



JUNE 2013

2013 MANHATTAN HOTEL MARKET OVERVIEW

35TH ANNUAL NYU INTERNATIONAL HOSPITALITY INDUSTRY INVESTMENT CONFERENCE
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2013 Manhattan Hotel Market Overview – Introduction

HVS Global Hospitality Services, in cooperation with New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management, is pleased to present the 16th annual Manhattan Hotel Market Overview.

HVS Global Hospitality Services

HVS (www.hvs.com) is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 2,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. HVS – Superior Results through Unrivalled Hospitality Intelligence. *Everywhere.*

NYU's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management

The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management, a division of NYU's School of Continuing and Professional Studies (www.scps.nyu.edu), offers undergraduate, graduate, and continuing



education programs that develop professionals with in-depth industry knowledge and the critical thinking skills necessary for leadership roles in the fields of hospitality, tourism, and sports management. The Center's full-time and adjunct faculty is composed of leading practitioners and researchers. Its board of advisors includes senior executives who advise on curricula development and help ensure that coursework reflects the latest industry trends and needs. The Tisch Center's location in the heart of New York City—one of the world's premier tourism and sports destinations—provides its students with multiple internship and networking opportunities.

The 35th Annual New York University International Hospitality Industry Investment Conference is Sunday, June 2, 2013, through Tuesday, June 4, 2013, at the New York Marriott Marquis. The Preston Robert Tisch Center is the host of the event, and HVS is a valuable partner and conference Patron. Once again, our team of professionals looks forward to welcoming you to this prestigious event.

Acknowledgements

Randy Smith of STR Global (www.strglobal.com) provided comprehensive hotel data for Manhattan. STR continues to be the leading source of hospitality industry operating statistics. We would also like to thank Joseph E. Spinnato and Richard J. Amato of the Hotel Association of New York City (HANYC), as well as Kathie Stapleton of the Greater New York Chapter of the Hospitality Sales and Marketing Association International (HSMIAI) for their assistance. Additionally, in cooperation with New York University, the data-collection process was largely a contribution of five Tisch Center graduate students—Janet Bharij, Natasha Chandook, Crystal Cottle, David Eisen, Nadia Isabella, Hui Liu, Kristin Sievert and Ying Zhang—through the coordination of Dr. Frederic Mayo. HVS is pleased to have been a part of this enriching educational process.

HVS Global Hospitality Services would also like to thank its own Manhattan lodging expert, Roland deMilleret, MAI, Managing Director, for his invaluable contribution and dedication to this project.

Stephen Rushmore Jr., MAI
President and CEO, HVS Global Hospitality Services

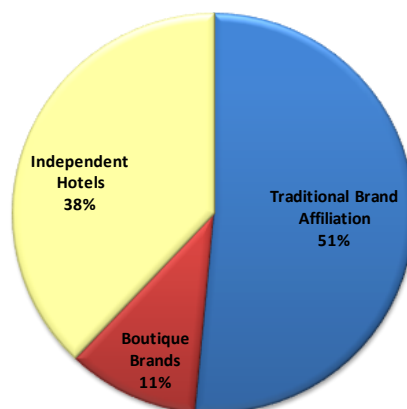
Manhattan remains the strongest hotel market in the nation. In spite of the largest increase in supply over the last 25 years, overall occupancy achieved an all-time-high occupancy of 86.7% for the 12-month period ending March 2013. However, the additional inventory limited the ability for hotel operators to maximize average rate. With a further anticipated increase in supply of approximately 15.0% over the next three years, HVS forecasts moderate average rate growth over the same period, ranging from 5.6% to 5.9%. HVS forecasts that RevPAR will return to previous peak level by mid-year 2014. Reflective of such trends, the Manhattan lodging market seemingly remains poised for a full recovery.

Market Snapshot

As of March 2013, there were a total of 348 hotels in the Manhattan market encompassing approximately 82,000 rooms. During the 12-month period ending March 2013, these hotels achieved an overall occupancy of 86.7 percent at an average rate of approximately \$280.00, compared to an occupancy level of 61.6 percent at an average rate of \$107.00 for the nation. During the same period, the total room supply in Manhattan was approximately 29.5 million, generating total rooms revenue of \$7.2 billion. Although total room supply in Manhattan accounted for 1.6 percent of the total supply in the United States, the market generates approximately 6.1 percent of total rooms revenue for the country.

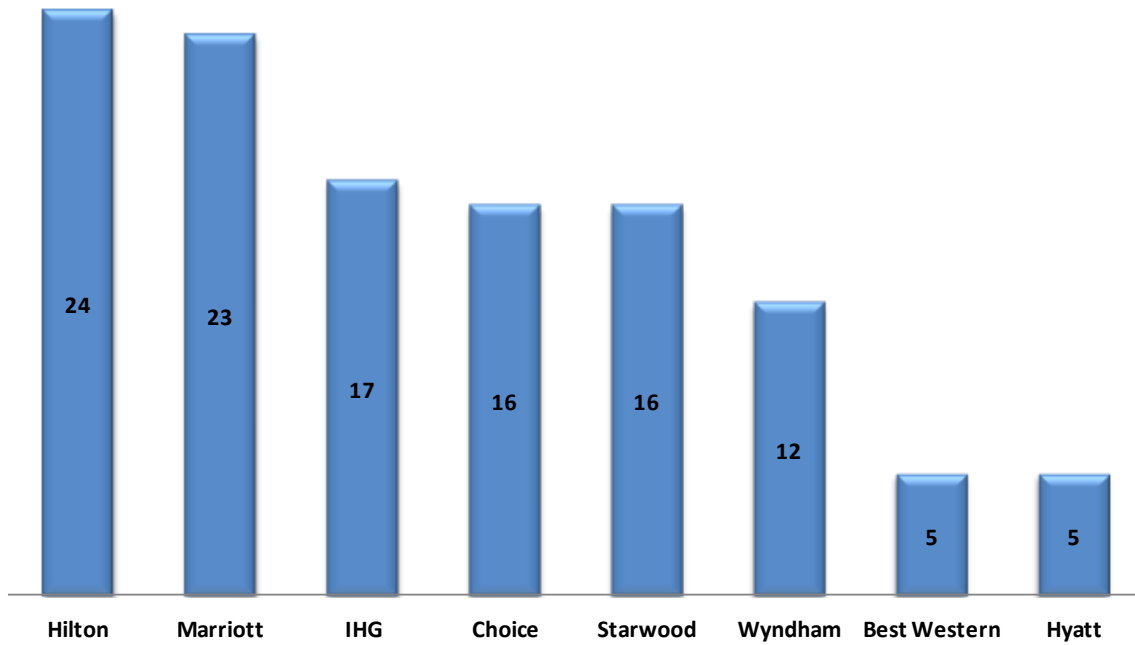
As of the first quarter of 2013, half the room supply is affiliated with traditional brands (i.e. Hilton, Marriott, Starwood, IHG, etc), and over a third is independent. The remaining room supply consists of boutique brands such as the Standard, Gansevoort, Kimpton, Affinia, Thompson, and Morgans hotels. The graph below provides a breakdown of these brand affiliations.

BRAND AFFILIATIONS



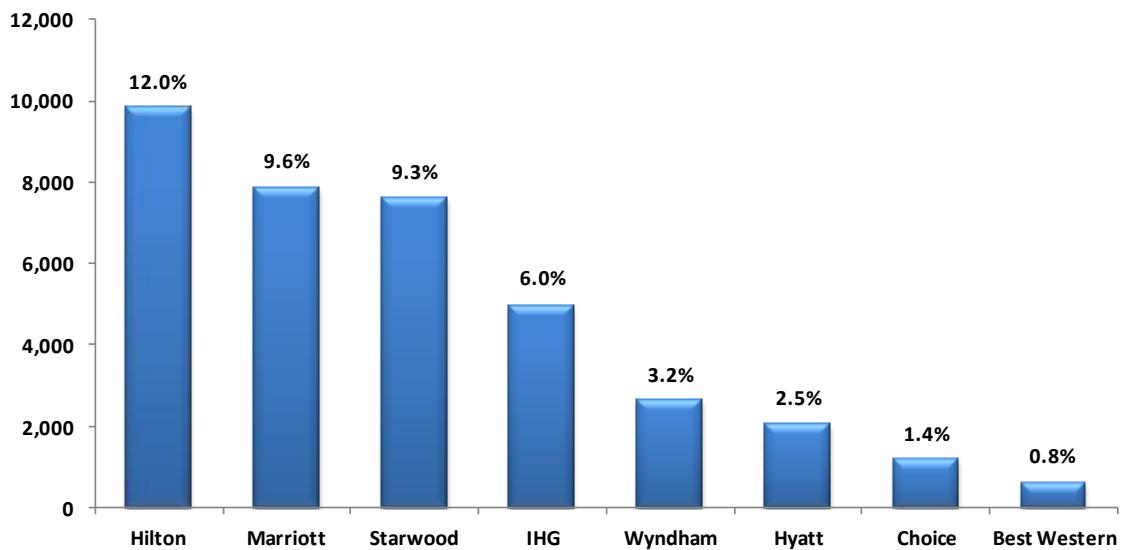
Hilton and Marriott have the largest number of properties, as indicated by the data illustrated in the graph below.

NUMBER OF PROPERTIES BY TRADITIONAL BRAND



Hilton leads with 12.0 percent of total room supply as indicated by the data illustrated in the graph below.

TOTAL ROOM SUPPLY BY TRADITIONAL BRAND

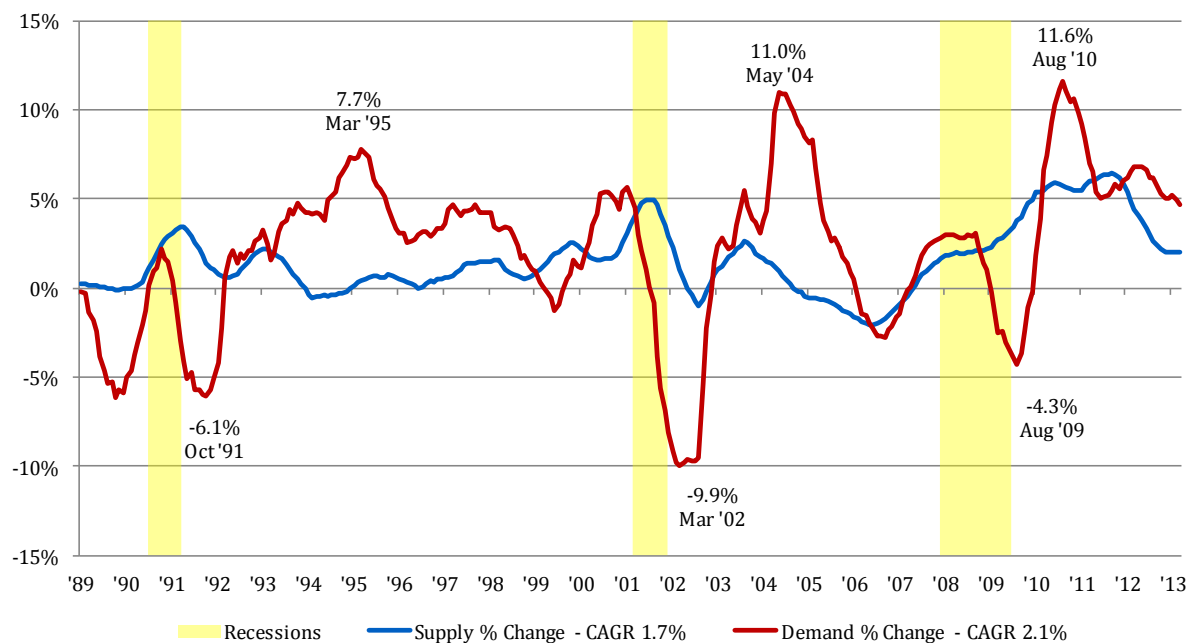


Long-Term Historical Performance

This section provides an analysis of long-term historical performance for the Manhattan lodging market, from January 1987 to March 2013, and illustrates how the Manhattan lodging performance has fluctuated with business cycles. This period covers the last three recessions. The contractions in the early 1990's and the one in 2001 each lasted eight months. The latest recession lasted 18 months, which makes it the longest of any recession since World War II.

The following graph provides the dynamics between supply and demand in Manhattan from January 1989 to March 2013. The graph illustrates percent changes in supply and demand (12-month moving average). Periods of recessions are indicated in yellow.

LONG-TERM SUPPLY AND DEMAND PERCENT CHANGES – 12-MONTH MOVING AVERAGE



Source: HVS, STR Global, and National Bureau of Economic Research

Demand decreased essentially during times of recessions. The minor decline in demand in 2006 was primarily due to the fact that in the winter of 2005, an art exhibit in central park known as “The Gates”, attracted an additional 1.0 to 1.5 million additional tourists to Manhattan during a period considered to be the low season. As no comparable event was held during the winter of 2006, demand returned to normal levels. In addition, the conversion of several hotels to condominiums during this period further contributed to the decline in demand. Decreases in demand are typically short-lived (between 12 to 16 months) and followed by steep increases.

