons in Murrell's Inlet, South Carolina.

Recommended program content for the residential/retirement community, the spa hotel, an amenity center for the community and the spa, waterfront promenade, the beach front, the marina/yacht club, and the golf course is presented in the following paragraphs. The programs presented deal with the magnitude, character, and intensity of potential development.

The Resort Community

The number of residences to be built in the project over time on parcel 1A, 1B, 2, and 3 will depend on several factors:

- market acceptance of different products
 - single family residences, townhouse, terrace housing, condos, and mid-rise condos
- how much land is committed to these different products
- how much acreage is assembled in parcels 1A & B, and the final disposition of parcels 2 and 3.
- the effect of emphasizing view development on obtainable density and other planning constraints.

A rough measure of building densities applicable to the land for a planned mix of residential products containing 25 percent single family, 50 percent townhouse/condo and 25 percent mid-rise condominiums is computed as follows:

<u>Use</u>	<u>Percent Allocation</u>	<u>Density Per Acre</u>	<u>Weight (Density X Percent)</u>
Single Family	25	4.5	112.5
Townhouse/Condo	50	12	600
Mid-rise Condo	25	32	<u>800</u>
	Weighted average		15.12 units/acre

Thus an average density of 15 to the acre or 37 per hectare is indicated for this likely mix. If 60 percent net use of land is achieved (40 percent for open space, roadways, and public areas), net land available for residence development is calculated as follows:

	Buildable Acreage	X 0.60
Parcel 1A	61.0	36.6
1B	117.1	70.3
2	19.0	11.4
3	27.9	<u>16.7</u>
		135.0

If 20 acres are deducted for supporting land use (spa hotel, amenity center, etc.), 86.9 acres are available for residential development on parcel 1; 115 acres are available on the aggregate acreage of parcels 1, 2, and 3. Thus, at an overall density of 15 units per acre, about 1,700 residential units could be built on parcels 1, 2, and 3; about 1,300 units could be built on parcels 1A and 1B. For planning purposes, this analysis recommends a master plan goal of at least 1,000 units on parcels 1A and 1B with any additional units reserved for later phases of development. The build out of this level of residential development is likely to be in the nature of a ten year program, more or less, depending on market absorption.

Analogues for comparative purposes and evaluation of concepts abound around the world and a slide show of particular examples was presented to the client separately. Outstanding examples of waterfront retirement residence communities with spa hotel support are to be found in the Algarve Coast in Southern Portugal, Cascais - west of Lisbon, at St. Paul-de-Vence in Southern France, Leisure World in Napa Valley, California, La Costa north of San Diego, California, Sun City in Phoenix, Arizona and elsewhere. La Costa is an excellent example of a project successfully mixing public access and private values in shared amenities.

The Spa Hotel

A spa hotel is included in the overall development for several reasons:

- It will draw visitors to the site and stimulate and catalyze the marketing of the resort community.
- It will provide a healthy economic force benefitting Ohga Village and its surrounding area.

- Its amenities will serve important social and recreational functions for the resort community.
- It can provide a new kind of resort product in the Prefecture which is dominated for the most part by old style, outmoded spas with declining popularity or sterile urban commercial hotels.

It is visualized as a facility mixing a modernized Japanese style spa utilizing the hot well waters available on the site and blending Western and Japanese style design treatments. It will be augmented by an extensive amenity center serving both spa and the community which will be serviced by programs in health fitness, sports, active and passive on-site recreation, and waterfront, harbor, and beach programs centered around the village and Fukai Bay.

Its design is based on low-rise, terraced construction fanning out from an operational center. Its size is set at 200 rooms in order to achieve adequate critical mass in room inventory and amenities.

Amenities in the spa in addition to those in its separate amenity center include:

- conference and special group party rooms 10,000 sq. ft.
(900 sq. meters)
- view restaurant of 175 seats 5,500 sq. ft.
(500 sq. meters)
- helipad for helicopter landing service
- parking for 200 cars.

Required site area allowing for intense landscaping, and garden development, and some expansibility in the future is 10 acres or 4 hectares.

Two relevant comparables are located in Tucson, Arizona. The Canyon Ranch is a 100-room resort spa with golf and other sports. It offers a wellness and health package as a major thrust of its resort experience. The Tucson National Resort and Spa is a 180-room facility with a similar offering.

Amenity Center

The amenity center, an expanded "club" concept, is conceived as a focus for the social life of the resort community residents and as an essential supporting infrastructure for Spa Hotel visitors. Thus it mingles public and private usage which requires a particular development and management approach to avoid conflicting interests. The main objective is qualitative--to provide a level of service and recreation which will be talked about all over Japan as a prototype for a quality retirement community.

The main elements of the amenity center are its health club and spa facilities, sports facilities (indoor and outdoor), and social center.

The health club functions include:

- hot springs, sauna, jacuzzi, herbal baths, massage
- indoor/outdoor pool
- exercise room and weights, body building
- aerobics, Judo, Kendo, Karate
- beauty aids for women
- special programs in nutrition and diet, weight control, smoking withdrawal, cardiovascular and other medical consultation (cholesterol, stress, etc.), herbal medicine, and other aspects of longevity assessment.

Recreational facilities include the following:

- 4 tennis courts (expandable over time)
- lawn sports (bowling, croquet, skeet, archery, shuffleboard, bocci ball, putting green)
- jogging and exercise courses, walking and bicycle trails and paths.

Social activity support is provided by the spa hotel conference and party room facilities. Additional social interchange is accommodated in:

- formal gardens, promenade, and outdoor party area
- arts and crafts instruction
- game room.

The amenity center can be a separate operation not run by the spa hotel. It serves the larger constantly operating community base and the more seasonal spa hotel clientele with equal concern and dedication but the needs and operating schedules of the two groups are quite different and distinct.

Aggregate area for the amenity center is 5 acres or 2 hectares laid out to accommodate some future expansion.

Depending on location factors in the final selection of a concept plan, residence elements and the amenity center will probably be connected by a van shuttle system offering fairly continuous scheduled service from defined collection points. It could also be enhanced by incorporating a thematic treatment in its design.

Waterfront Promenade

Key to the creation of an overall plan for the resort community is to establish some kind of special identity or focus in the vicinity of Ohga Village. Such a place could be readily created on the harborfront, near the planned new marina. Accessible from both the resort hotel and Ohga Village, the promenade could serve as a popular place for social interaction in the area, and a favorite vantage point to view the harbor activities.

The planned waterfront complex could serve three constituencies: it could cater to hotel guests, residents of the community, and residents and visitors to the region. A lively place on the easterly shore of Fukai Bay, the promenade would also invite visitation from future development on parcel 1A, just across the harbor entrance.

The promenade would offer facilities in the genre of the port side festival center like Granville Island in Vancouver, Ports O'Call in San Pedro, Fisherman's Wharf in San Francisco, Lahaina in Maui, Hawaii, and numerous other comparables. It would appear that Fukai Bay is sitting in wait for such a project and its rejuvenating effect.

Its specific content developed over time could add up to 1, 2, or 3 restaurants, some quick food service, and up to 15 or 20 retail outlets in the field of specialty merchandise, arts and crafts and other visitor oriented retail. It would be very much open to the public and have the ambience of art colony retailing (like Carmel, California). The improved village can provide a focus which will tighten up the fragmented character of the site on parcel 1.

Its design would feature an extensive harbor walkway and a promenade. Total retail space requirement is a nominal 4,000 to 5,000 square meters over time. Total space allocation is a reservation of 3 acres for single story retail space, parking and open space in equal amounts (1.2 hectares). Depending on location factors in the finally selected concept, a small attractive ferry boat for taking passengers across the harbor could conceivably add logistical access to the spa and selected residence areas.

Beach Front

At least two sand beaches should be developed on parcel 1 property. One could be private, administered by the yacht club or the amenity center for the benefit of spa hotel and resort community residents. One could be operated with public access for the benefit of Fukai area residents and the greater area population. Both would have parking, barbecues, picnic areas, and walkways connecting to the village.

Recreational programs offered at these beaches would include volley ball, kiting, and other beach sports.

Probable acreage commitment is on the order of 4 acres, 1.6 hectares.

Yacht Club and Marina

A marina and yacht club operated by the amenity center is a recreational option which could impart a fine flavor to the overall development. It would offer a nominal number of slip rentals primarily for smaller boats, 10 meters or less. It would offer rentals for sailboats, catamarans, power boats for fishing and recreational boating. It would have facilities for maintenance and repair. A phase 1 development of 100 slips is considered an appropriate size.

Its social function would center around a bar and refreshment area, moderate food service, and its operations would feature instruction and equipment for windsurfing and sailplaning, sculling, and a floating dock for parties.

Its acreage requirement is nominal. It is initially a small hangout for a sector of the resident community but it could expand its function over time. Parking for 50 to 60 cars would be required.

Golf Course

An 18-hole championship golf course with supporting facilities (driving range, putting green, pro shop, small club house, and snack bar) is an essential recreational amenity for the resort community and the spa hotel.

The club house and pro shop would start small--on the order of 300 square meters--but it could eventually expand.

Start times would be allocated initially in three segments; community residents, spa hotel guests, and the public (to the extent that times are available) with preference to the first two categories. As demand builds up public play could be eliminated except as a guest privilege.

Golf play on parcel 4 will add to the success of resort development on the waterfront property. However, available information suggests that the costs associated with building an 18-hole regulation golf course on the hilly site will be quite high, and that the steep terrain might not allow for creating many "golf-oriented" housing sites that could offset the high cost of golf course construction.