It is interesting to note that during the most recent recession, which was the longest recession since World War II, demand did not decrease as much as during the previous two recessions despite a large influx of new supply during this period. Percent change in demand bottomed out at -4.3 percent in August 2009 compared to -9.9 percent in March 2002 and -6.1 percent in October 1991. Following the latest recession, demand

experienced the strongest rebound. In August of 2010, the Manhattan market achieved the strongest year-over-year growth in demand over the last 25 years, at 11.6 percent.

Manhattan boasts of a diverse and expansive economic base, in that the area not only benefits from its standing as the world's financial capital, but also remains a prominent leisure destination. Such attributes translate into very strong lodging demand fundamentals for the market.

Over the last 25 years, the Manhattan lodging market experienced minimal growth in supply as a result of strong barriers to entry. From 2004 through 2006, supply actually decreased due to the conversion of several hotels to condominiums. Since early-2009, the market has consistently registered strong increases in supply each month. From January 2009 to March 2013, supply increased by 19.8 percent.

Michael R. Bloomberg
Mayor of the City of New York

Dear Friends:

It is a great pleasure to welcome everyone to the 35th Annual NYU International Hospitality Industry Investment Conference.

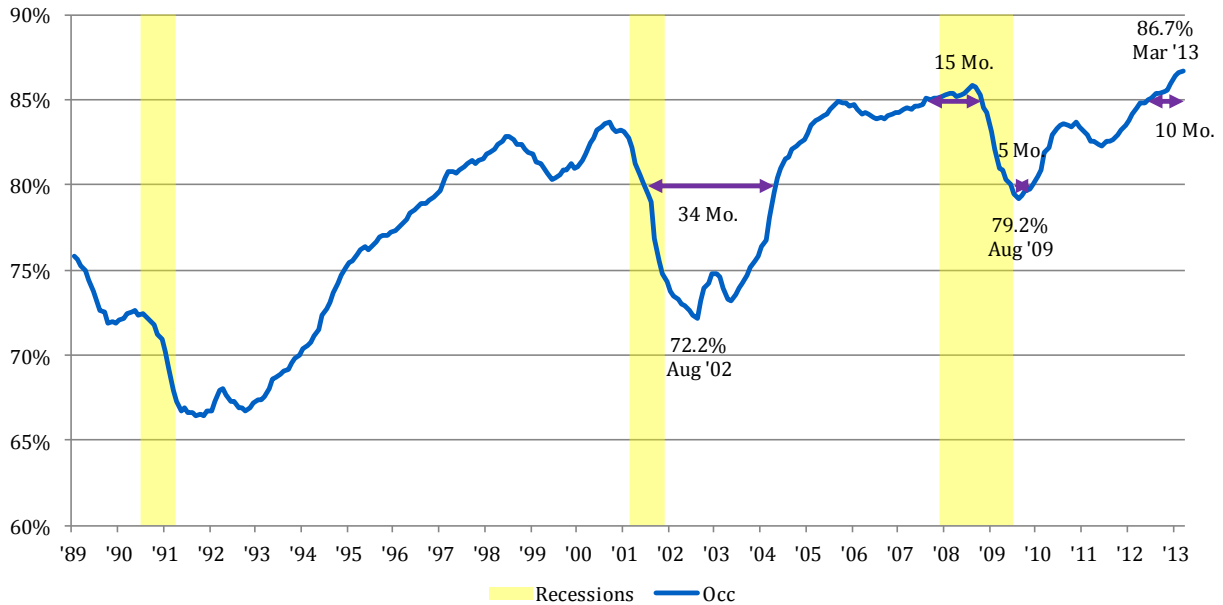
New York City is the number one tourism destination in the country. The industry's economic impact is at an all-time high across the five boroughs, and we have shown that when a city pairs exciting attractions with targeted investments in the hospitality industry, we can boost job growth and attract even more people to our neighborhoods. Of course, these strategies are not new to the executives and experts gathered here this week – and New Yorkers always appreciate the opportunity to learn from the experiences and ideas of the leaders who can help us meet our goal of welcoming 55 million annual visitors by 2015.

On behalf of our great city, thank you for participating in this year's conference. Please accept my best wishes for a productive week and continued success.

As a result of the supply and demand dynamics, the market has been historically undersupplied. Over the last 25 years, average annual demand growth, at 2.1 percent, has outpaced corresponding growth in supply of 1.7 percent. The Manhattan lodging market represents one of only five major markets among the top 25 in the U.S. to have maintained such a positive differential between supply and demand over the same period.

The preceding supply and demand dynamics have translated into strong historical occupancy levels, as indicated by the long-term trend shown in the following graph.

LONG-TERM OCCUPANCY LEVELS – 12-MONTH MOVING AVERAGE

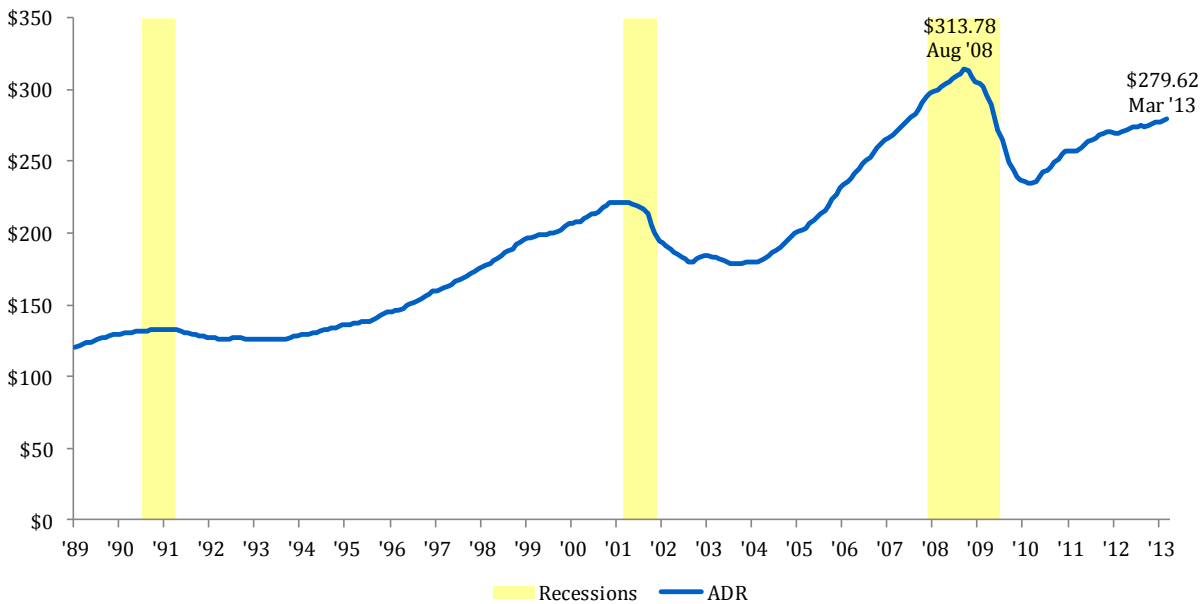


Source: HVS, STR Global, and National Bureau of Economic Research

The preceding graph illustrates the volatility in occupancy, particularly during the first two recession periods. Occupancy remained in the mid-80's from 2005 through 2008 (close to maximum capacity). Following the latest recession, occupancy levels remained favorable compared to those achieved after the 2001 recession, despite the largest increase in supply to date. Occupancy was below 80 percent for only five consecutive months in 2009, while occupancy remained in the low- to mid-70's from July 2001 to April 2004 (34 months). During the expansion period following the 2001 recession, occupancy remained above 85.0 percent for 15 consecutive months. As of March 2013, the occupancy had remained above 85.0 percent for 10 consecutive months, culminating at an all-time-high of 86.7 percent.

The supply and demand dynamics have also translated into strong historical ADR and RevPAR levels, as indicated by the following two graphs.

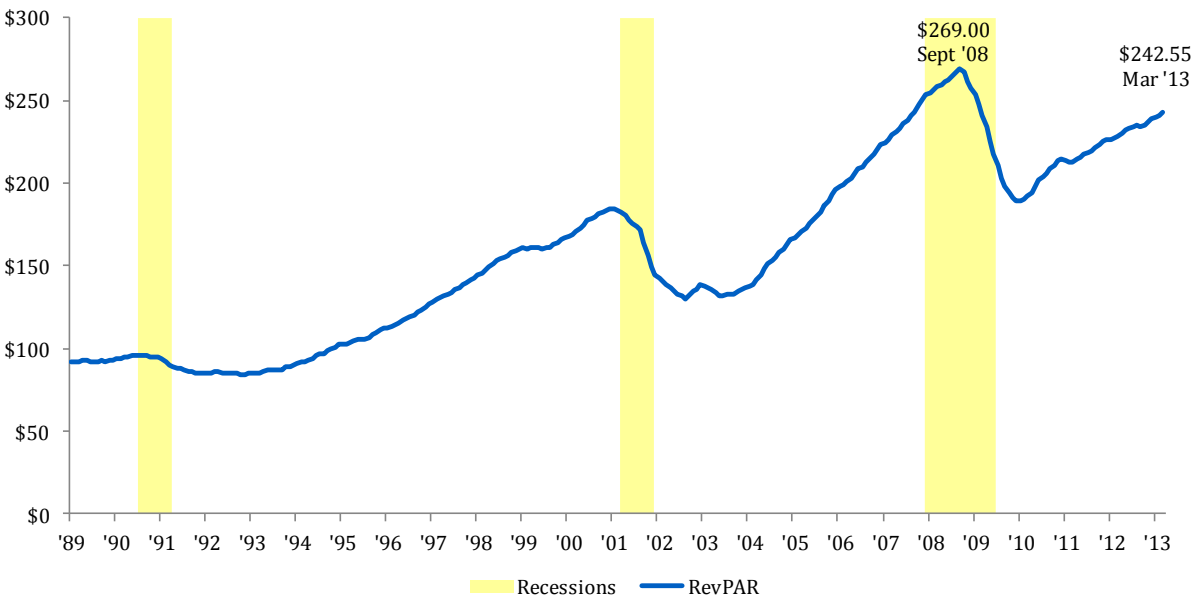
LONG-TERM ADR LEVELS – 12-MONTH MOVING AVERAGE



Source: HVS, STR Global, and National Bureau of Economic Research

As of March 2013, average rate was approximately 11.0 percent below August 2008 peak level.

LONG-TERM REVPAR LEVELS – 12-MONTH MOVING AVERAGE

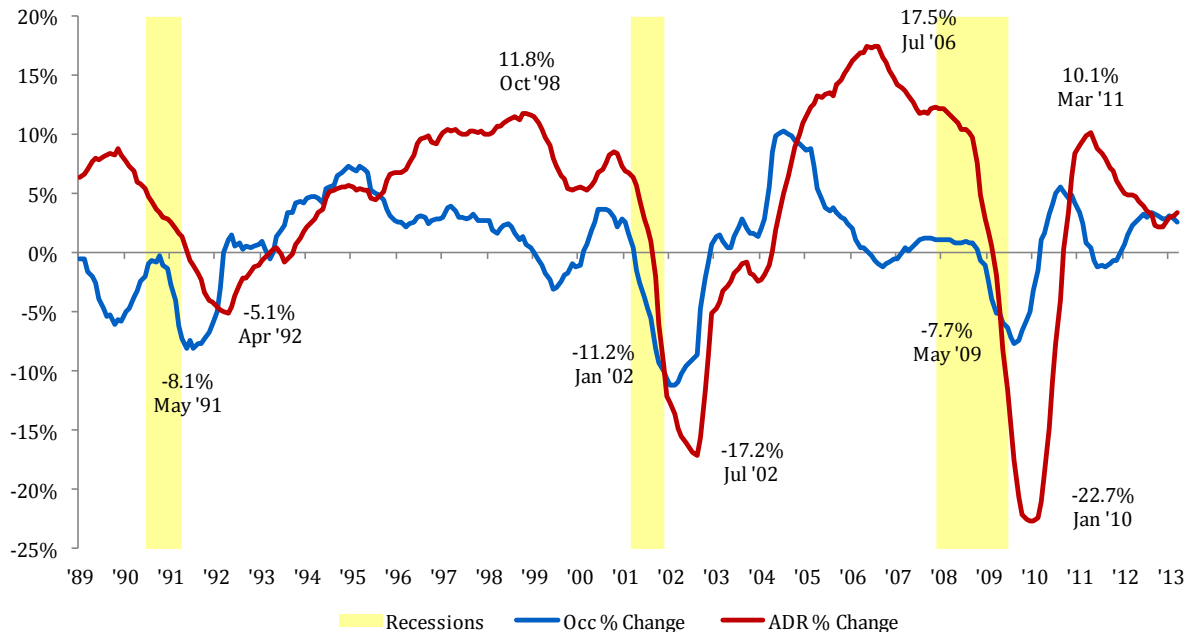


Source: HVS, STR Global, and National Bureau of Economic Research

As of March 2013, RevPAR was approximately 10.0 percent below September 2008 peak level. ADR and RevPAR have increased significantly since 1989, particularly during the expansion period following the 2001 recession. Each trough is at a higher level than that of the previous recession; the same applies to each peak.

The following graph illustrates percent changes in occupancy and ADR (12-month moving average) from January 1989 to March 2013.

LONG-TERM OCCUPANCY AND ADR PERCENT CHANGES – 12-MONTH MOVING AVERAGE



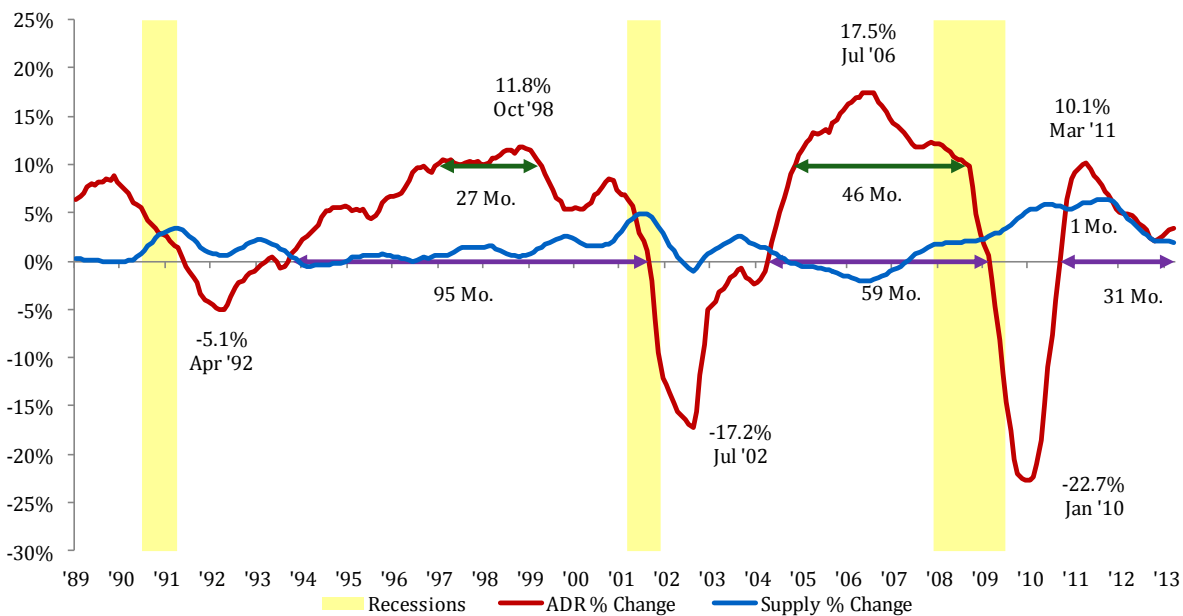
Source: HVS, STR Global, and National Bureau of Economic Research

The preceding graph highlights the high volatility of the Manhattan lodging market, particularly for ADR. It is interesting to note that ADR volatility has increased greatly over time, which can most likely be attributed to the increased availability of pricing information from sources such as STR Global or Expedia. The timely availability of lodging data has created a higher level of transparency in the market. Local operators can react more quickly to shifts in ADR strategies of competitors and adjust rates accordingly. In June of 2002 the market experienced a dramatic decline in ADR of 17.2 percent; however, four years later, ADR surged by a comparable magnitude of 17.5 percent.

Strong occupancy levels during and following the last recession were largely accomplished at the expense of sizeable decreases in ADR. Percent change in ADR troughed at -22.7 percent in January 2010 compared to 17.2 percent in August 2002. However, ADR rebounded more quickly and stronger following the most recent recession than after the previous two contractions.

The following graph illustrates percent changes in supply and ADR (12-month moving average) from January 1989 to March 2013.

LONG-TERM SUPPLY AND ADR PERCENT CHANGES – 12-MONTH MOVING AVERAGE

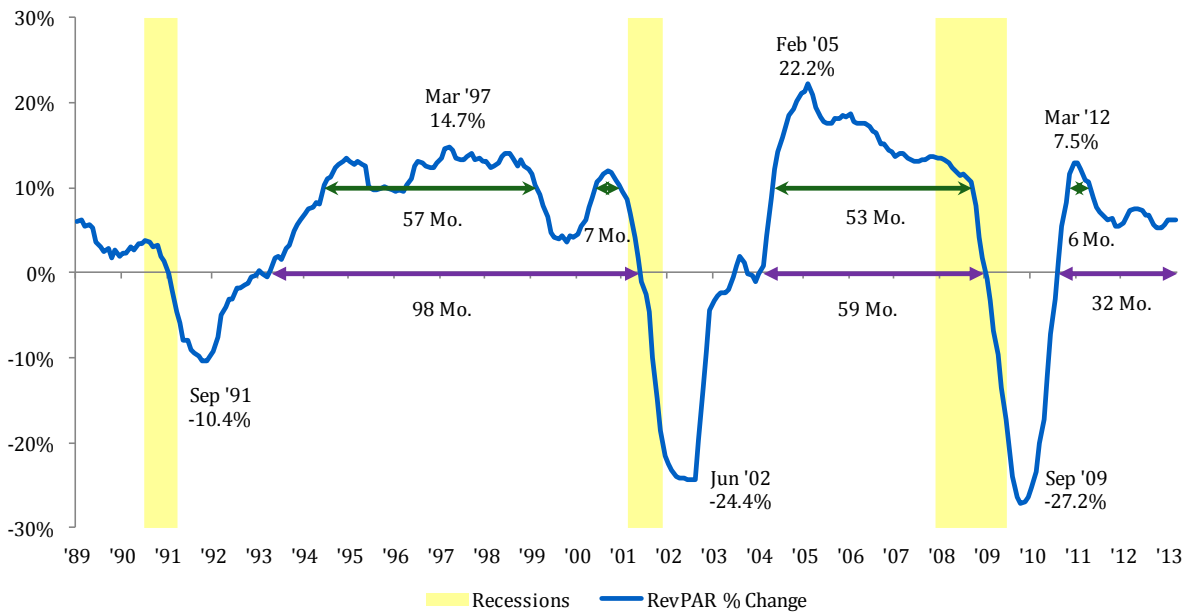


Source: HVS, STR Global, and National Bureau of Economic Research

Periods of economic recovery and expansion are characterized by strong ADR growth. The Manhattan market experienced 27 consecutive months of double-digit increases in ADR from January 1997 to March 1999, and 46 consecutive months from November 2004 to August 2008. The market experienced the strongest ADR growth during the expansion period following the 2001 recession, which coincided with decreases in supply. As of March 2013 the market had experienced only one month of double-digit increase in ADR, in March 2011, at 10.1 percent. The significant amount of new supply that had entered the market since early 2009 did not have any effect on occupancy levels; however, the additional inventory limited the ability for hotel operators to maximize the average daily rate. Double-digit increases in ADR through 2015 are unlikely with a further anticipated increase in supply of approximately 15.0 percent over the same period.

The following graph illustrates long-term RevPAR percent changes from January 1989 to March 2013 (12-month moving average).

LONG-TERM REVPAR PERCENT CHANGES – 12-MONTH MOVING AVERAGE



Source: HVS, STR Global, and National Bureau of Economic Research

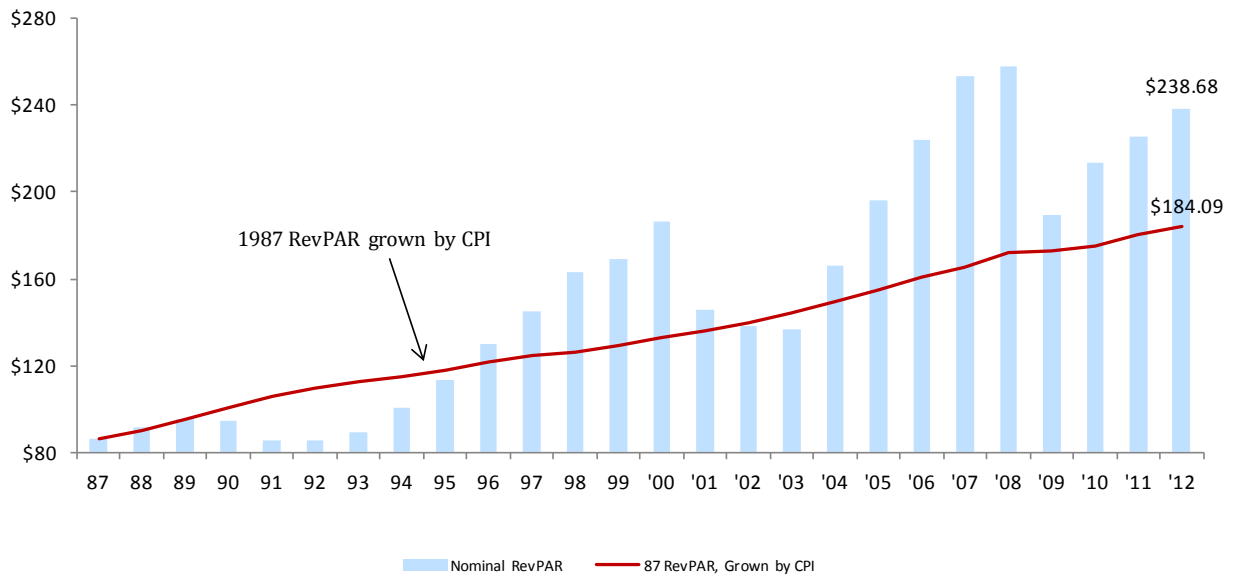
The preceding graph highlights the high RevPAR volatility of the Manhattan lodging market. However, since 1987, RevPAR has increased at a favorable average annual rate of 4.2 percent. Periods of economic recovery and expansion are characterized by strong RevPAR growth. The Manhattan market experienced 57 consecutive months of double-digit increases in RevPAR from June 1994 to February 1999, and 53 consecutive months from May 2004 to September 2008. RevPAR percent change peaked in February 2005 at 22.2 percent. Percent change in RevPAR bottomed out at -27.3 percent in October 2009 as opposed to -24.4 percent in July 2002. However, RevPAR rebounded more quickly and stronger following the most recent recession than after the previous two contractions, primarily from ADR gains.

As of March 2013 the market had experienced only six months of double-digit increase in RevPAR, from November 2010 to April 2011. Double-digit increases in RevPAR through 2015 are unlikely as occupancy is forecast to remain relatively stable, in the mid-80's, and ADR is anticipated to experience single-digit growth over the same period. As such, more moderate RevPAR growth is expected during these recovery and expansion periods than after the previous two economic recessions.

The following table illustrates the effect of the latest recession and the start of the expansion on the Manhattan lodging market on a monthly basis (year over year).

The following table compares the 1987 RevPAR, grown by CPI annually, to the nominal RevPAR.

1987 REVPAR INCREASED BY CPI ANNUALLY



Source: HVS, STR Global, and National Bureau of Labor Statistics

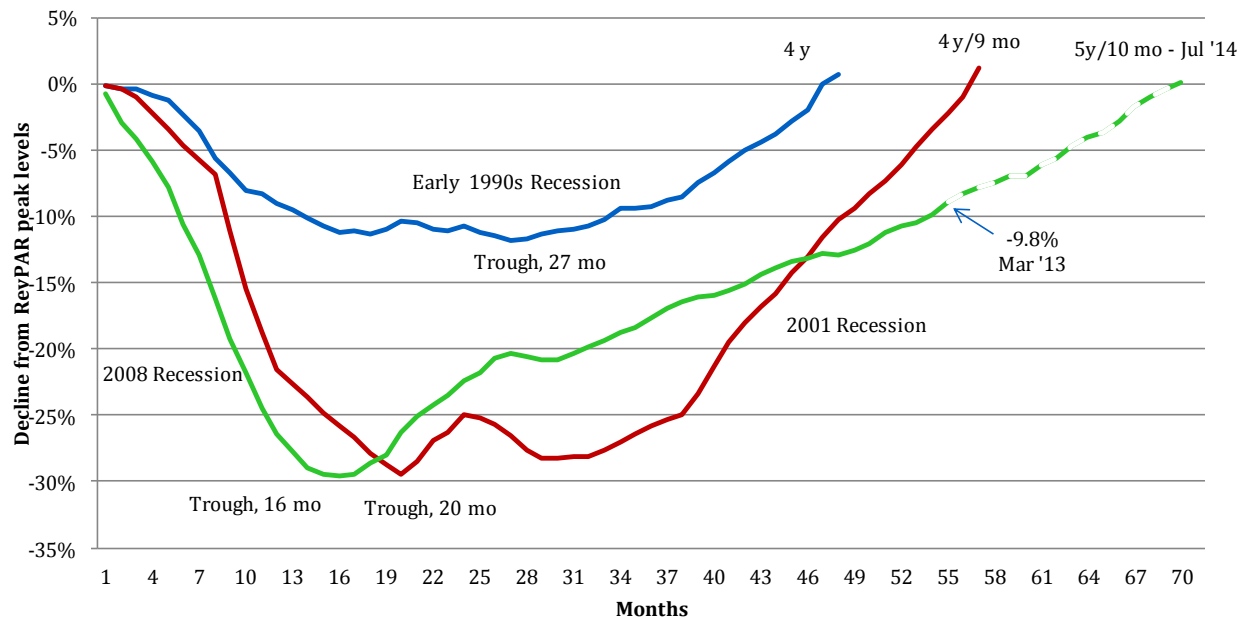
During the recession of the early 1990s, nominal RevPAR collapsed below the CPI-adjusted 1987 RevPAR for six consecutive years. Thereafter, nominal RevPAR achieved strong growth until the 2001 recession. Nominal RevPAR was consistent with CPI-adjusted 1987 RevPAR in 2002, but below it in 2003. During the recovery and expansion periods that followed, nominal RevPAR experienced much more robust growth than expected during the previous cycle. Thus, nominal RevPAR remained well above CPI-adjusted 1987 RevPAR for five consecutive years before peaking at a level 50.0 percent above that of the CPI-adjusted 1987 RevPAR in 2008. Despite the effect of the latest recession and a significant increase in new supply, nominal RevPAR remained at a level 10.0 percent above that of the CPI-adjusted 1987 RevPAR in 2009, highlighting the inherent strength of the Manhattan lodging market. In 2010, nominal RevPAR increased, as the economic recovery was under way. Nominal RevPAR further increased in 2011 and 2012, although at a more moderate rate. In 2012, nominal RevPAR was approximately 30.0 percent higher than inflation-adjusted 1987 RevPAR.