Mid-way through the planning process, Hayashi Kousan supplied a golf layout for parcel 4 accompanied by supporting information on tactical aspects and cost estimates associated with the development. This is a matter of sufficient importance to justify further consultation with a golf course architect and golf pro experienced in Japanese golf course construction and operation. Preliminary information on the economics of the course and club operations are reflected in the feasibility analysis in Section 8.

Summary Development Program

Basic elements of the recommended development program are listed as follows:

1. Resort community residences
 - 5 year program
 - 25 percent single family, 50 percent townhouse condo, 25 percent mid-rise condo
 - Densities; 4.5/acre on single family, 12/acre on townhouse condo, 32/acre on mid-rise condo; average density 15 units/acre
 - 1,000 units as a major goal on parcel 1, with additional units according to capacity and rate of sale in future reserve on parcels 1, 2 and 3.
 - 300 units in phase 1; 75 single family, 150 townhouse condo, 75 units mid-rise condo
 - Parking 1/unit.
2. Spa Hotel
 - 200 rooms in phase 1
 - 1,000 square meter conference capability
 - 15,000 square meter floor space for rooms, lobbies, 175-seat free-standing restaurant, retail and other supporting facilities
 - Parking for 200 cars
 - Helipad.
3. Amenity center built in Phase 1
 - 1,000 square meters in health club functions
 - Indoor/outdoor swimming pool
 - 4 tennis courts (0.4 hectare)
 - Lawn sports area (0.4 hectare)
 - Jogging and exercise courses, trails and paths--walking and cycling
 - 50 parking spaces.
4. Waterfront promenade - restaurants/shops
 - 5,000 square meters phased in 2 equal increments starting in 3rd year
 - Allowance for parking 200 cars.

Section 5

ALTERNATIVE SCENARIOS

In search for the most promising development concept to be developed on parcels 1A and 1B, the HPC project team evaluated alternative scenarios.

The two key determinants in any development concept are the development program and the suitability of the given site for the intended development. In this case, there was no need to consider variations in the program; the Hayashi Kousan Corporation has clearly stated its objective to build a community centered on a resort hotel and associated health/longevity program. However, the size, configuration, relationship and potential uses of parcels 1A and 1B suggested logical alternatives for the clients' consideration. The HPC team outlined three alternative scenarios for discussion. The assumptions leading to each scenario, the related development concepts and the associated development strategies are described below.

SCENARIO A

Assumption

The owners can round out parcel 1B by purchasing about 57 adjacent acres, in order to create the desired entry experience and the continuity required for building a community.

Concept

Build a resort hotel on the promontory of the peninsula, between a yacht club and a spa/amenity center.

Establish a community center in a central location on parcel 1B, and complement it with a community beach park.

Concentrate multi-family housing around the community center. Locate single-family housing in areas of panoramic views.

Build a waterfront promenade flanked by shops and restaurants on the harborfront.

Create a system of parks and pedestrian open spaces throughout the community.

Build a landscaped boulevard that will serve as a unifying life line for the entire development.

For the time being, leave parcel 1A undeveloped.

Strategy

Establish the new development on the land already controlled by the Corporation by building an initial phase of sufficient magnitude.

Acquire the land areas necessary for rounding out the fragmented parcel 1B, and concentrate on establishing a two-pole resort/residential community as soon as possible. One pole will accommodate overnight guests, the other one will serve the residents.

Keep parcel 1A as a "land bank," and develop it only when the community on parcel 1B is well established. Determine the future uses of parcel 1A only later, in response to new opportunities, and as the result of the success of the resort community build on parcel 1B.

SCENARIO B

Assumption

The owners are unable to acquire the missing pieces near parcel 1B in the foreseeable future.

Concept

Build a resort village on parcel 1A, centered on a resort hotel, and complemented by a spa/amenity center and the beach.

Build retirement housing clusters enhanced by ponds, parks and recreation centers on the 6-7 housing sites offered by the present parcel 1B.

Establish a ferry link, and improve road connections between the resort village on parcel 1A and the yacht club and marina on parcel 1B.

Strategy

Start building a resort village on parcel 1A, which is now ready for development. Follow it with appropriate housing "projects" on parcel 1B. Capitalize on the "destination" and values create on parcel 1A when promoting the housing products built on parcel 1B.

SCENARIO C

Assumption

The owner will be able to fill the missing pieces in parcel 1B, but only in time.

Concept

Similarly to Scenario B, build a resort village on parcel 1A, and complement it with a retirement community built on parcel 1B.

Treat the two developments as complementary parts of a "larger community" which will share resources and which will be connected by road and a frequent ferry service.

In order to minimize the perceived distance between the two parcels located on the two sides of Fukai Bay, build the resort hotel and spa/amenity center near the ferry landing on parcel 1A.

Strategy

Start building the resort village on parcel 1A and begin assembling the missing parcels of land associated with parcel 1B. Concentrate on acquiring the community center site first, and begin building the retirement community when that particular parcel has been purchased.

Conclusion

It appears that Scenario B could be pursued without delay. Given that the conditions specified in the assumptions associated with Scenarios A and C can be satisfied, the other two scenarios also promise success. Scenario A is the most ambitious and it also appears to be the most promising, because it would generate added values for the Company on a larger land area, and because it would provide an opportunity for a new development project on parcel 1A, in the future.

HPC believes that the Company's choices will be affected mainly by the feasibility of acquiring additional land associated with parcel 1B.

Section 6

SELECTED CONCEPT PLAN

After due deliberation, the Hayashi Kousan Corporation selected Scenario A as the preferred alternative. Accordingly, the HPC team applied the development program to parcel 1B in form of a conceptual plan.

This section provides information about the required land acquisition, highlights the proposed development concept, tabulates the associated land use distribution, and describes the first development package. A colored diagram of the preferred development concept, **Figure 5**, is presented on the following page. It then presents an illustrative site plan for the Phase 1 development.

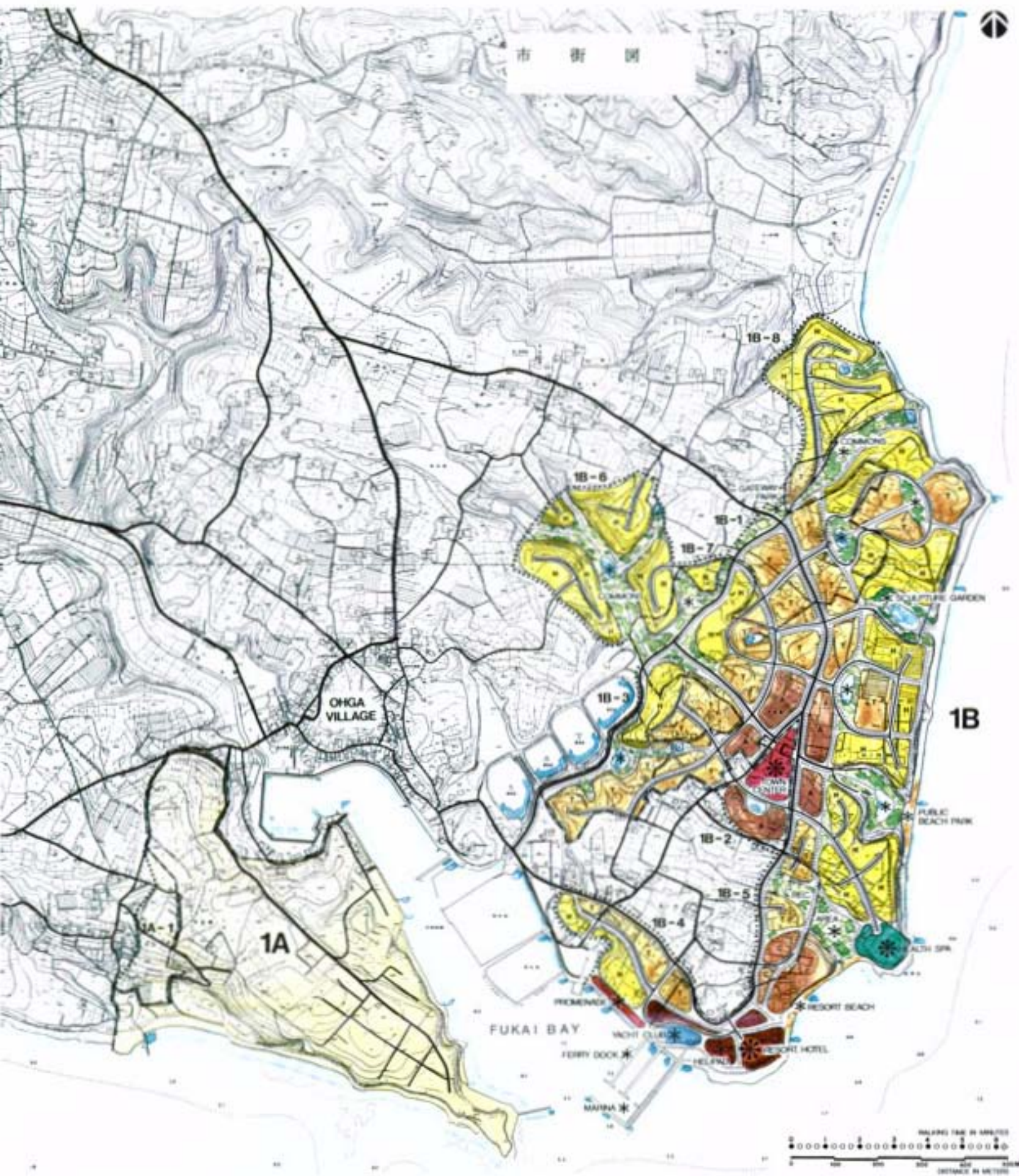
Land Acquisition

The initial site analysis suggested that the Corporation consider acquisition of five land areas required to develop a well-rounded community on parcel 1B. The five areas are discussed on Pages 3-6 and 3-7 of this document. Total land area associated with these parcels is 56.8 acres. Should the developers succeed in acquiring all of this land, the 126.1-acre site will be increased by 45 percent, to 182.9 acres. Since over 96 percent of this additional land area is suitable for development, purchase of the added land would increase the "buildable acreage" of parcel 1B from 117.1 acres to 171.7 acres. The extent, configuration, and orientation of the resulting land area would provide an excellent site for achieving the developers' objectives.