Jonathan M. Tisch
Chairman & CEO, Loews Hotels

The number of hotel visitors to NYC has been steadily rising for the past few years – up 3 million people since the economic downturn in 2009, to almost 20 million people in 2012. With 52 million visitors in the forecast for 2013, this is an important and dynamic component of the city’s tourism economy.

The following table illustrates RevPAR cycles through the last three recessions.

REVPAR CYCLES THROUGH LAST THREE RECESSIONS – 12-MONTH MOVING AVERAGE



Source: HVS and STR Global

As a result of the early 1990's recession, RevPAR declined to its trough within 27 months and returned to its peak within four years. Compared to the following two recessions, RevPAR did not decrease as much, however, the recovery was slow and prolonged. As a result of the 2001 recession, RevPAR dropped dramatically to its trough within 20 months, and returned to its peak within four years and nine months. Subsequent to the onset of the latest recession, RevPAR plunged to its trough within 16 months. The trough was similar to that of the 2001 recession (roundly 30.0 percent decline); however, the decline was more rapid. The rebound was strong through the end of 2010; however, primarily due to unfavorable weather conditions and the effect of new supply, RevPAR remained somewhat flat in the first three months of 2011. As of April of 2011, RevPAR resumed its growth, although at a more moderate pace. As of March 2013, RevPAR was 9.8 percent lower than the September 2008 peak level. We forecast that RevPAR will return to previous peak level in July 2014, after a period of five years and ten months.

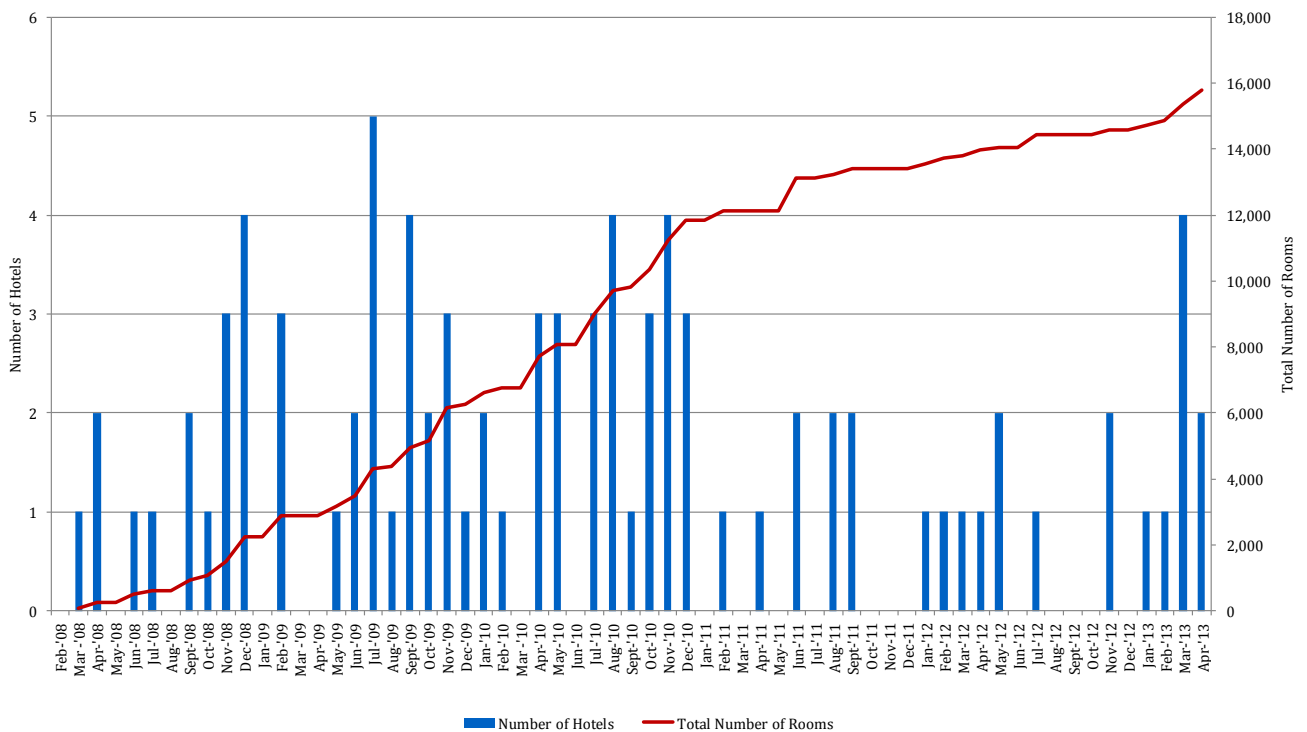
New Supply

George Fertitta
CEO, NYC & Company

New York City’s hotel sector is thriving. Last year, the City closed the year with an average occupancy of almost 88%, the highest in the nation. In 2012, the City also sold a record 29 million hotel room nights, representing a 6.5% uptick from the year before. Hotel development throughout the City remains strong, with the City expected to reach a record 100,000 rooms by 2014. Borough hotel development has been a hot trend in the City, with 72 hotels opening outside Manhattan since 2006, representing 43% of all properties opened.

A total of 89 new hotels were placed in service in Manhattan between March 2008 and April 2013, adding 15,799 rooms to the market and representing growth of 23.7 percent over the February 2008 level. Approximately 75.0 percent of the new supply entered the market from March 2008 to December 2010. This addition is the largest increase in supply over the last 25 years. The following graph illustrates the timing of these openings, as well as the total number of new rooms.

NEW SUPPLY – JANUARY 2008 TO APRIL 2013



Source: HVS and STR Global

The timing of the opening of the new supply coincided with the latest recession and the start of the recovery. Nevertheless, this large influx of new hotels had a minimal effect on the occupancy of the existing properties.

The following table lists all the hotels placed in service in 2012 and the first four months of 2013.

NEW SUPPLY – 2012 THROUGH APRIL 2013

Name of the hotel	Room Count	Opening Date
Holiday Inn New York City Midtown 31st Street	122	Jan-'12
Tryp by Wyndham New York City Times Square South	173	Feb-'12
The OUT NYC	97	Mar-'12
The NoMad Hotel	168	Apr-'12
Tribeca Blu Hotel	70	May-'12
East Village Hotel	28	May-'12
The Pod 39 Hotel	367	Jul-'12
Howard Johnson SoHo	43	Nov-'12
Wyndham Garden Chinatown	106	Nov-'12
Holiday Inn Express Herald Square 36th Street	135	Jan-'13
Hampton Inn United Nations	148	Feb-'13
Comfort Inn New York	89	Mar-'13
Hyatt Place	185	Mar-'13
The Jade Greenwich Village	113	Mar-'13
Holiday Inn Lower East Side	132	Mar-'13
Fairfield Inn & Suites Midtown Penn Station	239	Apr-'13
Hyatt Union Square	178	Apr-'13
Total	2,393	

Source: HVS

A total of nine new hotels opened in 2012, encompassing 1,174 rooms. In addition, eight new hotels opened in the first four months of 2013, adding 1,219 rooms.

The following tables illustrate the new supply from 2013 to 2015.

NEW SUPPLY - 2013

Property	Address	Rooms	Opening Date	Property Type	Developer/Owner
Holiday Inn Express Herald Square	60 West 36th Street	135	Jan-13	Limited-Service	Magna Hospitality Group
Hampton Inn United Nations	231-233 East 43rd Street	148	Feb-13	Limited-Service	Magna Hospitality Group
Residence Inn Midtown East *	148 East 48th Street	211	Mar-13	Extended-Stay	AEW Capital/Stonebridge Companies
Jade Hotel	52-54 W 13th St	113	Mar-13	Full-Service, Boutique	52 West 13th Street Holding, LLC
Holiday Inn LES	150 Delancey Street	132	Mar-13	Full-Service	McSam Hotel Group
Hyatt Place Herald Square	52 West 36th Street	185	Mar-13	Select-Service	McSam Hotel Group/Chesapeake Lodging Trust
Comfort Inn West Side	548 West 48th Street	89	Mar-13	Limited-Service	McSam Hotel Group
Hyatt Union Square	132 Fourth Avenue	178	Apr-13	Full-Service	Hersha Hospitality Trust
Fairfield Inn Pennsylvania Station	325 West 33rd Street	234	Apr-13	Limited-Service	OTO Development
The Refinery Hotel	63 West 38th Street	197	May-13	Full-Service, Boutique	63 West 38th Street Development
Spring Hill Suites Herald Square	25 West 37th Street	173	May-13	Limited-Service	Hidrock Realty
Courtyard Herald Square	960 Sixth Avenue	168	May-13	Select-Service	Hidrock Realty
Courtyard Times Square West	311 West 37th Street	224	May-13	Select-Service	Stonebridge Companies
Best Western Plus Herald Square	48-50 West 36th Street	95	Jun-13	Limited-Service	Ideal Hospitality, LLC
Holiday Inn Express West Side	540 West 48th Street	179	Jul-13	Limited-Service	McSam Hotel Group
Fairfield Inn Chinatown	95 Henry Street	90	Jul-13	Limited-Service	East Broadway Tower Corp
The Quin Hotel	101 West 57th Street	198	Aug-13	Full-Service, Boutique	Three Wall Capital/UBS
Hampton Inn Financial District	32 Pearl Street	81	Aug-13	Limited-Service	Hersha Hospitality Trust
Hyatt Place Midtown East	206 East 52nd Street	219	Sep-13	Select-Service	Nevins Street Lessee Associates
Viceroy	120 West 57th Street	240	Sep-13	Full-Service, Boutique	Ark Partners
Courtyard Chelsea	135 West 30 Street	266	Dec-13	Select-Service	Altitude Capital Management, LLC
Hyatt Times Square	135 West 45th Street	487	Dec-13	Full-Service	Extell Development
Total		4,042			
* Conversion of existing hotel					

Source: HVS

NEW SUPPLY - 2014

Property	Address	Rooms	Opening Date	Property Type	Developer/Owner
Citizen M Times Square	216-218 West 50th Street	230	Jan-14	Full-Service, Boutique	OSIB-BCRE 50th Street Holdings
Homewood Suites Times Square West	312 West 37th Street	293	Jan-14	Extended-Stay	Albanese Organization, Inc.
Knickerbocker Hotel	1466 Broadway	330	Jan-14	Full-Service, Boutique	FelCor Lodging Trust
aloft Financial District	49 Ann Street	125	Jan-14	Select-Service	Lam Group
Galerie515	511 Ninth Avenue	87	Jan-14	Full-Service, Boutique	Assa Properties
Hilton Garden Inn Central Park	237 West 54th Street	401	Jan-14	Select-Service	The Moinian Group
SoHo Hotel	525 Greenwich Street	122	Jan-14	Full-Service, Boutique	Fortuna Realty Group
Hilton Garden Inn Park Avenue	45 East 33rd Street	232	Jan-14	Select-Service	BCN Development
Residence Inn Central Park	1715-17 Broadway	261	Feb-14	Extended-Stay	Granite Broadway Development
Courtyard Central Park	1715-17 Broadway	378	Feb-14	Select-Service	Granite Broadway Development
Holiday Inn	585 Eighth Avenue	271	Feb-14	Full-Service	McSam Hotel Group
Park Hyatt	157 West 57th Street	210	Mar-14	Full-Service, Luxury	Extel Development/Hyatt Hotels
SLS New York	444 Park Avenue South	190	Mar-14	Full-Service, Boutique	SBE
Comfort Inn Lower East Side	154 Madison Street	52	Mar-14	Limited-Service	USA Senwell Fund Management, LLC
1 Hotel Central Park	1414 Sixth Avenue	229	Mar-14	Full-Service, Boutique	Starwood Capital Group
Hilton Garden Inn Times Square	136-140 West 42nd Street	282	Apr-14	Select-Service	DiamondRock Hospitality
Cambria Suites Chelsea	123 West 28th Street	138	May-14	Select-Service	We Care Trading Co. Ltd.
Four Points Financial District	6 Platt Street	261	May-14	Select-Service	Lam Group
Holiday Inn Financial District	99 Washington Street	400	Jul-14	Full-Service	McSam Hotel Group
Fairfield Inn Seaport	30 Fletcher Street	176	Jul-14	Limited-Service	Lam Group
Hyatt Place Times Square	120 West 41st Street	130	Jul-14	Select-Service	Stanford Hotels
Citizen M Bowery	185-191 Bowery	0	Jul-14	Full-Service, Boutique	Brack Capital Real Estate
Marlton House	5 West 8th Street	121	Jul-14	Full-Service, Boutique	BD Hotels
Archer Hotel	45 West 38th Street	180	Jul-14	Full-Service, Boutique	Lodgeworks
Hotel Ludlow	180 Ludlow Street	170	Sep-14	Full-Service, Boutique	BD Hotels
Baccarat Luxury Hotel & Condominium	20 West 53rd Street	115	Sep-14	Full-Service, Luxury	Starwood Capital Group
John Street Hotel	24 John Street	90	Sep-14	Full-Service, Boutique	N/A
Hampton Inn Times Square	220 West 41st Street	299	Dec-14	Limited-Service	OTO Development
Total		5,773			

Source: HVS

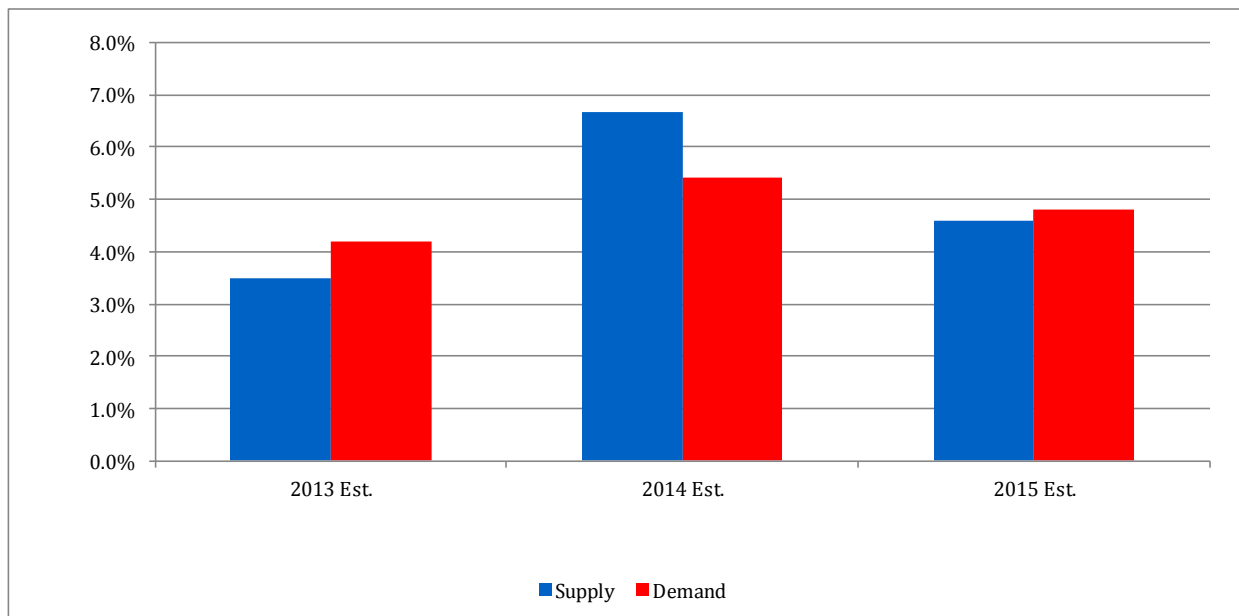
NEW SUPPLY - 2015

Property	Address	Rooms	Opening Date	Property Type	Developer/Owner
Best Western LES	263 Broome Street	45	Jan-15	Limited-Service	Wholesome Realty Inc.
Even Hotel	219 East 44th Street	230	Jan-15	Full Service, Boutique	Intercontinental Hotel Group
Residence Inn Financial District	170 Broadway	243	Jan-15	Extended-Stay	Highgate Holdings/Crown Acq./Carlyle Group/Tribeca Assoc.
Joie De Vivre Hotel	11 East 31st Street	260	Jan-15	Full-Service, Boutique	Cube Capital/Simon Dev. Gp/Eagle Hotel Partners
Hotel Indigo Lower East Side	180 Orchard Street	151	Jan-15	Select-Service	Brack Capital Real Estate
Thompson Hotel Downtown	5 Beekman	297	Jan-15	Full-Service, Boutique	GB Holding
Cambria Suites Times Square	30 West 46th Street	196	Apr-15	Select-Service	Extel Development
Clocktower Edition Hotel	5 Madison Avenue	355	May-15	Full Service, Boutique	Marriott
Riu Plaza Time Square	8th Avenue and 46th Street	915	Jul-15	Full Service, Luxury	Riu Hotels & Resorts
Jarmulowsky Hotel	54 Canal Street	140	Jul-15	Full-Service, Boutique	Nine Orchard Partners, LLC
Four Seasons World Trade Center	99 Church Street	186	Jul-15	Full-Service, Luxury	Silverstein Properties
Allen Street Hotel	139 Orchard Street	98	Jul-15	N/A	Richter + Richter
Orchard Street Hotel	163 Orchard Street	350	Jul-15	N/A	N/A
Joie De Vivre Hotel	50 Bowery	220	Oct-15	Full-Service, Boutique	Chu Enterprises
Courtyard Financial District	213-15 Pearl Street	200	Dec-15	Select-Service	Lam Group
Residence Inn Financial District	213-15 Pearl Street	120	Dec-15	Extended-Stay	Lam Group
Total		4,006			

Source: HVS

The following graph illustrates our forecast of supply and demand for Manhattan from 2013 through 2015.

FORECAST OF SUPPLY AND DEMAND – 2013 TO 2015



Source: HVS

As the economic recovery continues, we anticipate that the additional new supply will be absorbed by the market. Consequently, the Manhattan lodging market is expected to remain undersupplied.

New York University Survey Results Analysis

Respondents: Members of the Hotel Association of New York City (HANYC) and the Greater New York Chapter of the Hospitality Sales and Marketing Association International (HSMAI)

Analysis prepared by Janet Bharij, Natasha Chandook, Crystal Cottle, David Eisen, Nadia Isabella, Hui Liu, Kristin Sievert, Ying Zhang.

Introduction

New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management graduate students conducted a survey in collaboration with HVS Global Hospitality Services to study the state of the 2013 Manhattan hotel market. This report presents the 2013 Manhattan Hotel Market Overview survey results and summarizes respondents' answers about 2012 performance and outlook for 2013.



The online survey was distributed to 466 members of the Greater New York Chapter of HSMAI and HANYC. The survey was limited to 20 questions. Twenty-eight executives provided responses.

New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management and HVS Global Hospitality Services thank all the respondents for their participation. We also thank the leaders of HSMAI and HANYC for their support.

Survey Findings

The survey findings showed optimism as the industry continues to recover from the economic recession. Our findings indicate that 74 percent of the respondents expect RevPAR to return to pre-recession levels sometime between 2014 through 2016, while 42 percent estimated that RevPAR would achieve year-over-year increases by 5 to 7 percent. Additionally, our studies show that Online Travel Agencies lead the market; however, hotel executives are investing in their brands to become the primary booking demand. Led by the United Kingdom, Europe continues to be the key international demand generator while demand from China and India remains low.

Bjorn Hanson, Ph.D.

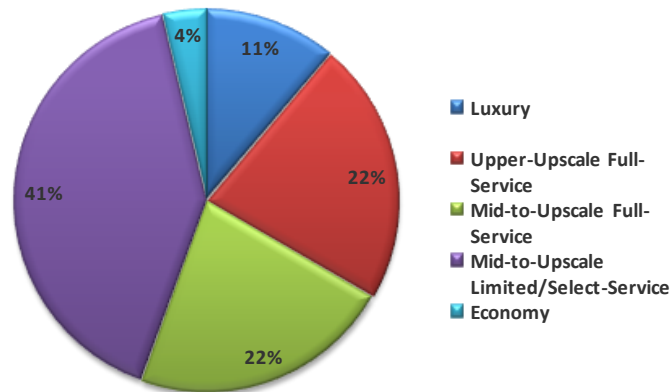
Divisional Dean, Clinical Professor, HVS Chair

**The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management
New York University**

Thank you and congratulations to HVS for this, the 16th consecutive joint HVS-NYU Manhattan Hotel Overview. I am especially grateful to Steve Rushmore, Stephen Rushmore, Dorothy Jennings, and Roland de Milleret for the opportunity and experience for our students to conduct research and participate in this project with HVS professionals.

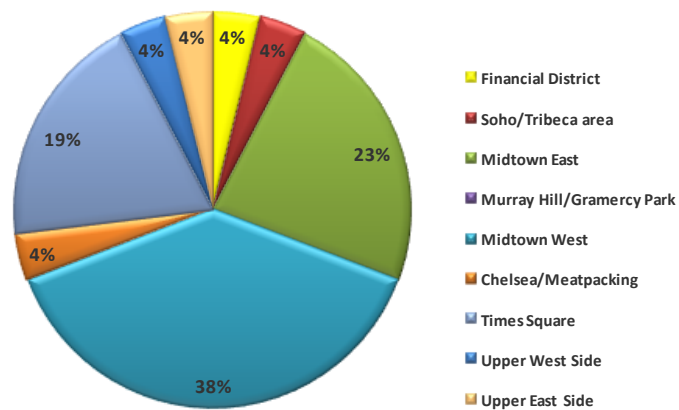
I anticipate you will find the data useful and the survey responses especially interesting!

RESPONSES BY SUPPLY SEGMENTATION



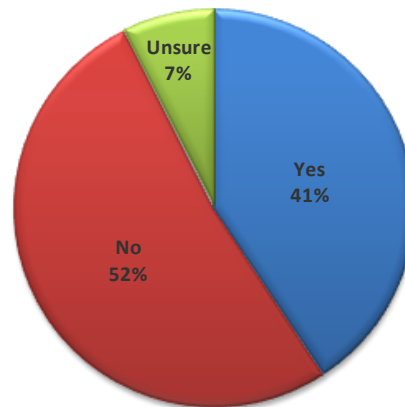
Hotel executives with mid-to-upscale limited/select-service hotels accounted for the majority of survey participants at 41 percent, followed closely by representatives with mid-to-upscale full-service and upper-upscale full-service, both representing 22 percent of survey participants.

RESPONSES BY NEIGHBORHOOD



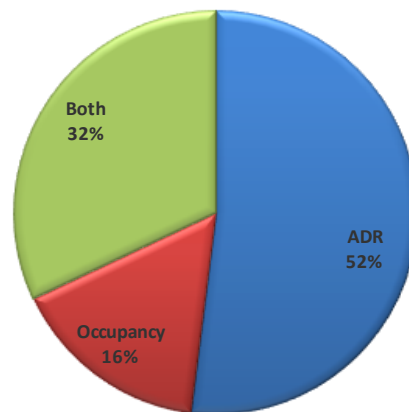
The majority of respondents were from the midtown areas in Manhattan (Midtown East, Midtown West, and Time Square), which contributed to a total of 80 percent of respondents.

DID NEW SUPPLY NEGATIVELY IMPACT YOUR PERFORMANCE IN 2012?