The five parcels (Parcels 1B-1 to 1B-5) suggested for acquisition were discussed with the clients' representatives on October 9th, as part of a joint work session held in Sumitomo Corporation's Los Angeles offices. At that time Mr. Abe classified the additional land areas according to potential availability for purchase. The three categories were "possible," "difficult," and "very difficult."

Mr. Abe also outlined additional areas for possible northward expansion of the Corporation's holdings, that are suitable for development and might be available for purchase. These three areas are marked 1B-6, 1B-7, and 1B-8 on the preferred

Figure 5



OITA SUNRISE CITY RESORT COMMUNITY

LAND USE CONCEPT AND LAND MANAGEMENT STRATEGY

HAYASHI KOUSAN CORPORATION

SUMITOMO CORPORATION - PROJECT PROPONENT

HARRISON PRICE COMPANY - ECONOMIC PLANNER

ADAM KRIVATSY/INTRA - LAND PLANNER

DAVID A. PRICE ASSOCIATES - ATTRACTIONS ARCHITECT

LEGEND

- PROPERTY BOUNDARY
- ADDED AREA
- MAJOR ROAD
- SECONDARY ROAD
- PEDESTRIAN WY
- 1B-0 PARCEL DESIGNATION
- WATER FEATURE
- HOMES
- TOWNHOMES
- APARTMENTS
- CONDOS
- TOWN CENTER

PREFERRED
DEVELOPMENT
CONCEPT

NOVEMBER, 1990

development concept. They represent a total land area of about 46 acres, with nearly 30 acres (64 percent) suitable for residential development.

The potential uses of this land are illustrated on the diagram depicting the preferred development concept. However, since the additional acreage is not required for achieving the developers' objectives, the associated statistical information is not reflected in this section nor are related figures shown in the financial model. Only the ratio of different housing types (housing mix) reflected in the plan acknowledges the possibility of single family housing to be built in areas 1B-6, 1B-7, and 1B-8.

Development Concept

The preferred development concept envisions a resort/retirement community of nearly 1,180 households centered on a 200-room spa hotel/conference center. The resort and the community are both enhanced by a shared spa/amenity center, extensive recreation facilities, and a small, multi-purpose "town center." The plan also provides for a small marina for pleasure craft, an associated social club (the "yacht club"), an extensive system of parks, greenways and paths, a waterfront promenade which creates an inviting environment for shopping and dining with a view of the harbor entrance, and two beaches. One of the beaches is convenient for resort guests, the other is associated with the community park.

The southern end of parcel 1B is committed to resort uses. This places the main attraction and its landscaped environment on the most visible site at the tip of the peninsula and highly visible to boatsmen and the Hydrofoils arriving from the airport or Oita.

Hotel guests will find here conveniences not offered in other resort development in the region. To the west, visitors will be able to walk down to the marina and the associated waterfront shopping/dining promenade. To the north, in 6-7 minutes walking time, is the colorful working waterfront of Ohga Village with its fishing vessels, busy people, and drying nets. To the east, guests can walk down to the resort beach and to the spa/amenity center beyond. The valley next to the beach offers the variety of outdoor recreational opportunities envisioned by the developers. Further to the north, guests will be able to mingle with residents in the family atmosphere of the small town center, or walk on to the community beach park and the sculpture garden.

While resort guests will enjoy nearly a kilometer of waterfront and the 270 degree panorama offered by the most prominent point of the peninsula, residents will still have 1.3 kilometers of beaches to roam and miles of landscaped trails to enjoy. The hub of local activities will be the town center with all the conveniences a community must have for wholesome living.

The strongest link between the residential/retirement community and the resort will be the spa/amenity center and its related recreational facilities. In addition, as the vacationing hotel guests will stop by the town center, so will the local residents enjoy occasional visits to the beautiful vantage point and festive atmosphere that the resort hotel will represent.

The proposed circulation concept is simple: it envisions the central, tree-lined boulevard as the "life-line" of the community. This will be the artery which has the potential for shuttle service, with the average home being no more than 3 minutes walking distance away, and nobody living further than 7 minutes walking time from a transit stop. A new connector road planned along the southern perimeter of the fish ponds provides easy access to the harbor side of the community from the northeast waterfront environment. Several connector roads planned along a northwest-southeast alignment facilitate easy "cross town" circulation.

Arrival experience and entries to the community will be enhanced. A gateway park will greet people arriving from the north, and a view of the harbor will mark the entrance from Ohga Village. The community's long, eastern waterfront will be articulated by four open spaces devoted to recreation, cultural purposes, sculpture and informal uses of neighborhood commons. The only "hard edges" along the waterfront will face Fukai Bay, and will serve the marina and a waterfront promenade.

It is expected that as the visitors and residents will be interested in paying visits to Ohga Village, so will the various facilities built for the new community benefit the local community. The new community is carefully programmed and planned to become a complementary partner to Ohga Village by serving its residents.

Land Use Distribution

The proposed land use distribution is the result of an application of the preliminary development program featured in Section 4 to the expanded, 182.9-acre site. In keeping with contemporary planning practices, higher intensity development is planned near the town center and along the main transportation routes. Single-family detached homes are planned along the perimeters of the development.

The major activity centers: hotel, spa/amenity center, town center and other community-serving facilities are planned as "destinations" within the community. These facilities will offer more than the mere convenience associated with their functions: they also provide scenic vantage points and opportunities for social interaction.

The following **Table 17** reflects the land use distribution illustrated on the preferred development concept.

First Development Package

In keeping with the principles established in Section 4 of this document, the developers will have to establish the presence and identity of the planned resort community by building a certain number of facilities within the first development phase. Summarized from pages 4-8 and 4-9 of this report and considerations of required critical mass, the early development will necessarily include:

1. Resort community residences
300 units: 75 single family homes, 150 townhouse condos, 75 mid-rise condos
Parking: 1 space/unit

2. Spa Hotel
200 rooms
1,000 square meter conference space
175-seat, free-standing restaurant
Retail and other supporting facilities
Parking for 200 cars
Helipad

Table 17
LAND ALLOCATION

<u>Uses</u>	<u>Area In Acres</u>	<u>Per Cent of Total</u>
Single Family Homes	61.6	33.7
Town Homes	46.6	25.5
Multi-Family Dwellings	<u>9.6</u>	<u>5.2</u>
Total Residential	117.8	64.4
Spa Hotel	10.0	5.5
Spa/Amenity Center & Recreation	10.0	5.5
Town Center	3.4	1.9
Shopping/Dining Promenade	1.0	0.5
Improved Beaches	4.0	2.2
Yacht Club & Marina*	1.0	0.5
Community Park	4.0	2.2
Sculpture Garden	2.0	1.1
Neighborhood Parks	<u>9.0</u>	<u>4.9</u>
Total Developed Area	162.2	88.7
Public R.O.W. and Undeveloped Open Spaces**	<u>20.7</u>	<u>11.3</u>
TOTAL EXPANDED PARCEL 1B	182.9	100.00

* Land Based Facilities

** Including Streets, Trails, Paths, Bluffs and Natural Beaches.

Source: Measurements by INTRA from map furnished by clients.

3. Spa/Amenity Center
 - 1,000 square meters in health club functions
 - Indoor-outdoor swimming pool
 - 4 tennis courts
 - Lawn sports area
 - Jogging and exercise courses, trails, and paths for walking and cycling
 - Parking for 50 cars

4. Beaches
 - Resort beach facilities with comfort station, showers, and snack bar catered by the hotel management
 - Concessions for wind surfers, umbrellas and other conveniences
 - Community beach park with associated services and concessions

5. Golf Play
 - 18-hole, 11,800 to 2,200 meter championship course and country club on parcel 4
 - Pro shop and club house of 1,000 square meters, including food and refreshment services.

The preferred development concept groups most of these elements of the first phase development on the southeast portion of the site, between the Central Boulevard and the sea. The golf course and associated facilities will be built on parcel 4. A diagram of the proposed development concept, **Figure 6**, is presented on the following page. The land use distribution of the initial development package is tabulated below.