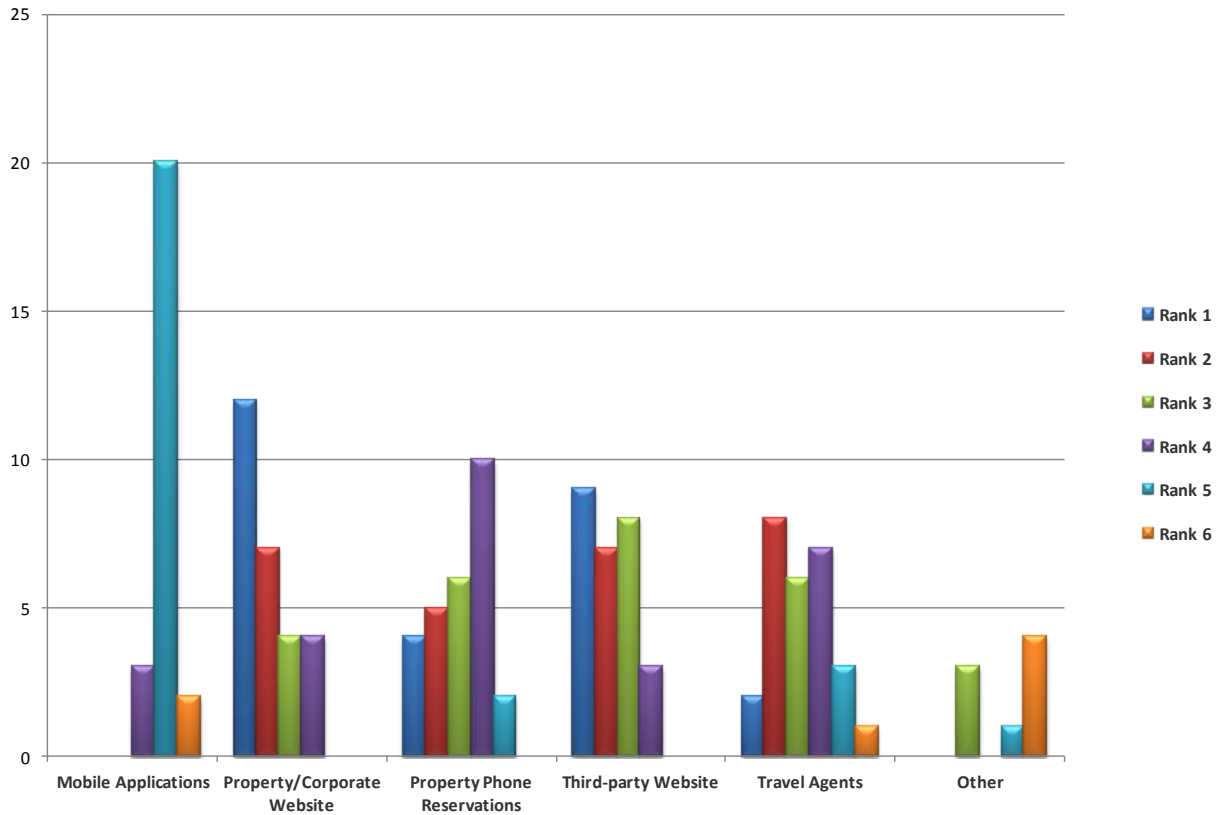
Respondents were split on the effect of new supply on performance in 2012. Approximately 80 percent of respondents with hotels in Midtown West were confident that new supply did not have a negative effect on performance while approximately 60 percent of the respondents with hotels in Midtown East noted that new supply did not adversely affect performance.

WHAT COMPONENT OF THE HOTEL WAS AFFECTED THE MOST BY NEW SUPPLY IN 2012?



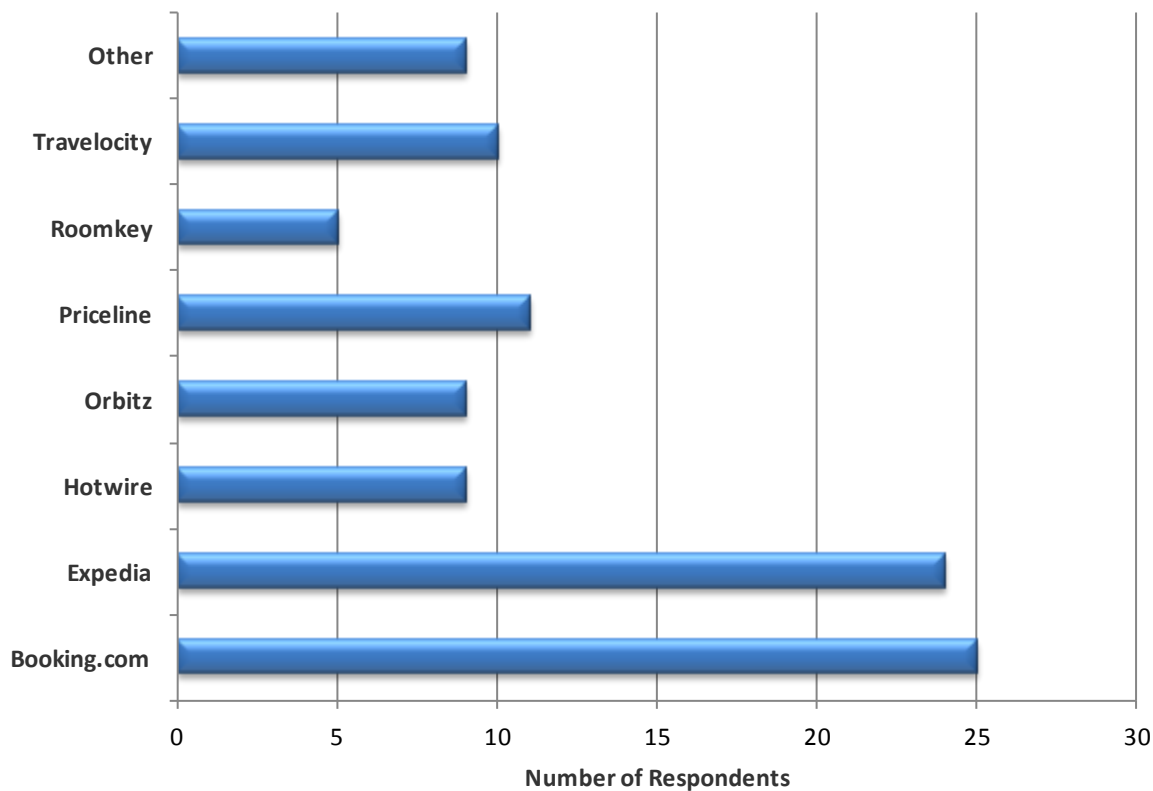
According to the majority of respondents, both ADR and occupancy were affected by new supply in 2012. According to 52 percent of the respondents, ADR was affected the most by new supply in 2012. All respondents with hotels in the Times Square area also agreed that ADR was most affected. However, approximately 83 percent of the respondents with hotels in Midtown East indicated that both ADR and occupancy were equally affected.

WHICH DISTRIBUTION CHANNEL GENERATED THE MOST REVENUE IN 2012? PLEASE RANK THE FOLLOWING FROM 1 (THE GREATEST REVENUE GENERATOR) TO 6 (THE WEAKEST REVENUE GENERATOR).



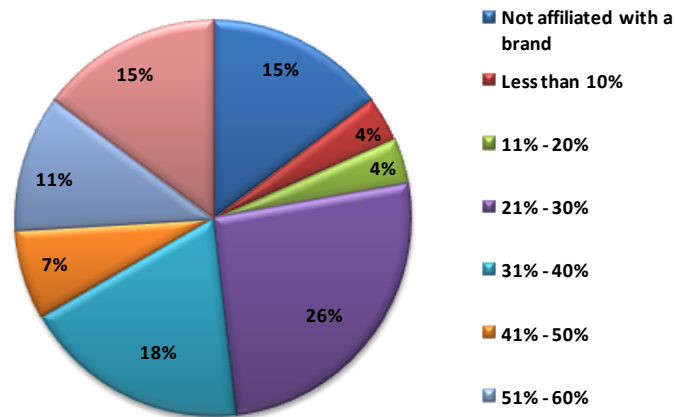
Most survey respondents ranked property/corporate websites and third-party websites to be the channels that generated the most revenue in 2012, closely followed by property phone reservations. The majority of participants ranked mobile and other channels to be the lowest contributors to revenue in 2012.

WHICH THIRD-PARTY WEBSITE GENERATED THE MOST REVENUE IN 2012? PLEASE INDICATE AND RANK THE TOP THREE FROM 1 (MOST RESERVATIONS CONTRIBUTED) TO 3 (LEAST RESERVATIONS CONTRIBUTED).



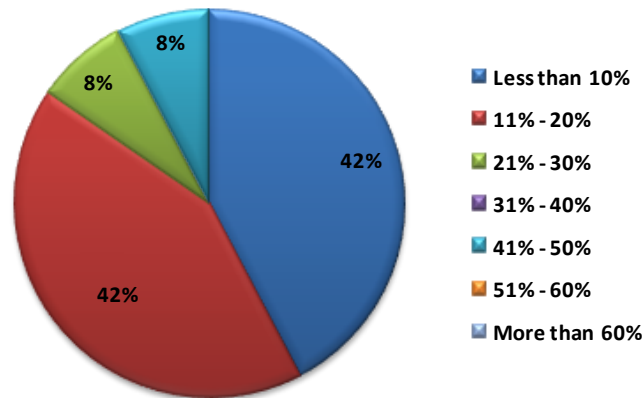
The responses indicated that Booking.com is the leading Online Travel Agency (OTA) in terms of reservation contribution, closely followed by Expedia. Priceline is ranked third and has surpassed other third-party websites, including Travelocity and Orbitz, in reservation contribution.

WHAT PERCENTAGE OF YOUR ROOMS REVENUE WAS GENERATED BY THE BRAND RESERVATIONS SYSTEM IN 2012?



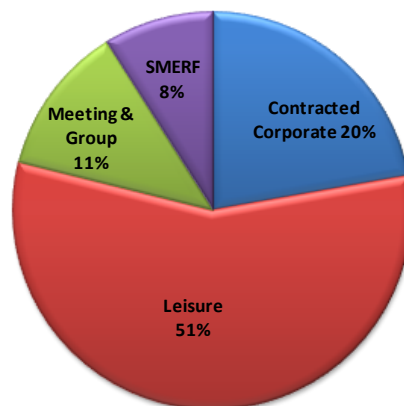
Approximately half of the respondents indicated that 21 to 50 percent of their room’s revenue was generated by the brand reservation system in 2012. We note that 15 percent of the respondents were representatives of properties not affiliated with brands. Fewer than 10 percent of the respondents received less than 20 percent of their rooms’ revenue by the brand reservation system in 2012. Approximately 26 percent of the respondents indicated that brand reservation systems contributed more than 51 percent of rooms’ revenue. Overall, these responses indicate the continued strength of the brand reservation channel.

PRICE-MATCH GUARANTEE ALLOWED BRANDS TO RE-EDUCATE THE CONSUMER'S MIND ABOUT BOOKING THE LOWEST RATES DIRECTLY THROUGH BRAND WEBSITES RATHER THAN ONLINE TRAVEL AGENCIES. FROM 2011 TO 2012, WHAT PERCENTAGE HAS THIS STRATEGY HELPED TO INCREASE DIRECT BOOKINGS?



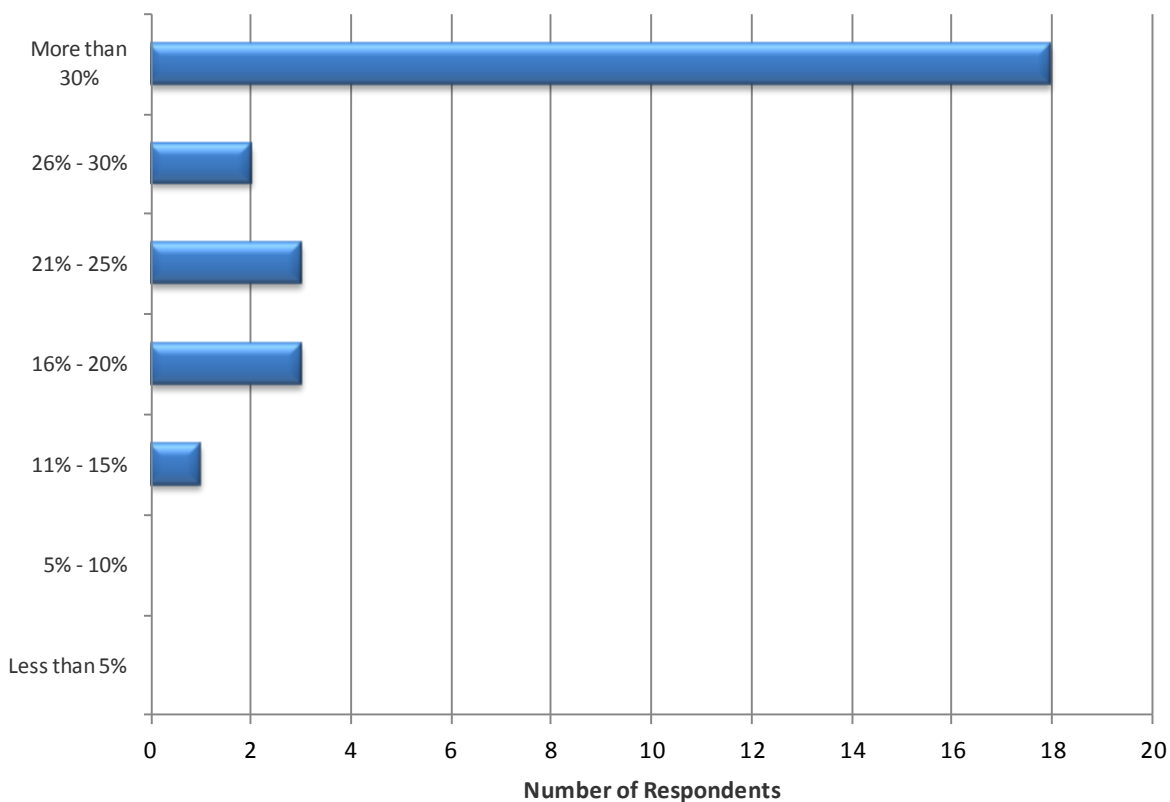
A majority of respondents indicated that price-match guarantee assisted in increasing direct bookings from 2011 to 2012 by less than 20 percent. None of the responses indicate that the price-match guarantee strategy increased direct bookings by more than 50 percent.

WHAT PERCENTAGE OF TOTAL DEMAND WAS GENERATED FROM EACH OF THE FOLLOWING SEGMENTS IN 2012?