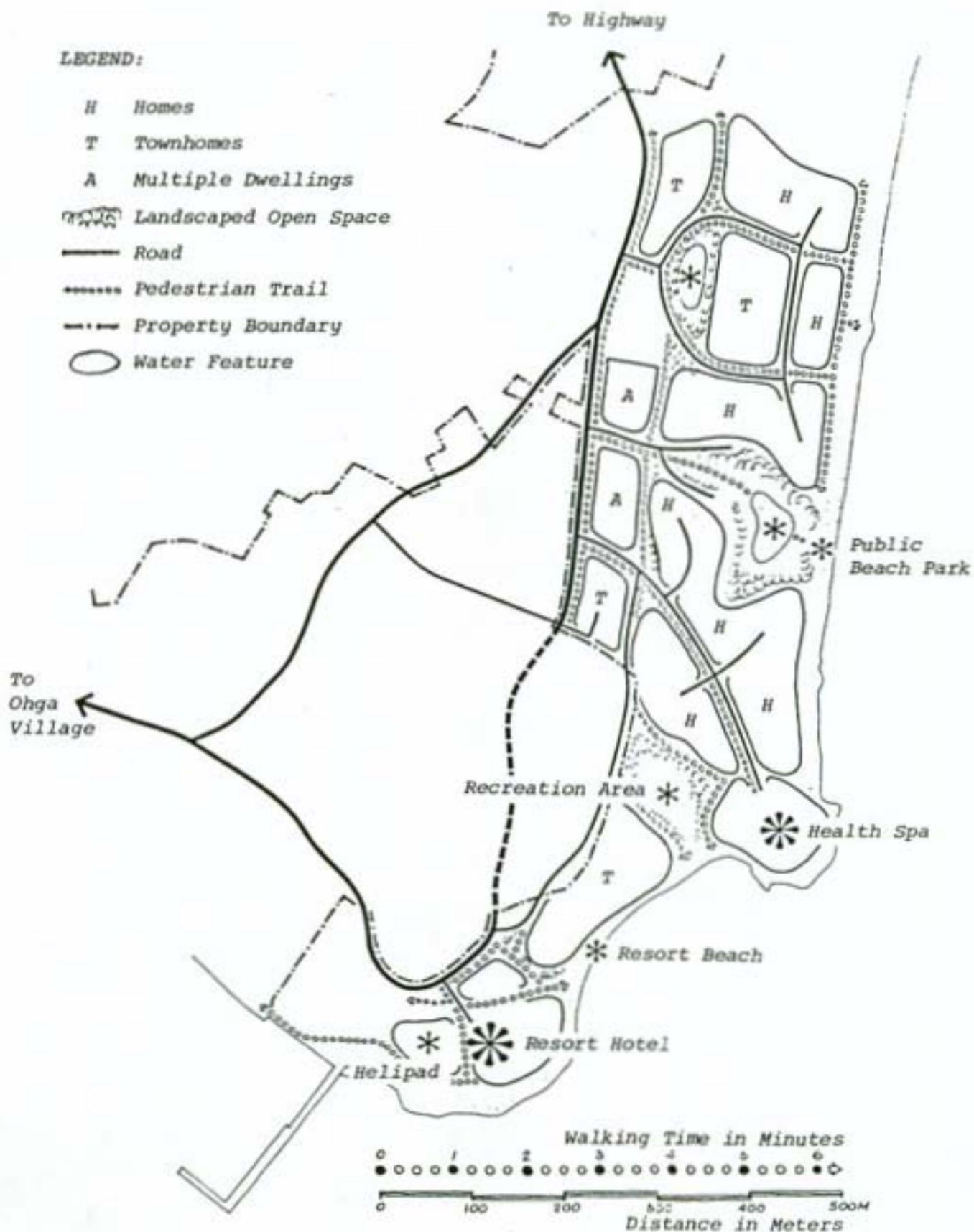
Figure 6

FIRST DEVELOPMENT PHASE



LEGEND:

- H Homes
- T Townhomes
- A Multiple Dwellings
- Landscaped Open Space
- Road
- Pedestrian Trail
- Property Boundary
- Water Feature



<u>Land Use</u>	<u>Area In Acres</u>
Single Family Homes	16.7
Town Homes	9.5
Multi-Family Dwellings	<u>2.3</u>
Total Residential	28.5
Spa Hotel	10.0
Spa/Amenity Center and Recreation Area	8.0
Community Park	4.0
Improved Beaches	<u>4.0</u>
Total Developed Area	54.5
Public R.O.W. and Open Spaces	<u>7.8</u>
Total Phase One Development	62.3

Source: Measurements by INTRA from map furnished by clients.

The first development phase was planned so that it establishes a beach head for successive development with sufficient magnitude, quality and continuity to create a memorable resort environment. Therefore the first development package **does not depend on the acquisition of any additional land.**

In view of the fact that realization of the preferred development concept will depend on acquiring a substantial amount of land associated with parcel 1B, the availability of the properties in question should be verified before a full commitment is made to the development.

ILLUSTRATIVE SITE PLAN

Key components of the illustrative site plan associated with the phase 1 development program include: the marina, promenade and waterfront shopping village, the spa hotel, the condominium and townhouse communities, and the amenity center and recreational sports park shown in **Figures 7** (illustrative site plan) and **8** (bird's-eye view).

Figure 8
BIRD'S-EYE VIEW



6-11

Figure 7



6-10

The marina and waterfront shopping village are located at the southwest end of the phase 1 site. Visitors enter the waterfront shopping village from either the marina promenade or the village plaza (see Figure 7). The plaza features a central fountain and tower clock. Thematic signs and banners, carts and public art enliven the space. The plaza overlooks the waterfront promenade and marina. Service to the shopping village is from the parking areas to the north and northeast. The marina is serviced from the promenade.

The spa hotel is located east of the marina and village. The spa hotel, shown in **Figure 9**, is a 4-5 story landmark building with tile roofs, terraced balconies, a grand hotel lobby entry. Visitor parking is provided in a secured parking structure with a helicopter pad located on the roof deck. Additional convenience surface parking is provided north of the hotel arrival drop off. Visitors enjoy the lush landscape, ponds and meandering paths between the hotel and ocean front. The spa hotel provides an important transition between the urban waterfront marina environment and the residential and landscape ambience to the north.

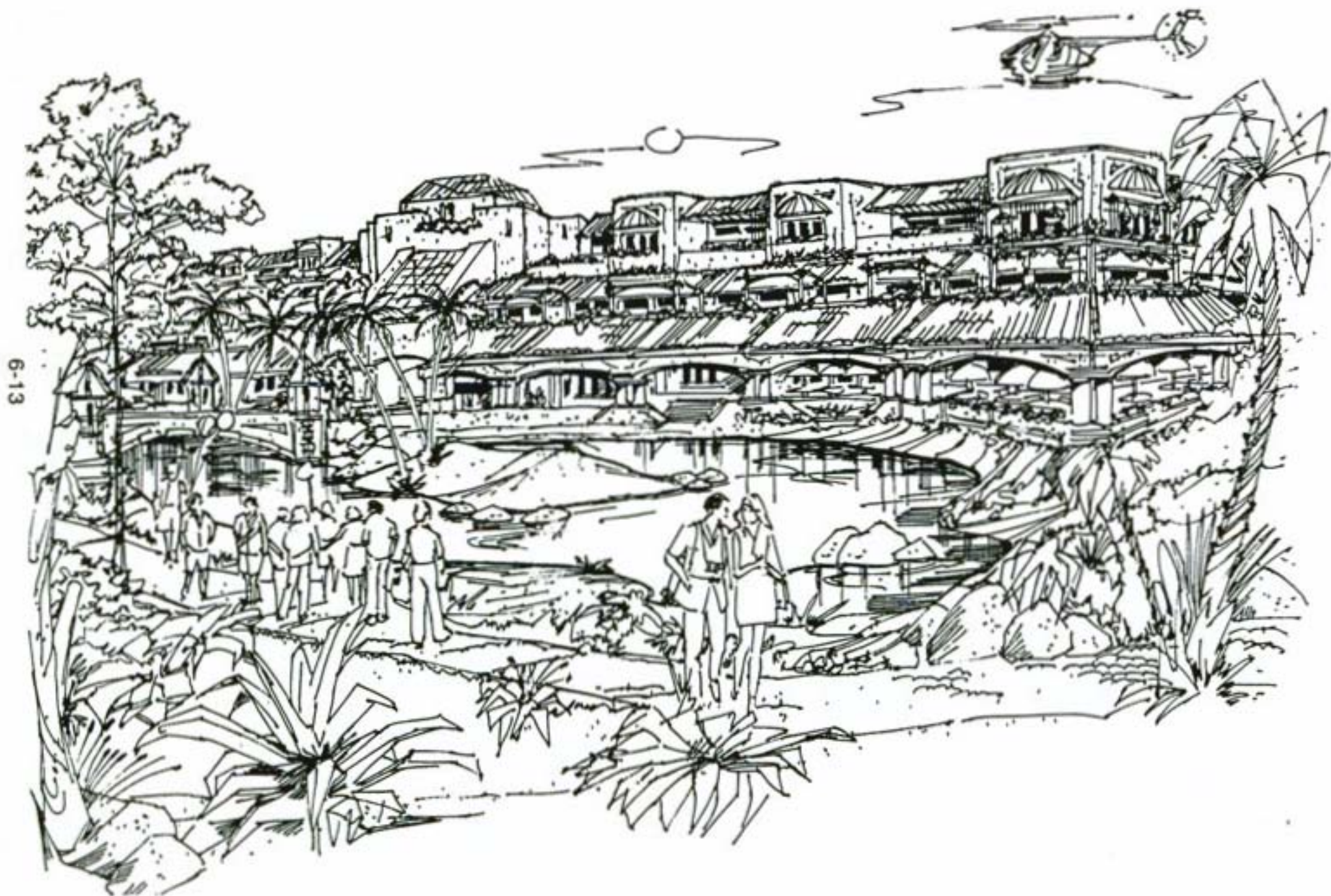
The condominium and townhouse communities immediately north of the spa hotel (see **Figure 10**) are accessed from the primary loop road at a private gated entry. Buildings are clustered into "pods" and set back to maximize ocean views and landscaping. Townhomes and condominiums also overlook the recreational areas to the northeast and are connected by paths that meander through the village "pods" and along the ocean frontage.

The swimming lagoon, amenity center and sports park are located at the northeast end of the phase 1 site (see **Figure 11**). The recreational environment combines beautiful gardens, water and panoramic ocean vistas, and contrasts with the urban setting of the marina, waterfront shopping village and spa hotel.