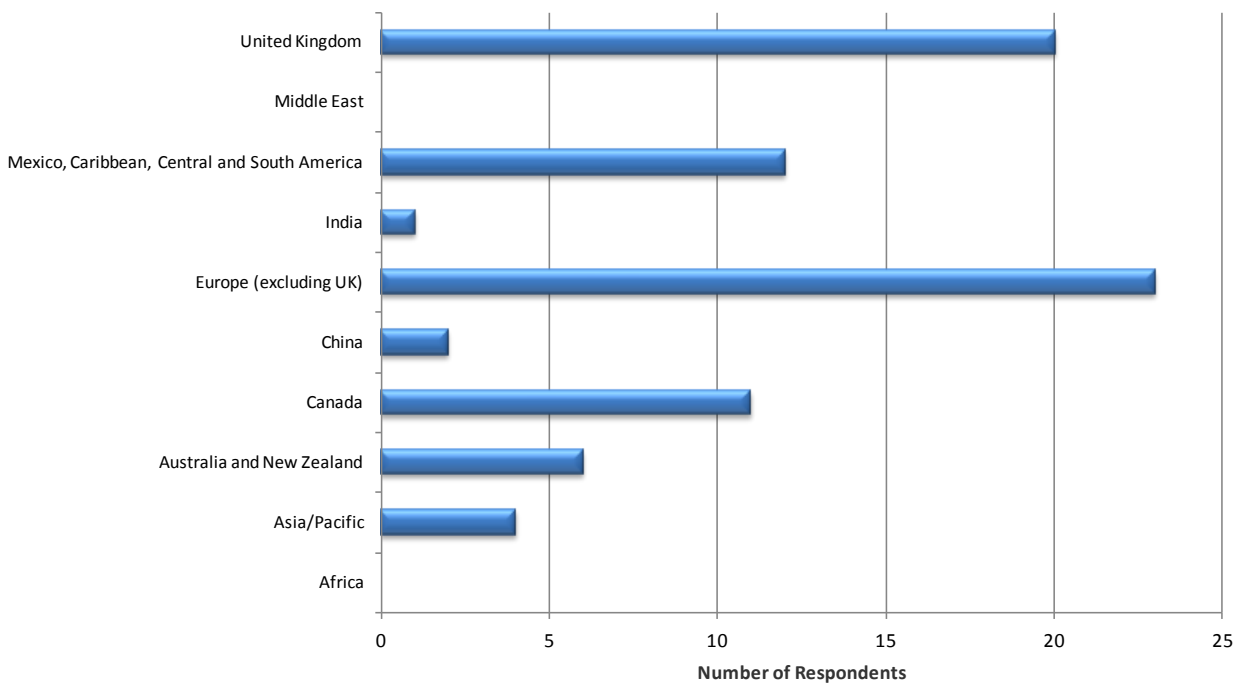
Most respondents indicated that the leisure segment generated the most demand in 2012. The average percentage of leisure business in the mid-to-upscale full-service hotels were higher from other segments at 62 percent while the luxury and mid-to upscale limited/select service hotels were similar to the total average. Representatives from the luxury segment indicated that they have the highest average of contracted corporate business at approximately 32 percent, followed by upper-upscale at 26 percent, and mid-to-upscale limited/select service at 18 percent.

WHAT PERCENTAGE OF DEMAND WAS GENERATED BY INTERNATIONAL TRAVELERS IN 2012?



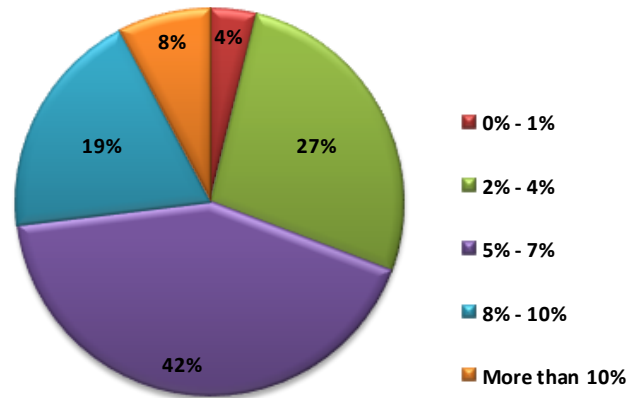
Most respondents (67 percent) answered that international demand represented more than 30 percent of occupied room nights in 2012. Second, approximately 22 percent of respondents answered that international demand represented 16 to 25 percent of occupied room nights. Approximately four percent of respondents answered that international travelers generated less than 15 percent. All responses from the luxury segment answered that international demand represented more than 30 percent of occupied room nights in 2012.

WHAT ARE THE THREE COUNTRIES/REGIONS THAT GENERATED THE MOST DEMAND FOR YOUR HOTEL IN 2012?



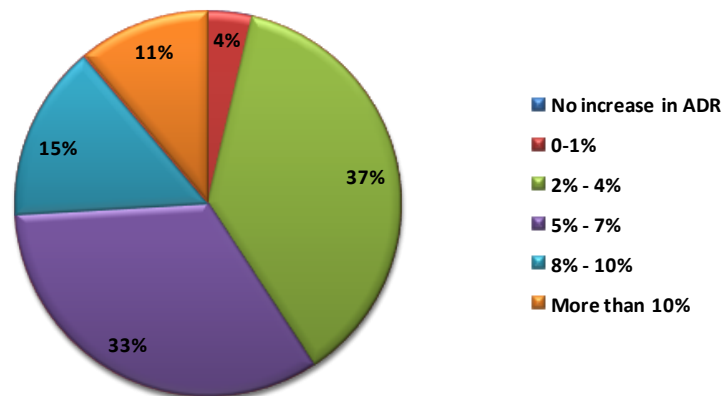
Survey results indicate that the majority of international travelers originated from Europe while the United Kingdom closely followed. Mexico, Caribbean, Central and South America were also one of the top-three demand contributors for Manhattan. Respondents from luxury and upper-upscale properties responded that Europe, (Mexico, Caribbean, Central and South America), as well as Canada were their top three countries/regions.

HOW MUCH DO YOU ANTICIPATE REVPAR TO INCREASE IN 2013, COMPARED TO 2012 REVPAR?



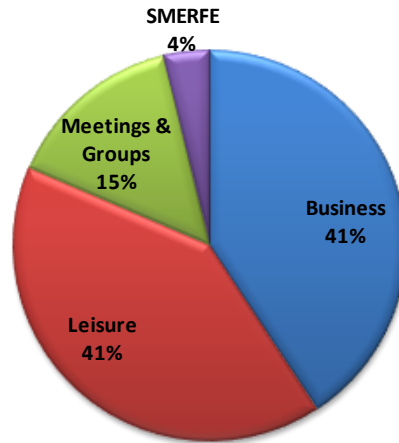
Overall, the majority of respondents expect RevPAR to increase in 2013 compared to 2012, indicating that hoteliers are optimistic about the industry's continued recovery. Approximately 42 percent of the respondents indicated that RevPAR would increase by five to seven percent, while 27 percent of respondents stated that the increase would be within the two to four percent range.

HOW MUCH DO YOU ANTICIPATE ADR TO INCREASE IN 2013, COMPARED TO 2012 ADR?



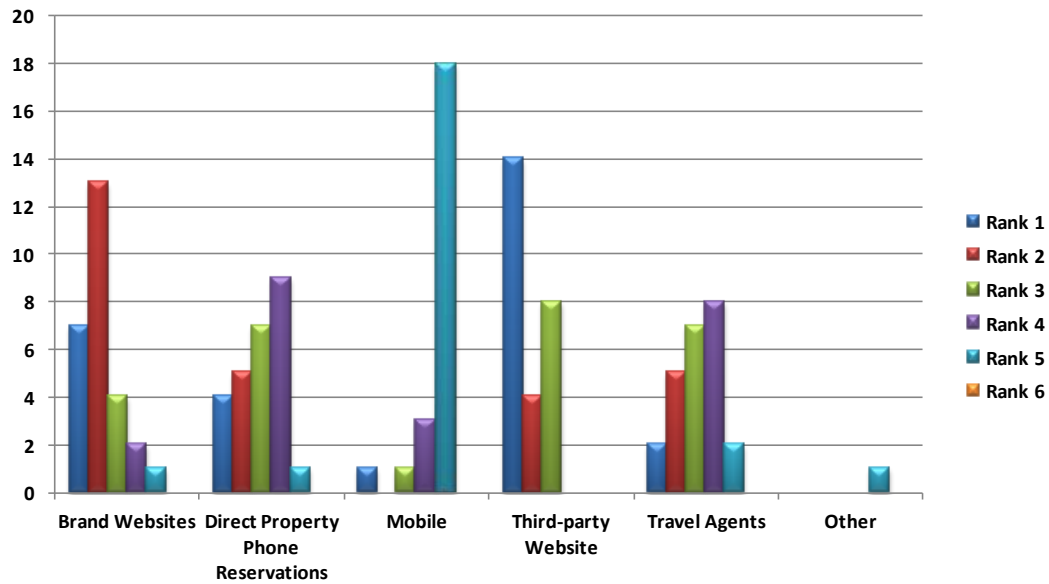
Similar to the increase in RevPAR, survey respondents expect an increase in ADR in 2013 compared to 2012. The majority of respondents (37 percent) foresee a two- to four-percent increase in ADR, closely followed by those who anticipate an increase of five to seven percent.

WHICH SEGMENT WILL EXPERIENCE THE MOST GROWTH IN 2013?



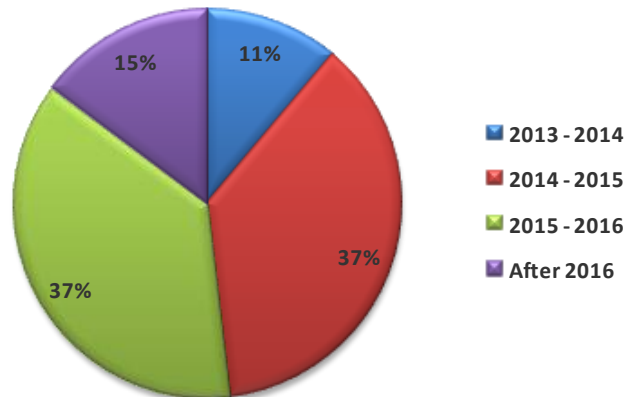
Participants are split on whether the business or leisure segment will experience the most growth in 2013. While Manhattan hoteliers anticipate much growth in both business and leisure segments, few respondents expect growth in the meeting and group segment, as well as the SMERFE segment for 2013.

WHICH DISTRIBUTION CHANNEL DO YOU ANTICIPATE WILL GENERATE THE MOST REVENUE IN 2013? PLEASE RANK THE FOLLOWING FROM 1 (THE GREATEST REVENUE GENERATOR) TO 5 (THE WEAKEST REVENUE GENERATOR) (Q15)



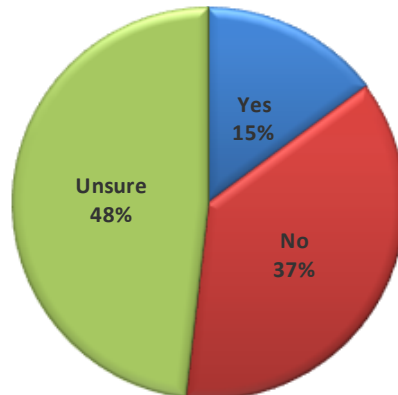
Most survey respondents answered that the Third Party websites will generate the most revenue, closely followed by brand websites. The majority of participants ranked mobile as the least likely to contribute the most revenue in 2013.

WHEN DO YOU ANTICIPATE REVPAR TO FULLY RECOVER FROM THE LATEST RECESSION AND RETURN TO ITS PRE-RECESSION LEVEL?



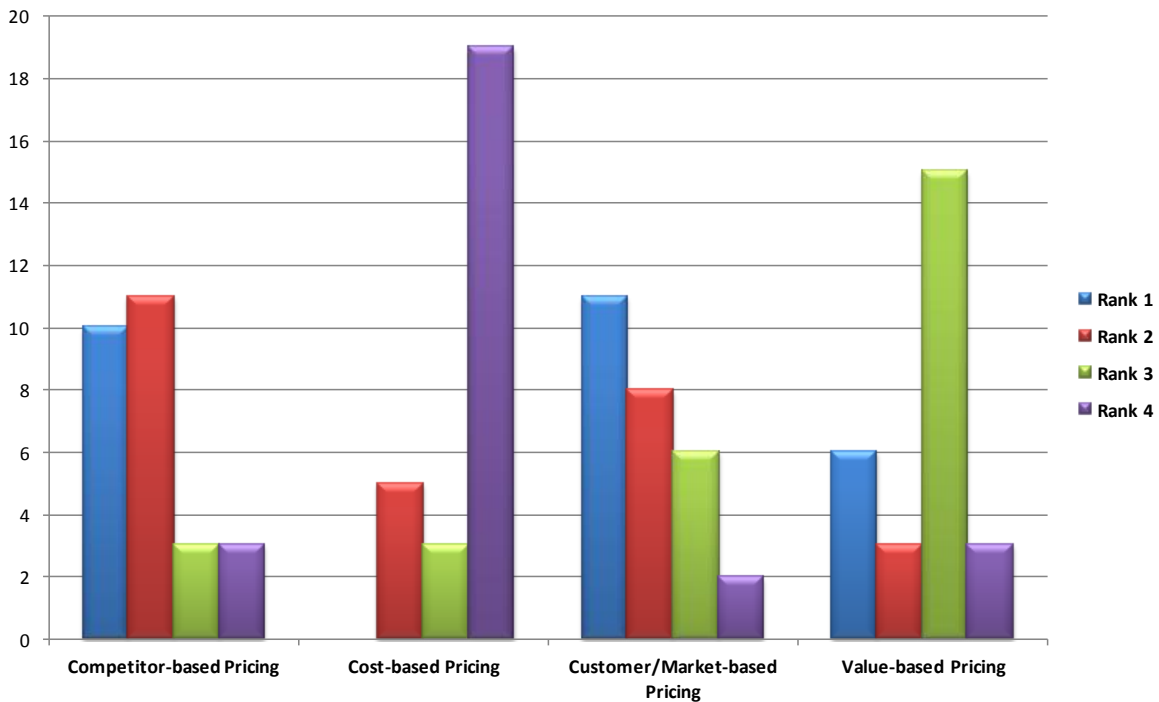
A majority of respondents expect RevPAR to fully recover from the most recent economic downturn and return to its pre-recession levels in the next three years.