Waterfront Shopping Village

The waterfront shopping village, shown in **Figure 12**, is located in the southwest end of the phase 1 site and provides an important recreational, social and commercial function overlooking the yacht club, marina and the entrance to Fukai Bay. The

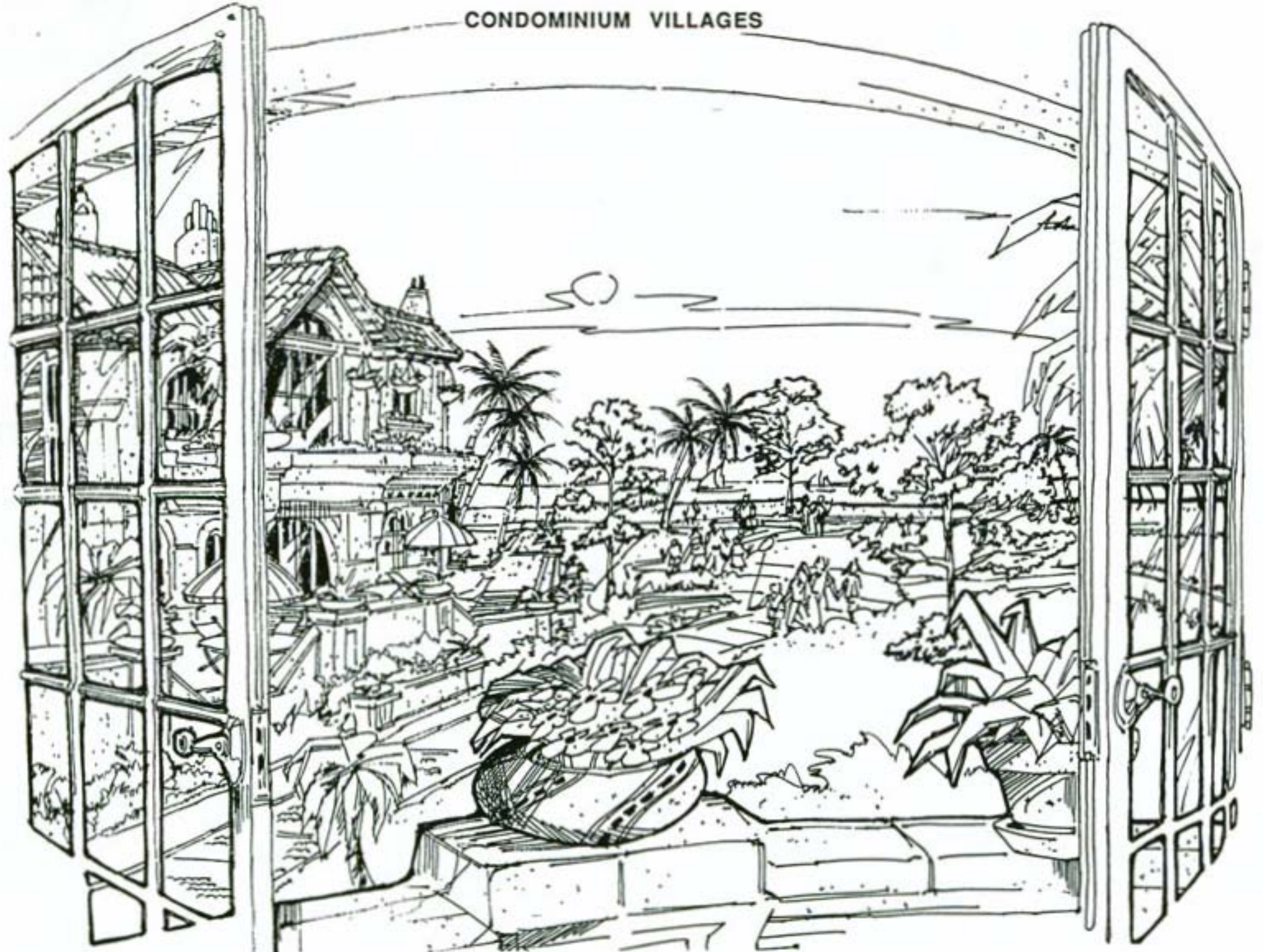
Figure 9
SPA HOTEL



6-13

Figure 10

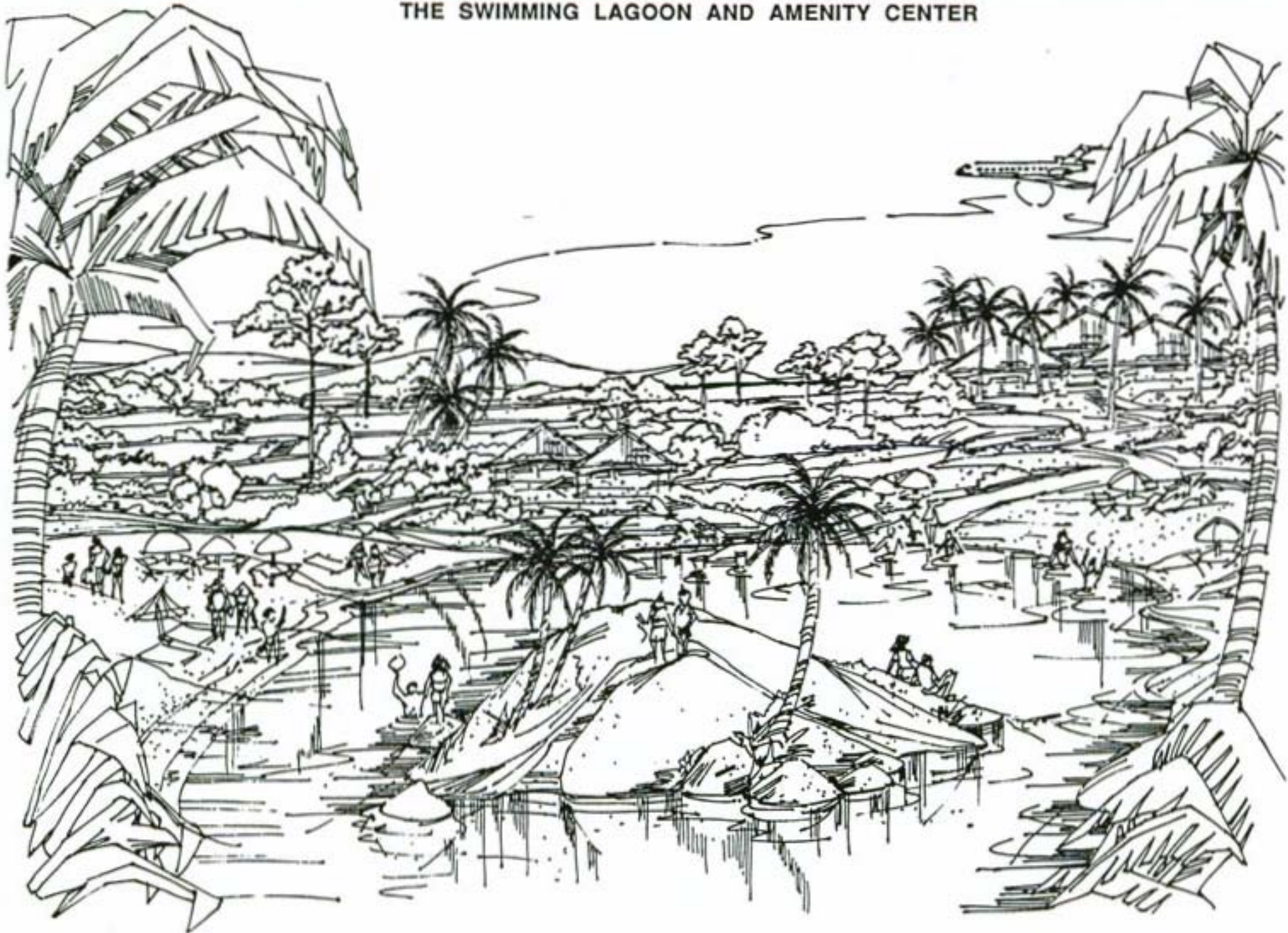
CONDOMINIUM VILLAGES



6-14

Figure 11

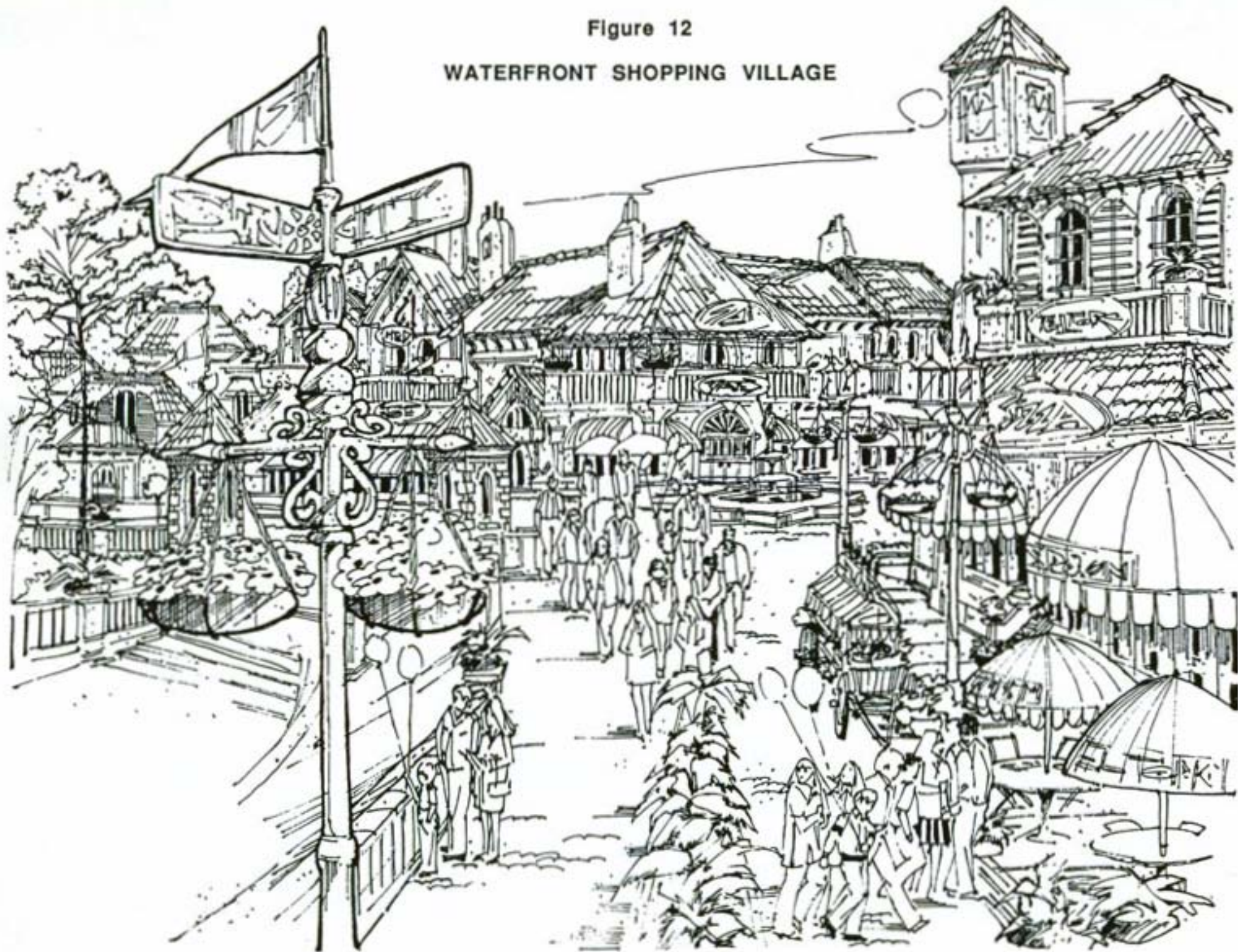
THE SWIMMING LAGOON AND AMENITY CENTER



6-15

Figure 12

WATERFRONT SHOPPING VILLAGE



shopping village is a mixed-use complex and represents an effort to provide a waterfront harbor ambience to the resort community and open up new access to the water.

A waterfront promenade originates south of the marina facilities and provides an important connection with the historic Ohga Village. The waterfront promenade is lined on one side by shops, stores, and second floor housing and provides service access to the marina and boat slips. The shopping village is adjacent to the waterfront promenade and is lined by stores, shopping carts, restaurants, and outdoor cafes and provides comfortable areas for walking, strolling and sitting. A village plaza provides pedestrian access to the marina complex from the parking areas north of the village. The village plaza is an important public space - a gathering place for the residents of the resort community within an exciting waterfront village.

A "lighthouse" and marina pavilion building are important symbolic structures within the harbor development. A stairway and banner concourse provides access to these structures and connect the village plaza and the waterfront promenade.

Spa Hotel

The spa hotel, shown in Figure 9, ties together the waterfront shopping village and marina to the west and the condominiums, amenity center and sports park to the north. The spa hotel serves as a resort landmark at the entrance to Fukai Bay with its distinctive grand hotel lobby and terraced balconies. Guest rooms and garden terraces all open on to ocean views. The hotel restaurants, meeting rooms, and lounges are located to capture ocean vistas and open on to lush gardens and ponds. Visitors can leisurely stroll near the seaside cliffs and gardens or conveniently walk to the marina and waterfront village to the west and the amenity center and recreational sport park to the northeast.

Condominium Villages

The condominium villages shown partially in Figure 10, are located north of the spa hotel and west of the swimming lagoon and amenity center. The 2-story housing development is enhanced by building set backs that maximize ocean views. The housing clusters - "pods" - are richly landscaped with private patios and meandering

walks. This unique resort residential environment offers easy access along the ocean front to the major recreational elements located at the amenity center including a variety of lawn sports, tennis courts, a swimming lagoon, and community beach front. The condominiums are also conveniently served by the spa hotel and share a private pool and recreational facility.

Swimming Lagoon and Amenity Center

The swimming lagoon and amenity center, shown in Figure 11, is located at the northern most end of the resort complex. The swimming lagoon and amenity center complex are located within a recreational greenbelt that stretches between the primary access road of the resort community to the west and the ocean front to the east. The indoor facilities of the amenity center are clustered in three buildings sited on a seaside bluff with a 270 degree ocean vista and an inland view of the swimming lagoon, tennis courts, and lawn sports. Several smaller out buildings serve the swimming lagoon area. This unique recreational environment combines a garden and water themed sports park with the seaside ambience of the resort community. In addition, its amenities serve important social and recreational functions for the resort community.

The next section of this report deals with an implementation strategy for carrying out the development of this alternative scenario.

Section 7

DEVELOPMENT STRATEGY AND ACTION PROGRAM

By electing to pursue Scenario A the Hayashi Kousan Corporation plans to acquire about 56.8 acres of additional land in the vicinity of parcel 1B. In so doing, the Corporation also has committed to concentrate its resources and energies on establishing a resort/retirement community on the expanded, 183-acre waterfront site. The 71-acre parcel 1A would be retained as a land bank, for future development. Possible uses of this land will be determined only later, when development on parcel 1B is successfully underway.

In pursuing these ambitious and noteworthy goal, the developers will want to adopt a strategy that incorporates the following factors for success:

- Availability of land areas to be acquired, with emphasis on appropriate entry experience, continuity, and a sufficient presence of the harbor entrance in the planned development.
- Assurance of one or direct access from the regional highway and transit network.
- Support of Ohga Village.
- Backing of the government agencies responsible for granting the necessary permits.
- An understanding of the regional market for golf play for the next two decades.
- A good grasp of the site conditions affecting golf course development on parcel 4.

In view of these important factors, the developers may wish to consider the following multi-prong course of action:

1. Proceed with acquiring missing land areas before any public announcement of the planned development.
2. Consider the need for offering suitable exchange properties to sellers in order to facilitate the inevitable relocation of neighboring land owners.
3. It may be useful to pursue acquisition of the desired properties under a different name than Hayashi Kousan Corporatio to protect confidentiality.
4. Use the time required for buying up needed properties to research and verify critical aspects of the development program, and to seek out potential operators and managers for the hospitality and health-services aspects of the development.
5. Invite the future operators/managers to participate in the planning process.
6. Verify the validity of the golf studies associated with parcel 4, and pursue design of a suitable golf course through a golf course architect and an experienced golf professional familiar with the region.
7. Retain a qualified traffic/transportation consultant to explore means of assuring required road, water, and air access to parcel 1B.
8. Identify the most effective means of exploring community sentiments, expectations, and possible concerns in Ohga Village regarding the planned development. Prepare a plan of action for addressing critical issues.
9. Seek out channels for effective communication with various public agencies responsible for granting permits for development on parcel 1B. Identify possible obstacles and prepare a suitable plan of action.
10. Commission retained planners to establish criteria for safeguarding the integrity of the development planned on parcel 1B, and to prepare a program for protective regulatory measures.

11. Determine appropriate, interim holding uses for parcel 1A, and proceed with putting the uses into effect.
12. Assemble a professional team of land planners, engineers, landscape architects, architects and other specialists required to planning and designing the resort community.
13. Organize the team, assign responsibilities, establish a master work program and work schedule, and work with the team to establish each individual scope of work.
14. Once the land purchase options have been assured and the terms of purchase agreements have been confirmed, prepare the necessary agreements for professional services to be supplied by the project team.
15. Commission the team to initiate the planning, engineering, and design process toward a long-range plan for parcel 1B and a specific development plan for the initial development package.

In summary, HPC recommends that the developers initiate the land acquisition process as soon as possible, and that this process be accomplished by several parallel courses of action. These complementary courses of action should be designed with two objectives:

- to clarify specific conditions affecting the subsequent planning process
- to identify circumstances and constraints which the developer must respect when seeking public support and approval of plans through the development process, and later, in safeguarding the integrity of the development.

Section 8

PRELIMINARY ECONOMIC MODEL AND FEASIBILITY ANALYSIS

This section of the report presents preliminary capital and operating budgets for the development plan articulated in Section 6. In period of time it covers the first ten years of project life starting in 1991.

Development costs for the entire project described in this report (including the off-site golf course and club house in parcel 4) are presented in **Table 18**. As shown, project costs (excluding financing and land costs) total 62 billion Yen (U.S. \$477 million). The column on the left provides prevailing base line unit costs as a Los Angeles standard dated November 1990.

Site development costs are based on current engineering estimates for a major mixed-use land development project being carried out by Lockheed Corporation with the exception of certain costs unique to Sunrise City such as residential landscaping, pedestrian pathways, town center hardscape and water features. In addition, the street costs have been tailored to match the development plan presented herein.

As to building costs, the assumed quality level of all structures is excellent as defined by Marshall and Swift Company, America's leading valuation engineers. Space allocation in the spa hotel is 800 square feet/room (74.3 square meters) which includes all front- and back-of-the-house and food service support areas. Residential units have been sized at 2,000 square feet (186 square meters) for single family, 1,800 square feet (167 square meters) for townhouse condos and 1,250 square feet (116 square meters) for mid-rise apartment condos.

The 54,000 square feet (5,000 square meters) of specialty retail has been subdivided into 3 restaurants totalling 35,000 square feet (3,252 square meters) and the balance in retail shops. In a typical specialty retail presentation the average tenant unit would contain 500 to 1,000 square feet (46 to 93 square meters). The health spa contains 50,000 square feet (4,645 square meters) and its unit cost of development is set at a

Table 18

**OTA SUNRISE CITY RESORT
UNIT COSTS AND CONSTRUCTION BUDGET**

SITE IMPROVEMENTS:	United States		Japan		Project Quantity	Project Cost (Yen)	
	\$	units	Yen (Low)	Yen (High)			units
Grading - 182.9 Ac.	2.00	s.f.	4,198	5,597	cen.	740,164	3,625,041,420
Streets:							
60' Street Paving Only	140.00	l.f.	89,544	119,302	m.	2,819	273,591,500
45' Street Paving Only	102.50	l.f.	65,559	87,412	m.	1,361	104,071,581
25' Street Paving Only	52.50	l.f.	33,579	44,772	m.	5,563	218,702,006
Curb & Gutter - both sides	22.00	l.f.	14,071	18,762	m.	9,562	156,976,820
Sidewalk - 4.5' wide - both sides	20.25	l.f.	12,952	17,269	m.	9,562	144,490,028
Street Lights (180' spacing)	3.90	l.f.	2,494	3,326	m.	9,562	27,827,709
Fire Hydrants (300' spacing)	13.35	l.f.	8,539	11,385	m.	9,562	95,256,389
Storm Drain w/ Catch Basins	100.00	l.f.	63,960	85,280	m.	9,562	713,531,000
Sewer w/ Manholes	35.00	l.f.	22,386	29,848	m.	9,562	248,735,850
Water w/ Fittings	29.00	l.f.	18,548	24,731	m.	9,562	206,923,990
Electrical w/Vaults	60.00	l.f.	38,376	51,168	m.	9,562	428,118,600
Gas	15.00	l.f.	9,594	12,792	m.	9,562	107,029,650
Telephone w/Vaults	10.00	l.f.	6,396	8,528	m.	9,562	71,353,100
Traffic Signals	130,000.00	ea	25,350,000	33,800,000	ea.	23	680,225,000
Parking - 2,000 stalls	750.00	ea	146,250	196,000	ea.	2,000	341,250,000
Landscape - Irrigated	4.75	s.f.	9,970	13,294	cen.	47,588	553,540,431
Landscape - Not Irrigated	2.00	s.f.	4,198	5,597	cen.	92,131	451,221,225
Landscape, Residential Units	5,000.00	unit	975,000	1,300,000	units	1,047	1,190,982,500
Pedestrian Way	75.00	l.f.	47,970	63,960	m.	10,130	566,918,625
Towncenter Hardscape	20.00	s.f.	41,980	55,973	cen.	3,716	182,000,000
Water Features	50,000.00	ea.	6,500,000	13,000,000	ea.	10	97,500,000
TOTAL SITE IMPROVEMENTS							10,486,267,423
BUILDINGS:							
Spa Hotel - 200 rooms @ 800 s.f. ea.	91.78	s.f.	192,642	256,857	cen.	14,864	3,340,758,876
Health Spa @ 50,000 s.f.	150.00	s.f.	314,847	419,796	cen.	4,845	1,706,250,000
Single Family Residential - 144 @ 2,000 s.f.	92.75	s.f.	194,680	259,574	cen.	26,756	5,208,840,000
Townhouse Condo - 597 @ 1,800 s.f. ea.	74.51	s.f.	156,389	208,519	cen.	99,833	15,612,737,188
Midrise Condo - 306 @ 1,250 s.f. ea.	94.18	s.f.	197,640	263,520	cen.	35,535	7,033,159,000
Specialty Retail	69.97	s.f.	146,872	196,830	cen.	3,119	534,443,917
Specialty Retail Restaurants @ 6,750 s.f. ea.	129.16	s.f.	271,109	361,478	cen.	1,881	595,033,995
Club House (Golf)	102.97	s.f.	216,139	288,186	cen.	929	234,264,724
Club House (Social/Yacht)	-67.94	s.f.	206,959	275,946	cen.	929	224,314,846
TOTAL BUILDINGS	78.60						34,479,802,546
RECREATIONAL AMENITIES:							
Hotel FF&E and Inventory	25,000.00	room	4,875,000	6,500,000	room	200	1,137,500,000
Golf Course - Championship Class IV	200,000.00	hole	39,000,000	52,000,000	hole	18	819,000,000
Course Excavation @ 110,000 c.y. / hole	825,000.00	hole	160,875,000	214,500,000	hole	18	3,378,375,000
Tennis Courts - Lighted & Fenced	35,600.00	ea.	6,942,000	9,256,000	ea.	4	32,396,000
Pools	50.00	s.f.	104,949	139,932	cen.	1,022	125,125,000
Lawn Sports Facilities	50,000.00	allow	9,750,000	13,000,000	allow	1	11,375,000
Boat Slips	5,400.00	slip	1,053,000	1,404,000	slip	100	122,850,000
Sculpture Garden	200,000.00	allow	39,000,000	52,000,000	allow	1	45,500,000
Beach Improvements	2.00	s.f.	4,198	5,597	cen.	4,047	19,819,800
TOTAL AMENITIES							5,891,940,800
TOTAL HARD CONSTRUCTION COST							50,658,010,769
SOFT COSTS (%)							
Architecture & Engineering	0.05	h.c.	0.05	0.05	h.c.		2,532,900,538
Legal & Accounting	0.02	h.c.	0.02	0.02	h.c.		1,013,160,215
Permits & Fees	0.02	h.c.	0.02	0.02	h.c.		1,013,160,215
Taxes & Insurance	0.01	h.c.	0.01	0.01	h.c.		506,580,108
Developer's Overhead	0.05	h.c.	0.05	0.05	h.c.		2,532,900,538
Retail Lease Up	0.05	rent	0.05	0.05	rent		12,600,000
Marketing Expenses	0.05	s.p.	0.05	0.05	s.p.		3,700,000,000
TOTAL SOFT COSTS							11,311,301,815
TOTAL PROJECT COSTS BEFORE FINANCING							61,969,312,584

Abbreviations:

1. c.y. = cubic yards
2. c.m. = cubic meters

3. s.f. = square feet
4. cen. = centares, or square meters

5. l.f. = lineal feet
6. m. = meters

7. h.c. = "hard" construction cost.
8. s.p. = sales price

SOURCE: Harrison Price Company

value which will allow the creation of a unique facility not now available in the coastal prefecture. The golf club and marina social club are each sized at 10,000 square feet (930 square meters) which is more than adequate for a quality presentation.

All of the soft costs are based on percentage factors typical of the project experience over the years for HPC, INTRA, and DAPA.

To adjust these costs for Japanese standard experience we have drawn on the costing experience of Tokyo Disneyland and MCA's studio tour planning group which in turn is supported by input from Nippon Research Center and other Japanese consulting groups. In addition, Kajima Construction has costed several elements of this project and we have cross-checked our estimates as to their consistency with that input.

The Disney/MCA cost experience shows multipliers in the range of 1.5 to 2.0 to convert U.S. standard line item costs to costs prevailing in Japan. The right hand column which extends the budget costs on a line item basis is based on project quantities unique to Sunrise City as determined by INTRA and the mid-point of the Japanese unit costs shown in column 3 (1.75 multiplier) with the exception of the residential elements which have been costed at the low range of the Japanese experience (1.5 multiplier) to reflect the extensive building experience of Hayashi Kousan Corporation.

To facilitate cash flow analysis, development cost allocations by year and function are presented in **Table 19**. The basic assumption of the table is that the construction program outlined in this report will take place over the first 6 years of the project and assumes a fast track inception of development with a design/build cycle for individual elements of no more than 30 months.

An operating budget and cash flow analysis is presented in **Table 20**. Note that the land costs are excluded from the capital budget. The table provides separate operating budgets for residential development, hotel operations, golf operations and all other support activities including the spa. As envisioned, all of the recreational amenities will be developed in the first phase of the project to establish its role as a primary resort destination. The capital budget and financing section at the top of the table shows the spread of project costs from year 1 to year 6 and financing expense based on 80 percent borrowing and an 8 percent interest rate.

Table 19

DEVELOPMENT COST ALLOCATION BY YEAR

Year	Site Improvements	Non-Residential Building	Residential Building	Soft Costs	Recreational Amenities	Total	Percent
	10,486,267,423	6,635,066,357	27,844,736,188	11,311,301,615	5,691,940,800	61,969,312,383	100.0
1	2,621,566,856	2,654,026,543	2,784,473,619	1,131,130,162	2,276,776,320	11,467,973,499	18.5
2	2,621,566,856	2,654,026,543	5,568,947,238	2,262,260,323	2,276,776,320	15,383,577,279	24.8
3	2,097,253,485	1,327,013,271	5,568,947,238	2,262,260,323	1,138,388,160	12,393,862,477	20.0
4	1,048,626,742		5,568,947,238	2,262,260,323		8,879,834,303	14.3
5	1,048,626,742		5,568,947,238	2,262,260,323		8,879,834,303	14.3
6	1,048,626,742		2,784,473,619	1,131,130,162		4,964,230,523	8.0
7							
8							
9							
10							
	10,486,267,423	6,635,066,357	27,844,736,188	11,311,301,615	5,691,940,800	61,969,312,383	100.0

**Table 20
OTA SUNRISE CITY RESORT
OPERATING BUDGET AND CASH FLOW**

	Yr.1	Yr.2	Yr.3	Yr.4	Yr.5	Yr.6	Yr.7	Yr.8	Yr.9	Yr.10	Total and Stabilized
CAPITAL BUDGET AND FINANCING											
Project Costs	11,467,872,488	13,363,577,278	12,363,962,477	8,879,834,303	8,879,834,303	4,964,230,523	0	0	0	0	61,969,312,364
Financing Expenses:											0
1. Loan Points @ 1% of Loan Bal.	81,743,788	123,068,618	0	1,811,584,362	1,883,794,729	1,248,859,763	831,126,080	0	0	0	214,812,408
2. Loan Interest @ 8%	498,718,940	1,349,293,295	0	12,867,646,257	12,867,646,257	11,128,167,496	11,238,904,574	11,315,243,080	1,098,218,450	1,098,218,450	8,963,457,548
Operating Income Offset	0	0	4,848,067,286	-12,225,874,099	-12,567,846,257	-11,128,167,496	-11,238,904,574	-11,315,243,080	-1,098,218,450	-1,098,218,450	49,464,435,500
Capital Requirement	12,018,436,227	14,805,839,262	5,492,136,447	-1,534,555,233	-4,184,547,225	-4,918,277,209	-15,586,796,481	-11,315,243,080	-1,098,218,450	-1,098,218,450	0
Com. Capital Requirement	12,018,436,227	28,874,275,519	24,290,391,947	32,745,946,733	30,641,899,508	25,725,622,299	15,136,822,818	3,821,578,738	2,752,363,268	1,883,148,838	0
Loan Balance (End of Year)	6,174,378,798	21,481,242,622	24,317,878,438	21,845,983,262	18,890,715,528	13,758,765,850	4,796,842,281	0	0	0	0
Equity	2,844,057,408	7,363,134,897	8,942,825,238	11,104,981,842	11,981,183,980	11,968,858,249	10,369,980,527	3,821,578,738	2,752,363,268	1,883,148,838	0
RESIDENTIAL SALES											
Units:											
1. Single Family			25	50	17	17	17	18	0	0	144
2. Townhouse Conds.			30	100	111	112	112	112	0	0	887
3. Mobile Conds.			25	50	57	58	58	58	0	0	308
Receipts:											
1. Single Family			798,982,500	1,579,385,000	538,990,900	538,990,900	538,990,900	568,578,800	0	0	4,548,828,800
2. Townhouse Conds.			3,177,180,000	8,384,360,000	7,053,338,800	7,118,883,200	7,118,883,200	7,118,883,200	0	0	37,835,529,200
3. Mobile Conds.			1,103,235,000	2,206,470,000	2,818,375,800	2,859,505,200	2,859,505,200	2,859,505,200	0	0	13,503,594,400
TOTAL RESIDENTIAL SALES (NET)			5,079,402,500	10,140,215,000	10,195,705,500	10,213,379,300	10,213,379,300	10,244,967,200	0	0	58,987,754,400
HOTEL OPERATIONS:											
Occupancy Rate	0.30	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Occupied Room Nights	21,800	47,450	51,100	54,750	54,750	54,750	54,750	54,750	54,750	54,750	54,750
Income:											
1. Rooms @ \$190 / Night (20,800 Yr)	435,320,000	898,860,000	1,062,880,000	1,138,800,000	1,138,800,000	1,138,800,000	1,138,800,000	1,138,800,000	1,138,800,000	1,138,800,000	1,138,800,000
2. Food, Beverage & Misc. @ 88% of Rooms	214,308,800	481,002,400	733,387,200	783,772,000	783,772,000	783,772,000	783,772,000	783,772,000	783,772,000	783,772,000	783,772,000
3. Total Income	798,628,800	1,467,942,400	1,796,267,200	1,924,572,000	1,924,572,000	1,924,572,000	1,924,572,000	1,924,572,000	1,924,572,000	1,924,572,000	1,924,572,000
Operating Expenses:											
1. Department Costs @ 45.4% of Income	372,587,139	807,293,802	898,383,325	931,492,848	931,492,848	931,492,848	931,492,848	931,492,848	931,492,848	931,492,848	931,492,848
2. Other Expenses @ 28% of Income	215,582,064	467,029,472	532,954,818	538,880,160	538,880,160	538,880,160	538,880,160	538,880,160	538,880,160	538,880,160	538,880,160
3. Prop. Taxes and Insurance @ 3% of Income	23,094,864	50,088,872	53,888,018	57,737,160	57,737,160	57,737,160	57,737,160	57,737,160	57,737,160	57,737,160	57,737,160
4. Total Operating Expenses	611,264,067	1,324,412,146	1,485,236,151	1,528,110,168	1,528,110,168	1,528,110,168	1,528,110,168	1,528,110,168	1,528,110,168	1,528,110,168	1,528,110,168
HOTEL EBIT	187,364,733	143,530,254	311,031,049	396,461,832	396,461,832	396,461,832	396,461,832	396,461,832	396,461,832	396,461,832	396,461,832
GOLF OPERATIONS:											
Memberships	700	250	250								
Member Rounds	8250	18000	14250	18000	18000	20000	20000	20000	20000	20000	20000
Visitor Rounds	7875	15750	26450	42000	42000	50000	50000	50000	50000	50000	50000
Revenue:											
Membership Sales @ 5, 8, 7, 66. Yr in Yrs. 3, 4, 5.	3,500,000,000	1,500,000,000	1,750,000,000	0	0	0	0	0	0	0	6,750,000,000
Play:											
Members @ 2,300 Yr / Round	12,075,000	24,150,000	32,775,000	41,400,000	40,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000	46,000,000
Visitors @ 11,700 Yr / Round	82,137,500	184,275,000	308,488,500	461,400,000	588,200,000	843,500,000	843,500,000	843,500,000	843,500,000	843,500,000	843,500,000
Pro Shop @ 14.2% of Play Revenue	25,158,525	30,317,280	78,718,038	111,178,800	128,270,000	137,377,500	137,377,500	137,377,500	137,377,500	137,377,500	137,377,500
Food & Beverage @ 25.8% of Play Revenue	29,848,475	71,882,950	112,818,870	168,181,200	196,930,000	212,023,000	212,023,000	212,023,000	212,023,000	212,023,000	212,023,000
Total	3,648,217,500	1,836,436,000	2,281,376,000	612,160,000	674,500,000	927,500,000	1,038,900,000	1,038,900,000	1,038,900,000	1,038,900,000	7,788,900,000
Expenses:											
Cost of Sales	28,836,798	57,673,516	88,773,579	132,866,042	155,182,860	188,518,248	188,518,248	188,518,248	188,518,248	188,518,248	188,518,248
Op. Expenses @ 36% of Revenue Net Of Membership Sales	58,478,325	118,956,600	191,367,360	282,377,800	344,320,000	374,304,000	374,304,000	374,304,000	374,304,000	374,304,000	374,304,000
Total	87,315,123	176,630,116	280,140,939	425,243,842	499,502,860	562,822,248	562,822,248	562,822,248	562,822,248	562,822,248	562,822,248
GOLF EBIT	3,578,902,442	1,659,805,884	2,001,235,061	386,916,158	457,297,140	498,377,752	498,377,752	498,377,752	498,377,752	498,377,752	7,248,378,752
OTHER OPERATIONS:											
HEALTH SPA:											
Initiation Fee	2,568,000	5,136,000	4,788,000	4,788,000	4,788,000	4,788,000	4,814,000	0	0	0	0
Members Annual Fees	3,213,000	19,278,000	31,201,800	43,125,800	55,049,400	67,116,000	67,116,000	67,116,000	67,116,000	67,116,000	67,116,000
Use Fee @ 90 penetration of hotel guest market	15,780,000	36,184,000	36,182,000	39,623,200	39,623,200	39,623,200	39,623,200	39,623,200	39,623,200	39,623,200	39,623,200
Total Revenue	21,538,000	60,578,000	72,171,800	87,537,000	99,460,600	111,527,200	111,527,200	111,527,200	111,527,200	111,527,200	111,527,200
Expenses:											
Payroll @ 40%	8,615,200	25,438,800	29,101,320	34,823,320	39,692,840	44,542,280	42,815,680	42,815,680	42,815,680	42,815,680	42,815,680
Other @ 36%	5,184,440	22,057,200	27,846,254	33,177,154	37,704,196	42,315,168	40,484,896	40,484,896	40,484,896	40,484,896	40,484,896
Total Expenses	13,799,640	47,496,000	56,947,574	68,000,474	77,397,036	86,857,448	83,300,576	83,300,576	83,300,576	83,300,576	83,300,576
HEALTH SPA EBIT	7,738,360	13,082,000	15,224,226	19,536,526	22,063,564	24,669,752	28,226,624	28,226,624	28,226,624	28,226,624	28,226,624
MISC. LEASEHOLD INCOME (MHI)											
Retail Center @ 8% x \$200/s.l.	19,840,310	39,680,620	39,680,620	59,820,900	79,761,240	79,761,240	79,761,240	79,761,240	79,761,240	79,761,240	79,761,240
Marina @ \$1,500/s.l. x 30'	17,293,790	35,587,580	35,587,580	53,381,250	71,175,000	71,175,000	71,175,000	71,175,000	71,175,000	71,175,000	71,175,000
TOTAL MISC. LEASEHOLD EBIT	37,134,100	75,268,200	75,268,200	113,202,150	150,936,240	150,936,240	150,936,240	150,936,240	150,936,240	150,936,240	150,936,240
COMBINED OPERATING INCOME			8,848,967,286	12,225,874,099	12,567,846,257	11,128,167,496	11,238,904,574	11,315,243,080	1,098,218,450	1,098,218,450	0

In summary context, Table 20 shows that after 10 years of operation, equity requirements which peaked in the 6th year at a cumulative total of almost ¥12 billion have been reduced to ¥1.7 billion. In addition, the project has paid off all of its debt by the end of the 7th year. Debt peaks in year 3 at ¥24.3 billion. At the end of the 10th year this project has sold off the residential units and has generated an unencumbered ownership of the following assets:

1. A hotel with an EBDIT of nearly ¥400 million per year.
2. A golf course and club house with an EBDIT of nearly ¥500 million per year.
3. A health spa and commercial restaurant and food service complex with an EBDIT of almost ¥200 million per year.

The conclusion of this analysis is that the Sunrise City Resort represents an economically attractive and feasible development opportunity.