DO YOU THINK THAT THE INCREASE IN COSTS RESULTING FROM THE NEW COLLECTIVE BARGAINING AGREEMENT WILL BE OFFSET BY PRICE AND REVENUE INCREASES?



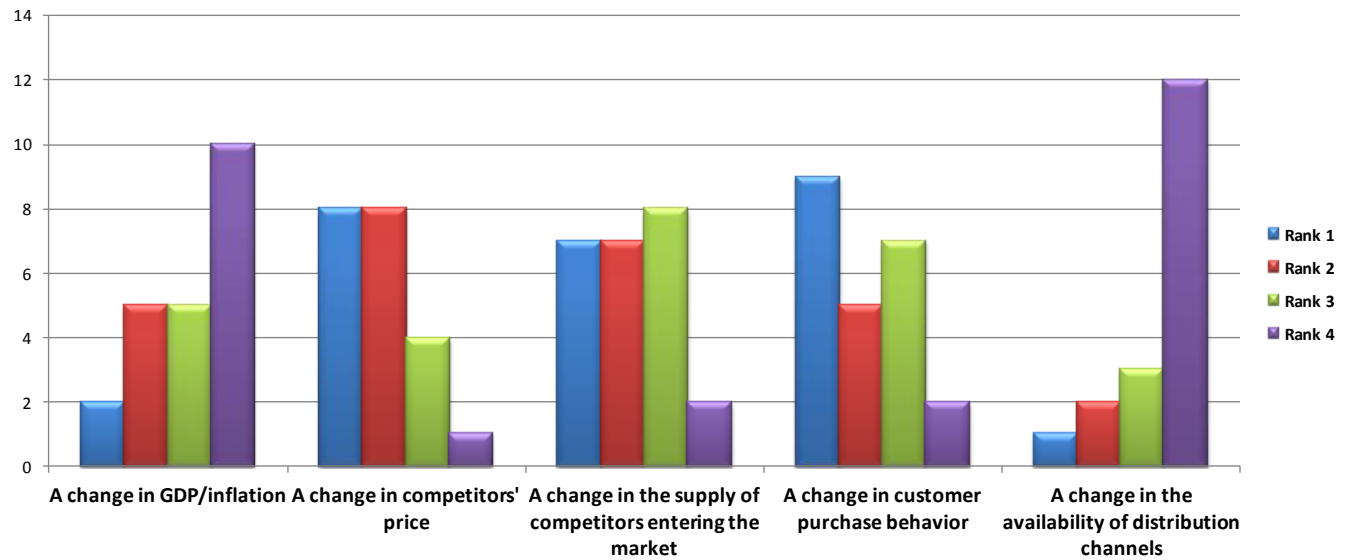
A majority of respondents were uncertain whether the increase in costs resulting from the new collective bargaining agreement would be offset by price and revenue increases, while 37 percent of the respondents estimated that the increase in costs resulting from the new collective bargaining agreement would not be offset by price and revenue increases.

WHICH PRICING STRATEGY DO YOU CURRENTLY USE THE MOST? PLEASE RANK THE FOLLOWING FROM 1 (MOST FREQUENTLY USED) TO 4 (LEAST FREQUENTLY USED)



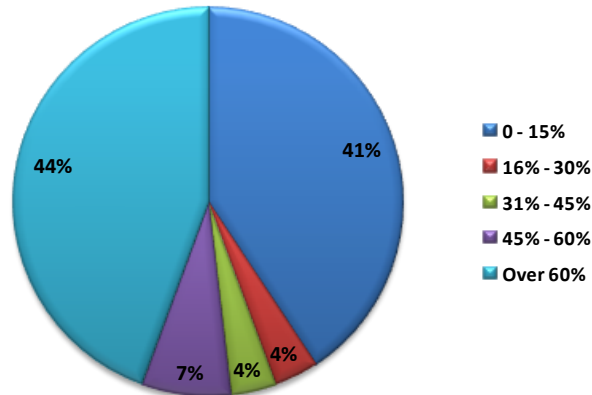
Survey respondents stated that the customer/market-based pricing strategy is the most frequently used, closely followed by competitor-based pricing strategy, and then value-based pricing strategy. The majority of respondents ranked cost-based pricing strategy as the least frequently used as of late. Representatives from luxury properties answered value-based pricing to be the most frequently used, closely followed by competitor-based pricing strategy. Most upper-upscale hoteliers reported competitor-based pricing strategy to be the most frequently used, closely followed by customer/market-based pricing strategy.

WHICH EXTERNAL CHARACTERISTIC DO YOU THINK WILL INFLUENCE YOUR PRICING STRATEGY THE MOST IN 2013? PLEASE RANK THE FOLLOWING FROM 1 (THE MOST INFLUENTIAL) TO 5 (THE LEAST INFLUENTIAL)



The survey respondents indicated that a change in customer purchase behavior would influence their pricing strategy the most in 2013. Second, approximately 30 percent of the respondents indicated that a change in competitors' price will influence their pricing strategy in 2013.

IN 2012, WHAT PERCENTAGE OF YOUR RESERVATIONS RECEIVED FROM THE MOBILE CHANNEL WAS BOOKED WITHIN 14 DAYS OF ARRIVAL?



The majority of survey respondents estimated that more than 60 percent of their reservations received from the Mobile channel was booked within 14 days of arrival. All luxury property representatives and 50 percent of upper-upscale representatives reported that more than 45 percent of their reservations obtained from the Mobile channel were booked within 14 days of arrival. The responses indicate that mobile applications are becoming one of the primary revenue generators.

Manhattan Forecast

Based on an analysis of the historical data and a review of the new supply, we have prepared the following forecast for the Manhattan lodging market through 2015.

HVS FORECAST THROUGH 2015

Year	No. of Rooms	Percent Change	Occupied Rooms	Percent Change	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2007	65,960	—	20,504,879	—	85.2 %	—	\$297.58	—	\$253.45	—
2008	67,324	2.1 %	20,700,010	1.0 %	84.2	(1.1) %	305.99	2.8 %	257.76	1.7 %
2009	70,822	5.2	20,708,564	0.0	80.1	(4.9)	236.74	(22.6)	189.65	(26.4)
2010	74,551	5.3	22,694,259	9.6	83.4	4.1	256.18	8.2	213.66	12.7
2011	78,927	5.9	24,050,457	6.0	83.5	0.1	270.55	5.6	225.87	5.7
2012	80,503	2.0	25,252,639	5.0	85.9	2.9	277.73	2.7	238.68	5.7
Year-to-date through March:										
2012	79,655	—	5,489,911	—	76.6 %	—	\$216.09	—	\$165.48	—
2013	80,986	1.7 %	5,828,908	6.2 %	80.0	4.4 %	227.98	5.5 %	182.32	10.2 %
Forecast										
2013	83,318	3.5 %	26,313,250	4.2 %	86.5 %	0.7 %	\$293.84	5.8 %	\$254.24	6.5 %
2014	88,876	6.7	27,734,165	5.4	85.5	(1.2)	310.29	5.6	265.28	4.3
2015	92,941	4.6	29,065,405	4.8	85.7	0.2	328.60	5.9	281.54	6.1

STR Global (Historical), HVS (Forecast)

Marketwide occupancy is expected to remain close to maximum-level capacity, in the mid-80 percent range, through 2015. New supply is expected to increase by approximately 15.0 percent by 2015. As a result, we forecast moderate average rate growth over the next three years. From 2013 to 2015, we forecast relatively modest increases in RevPAR, primarily driven by ADR growth. Overall, RevPAR is forecast to appropriately recover and surpass its pre-recession (2008) in 2014. Increases in supply are expected to be readily absorbed and thus are not anticipated to significantly affect the recovery. Reflective of such trends, the Manhattan lodging market seemingly remains poised for a strong recovery, irrespective of any forthcoming increases in supply.

Joseph E. Spinnato

President & CEO, Hotel Association of NYC

The year 2012 was indeed a positive one for our hotel industry. Mayor Bloomberg announced that New York City and Company had logged in the number of visitors to the city at 52 million people. That figure certainly impacted on the occupancy rate of our hotels. 2013 had a robust start, with an occupancy rate for the first quarter well above that for 2012. Also, the balance of 2013 looks positive as we project ahead.

Overview of Sales Transactions in Manhattan

Randy Smith

CEO, STR

The New York hotel market has seen a fantastic beginning to 2013. Despite supply increases well above average of 2.5%, RevPAR in New York has increased 13.2% through February. Surprisingly, most of the RevPAR gains are derived from occupancy increases and not from ADR increases. Room nights sold for the first two months increased 11.5%. If this level of demand can be sustained, the market should be able to weather the expected increases to the room supply with little stress.

The following table sets forth an overview of hotel sales in Manhattan in 2012 and early 2013.

MANHATTAN HOTEL SALES – 2012 THROUGH APRIL 2013

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Hyatt Union Square**	Apr-13	134 Fourth Ave	178	McSam Hotel Group	Hersha Hospitality Trust	\$101,000,000	\$567,000
James SoHo	Apr-13	27 Grand Street	114	Brack Real Estate Capital	Prudential	85,000,000	746,000
Hyatt Place Midtown South **	Mar-13	52-56 West 36th	185	Chesapeake Lodging Trust	Mc Sam Hotels	76,200,000	412,000
The Plaza Hotel	Dec-12	768 Fifth Ave	230	Elad Properties/Kingdom Holdings	Sahara India Pariwar	390,000,000	1,696,000
Dream Downtown*	Nov-12	Street	315	Hampshire Hotels & Resorts	Sahara India Pariwar	220,000,000	698,000
Hotel Grand Union	Nov-12	34 East 32nd Street	90	N/A	Alpha Development	28,600,000	318,000
Setai Fifth Avenue	Oct-12	400 Fifth Avenue	214	Bizzi & Partners Development	Great Eagle Group	229,000,000	1,070,000
Manhattan at Times Square	Oct-12	790 Seventh Avenue	665	Worldwide	Rockpoint Group/Highgate Holdings	275,000,000	414,000
Essex House	Aug-12	160 Central Park South	518	Dubai Investment Group	Strategic/KSL Capital Parnters	362,300,000	699,000
Garden	Jun-12	Street	228	McSam Hotel Group	Hersha Hospitality Trust	87,500,000	384,000
Hotel Lola/King & Grove	Jun-12	29 East 29th Street	276	Rockpoint Group	Group	116,000,000	420,000
Courtyard Upper East Side	May-12	410 East 92nd Street	226	Madison Equities, LLC	RLJ Lodging Trust	82,000,000	363,000
Cassa Hotel	Mar-12	66 West 45th Street	165	Assa Properties	HNA Group	130,000,000	788,000
Novotel Times Square	Feb-12	226 West 52nd	480	Accor	Chartres Lodging Group and Apollo	212,000,000	442,000
Avalon	Feb-12	16 East 32nd Street	100	Ferrado US LLC	Domain Properties LLC	48,300,000	483,000
Park Central	Jan-12	870 Seventh Avenue	934	Highate Holdings	LaSalle Hotel Properties	396,200,000	424,000
Ritz-Carlton Central Park South *	Jan-12	50 Central Park South	261	Millenium Partners	Westbrook partners	198,000,000	759,000
*Leasehold Interest	**Turn-Key Transaction						

Source: HVS



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 2,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

HVS – Superior Results through Unrivalled Hospitality Intelligence. Everywhere.

About the Author



Roland deMilleret, MAI, is a Managing Director of the New York Office. Since joining HVS in January 1999, he has provided hotel investment advice and conducted valuations,

feasibility studies, strategic advisories, and other consultancy assignments to over 1,900 hotels and resorts in the United States, Mexico, and the Caribbean. His industry expertise also includes the selection of management companies and the negotiation of management agreements.

Roland is the HVS expert for the Manhattan lodging market and has worked on most Manhattan properties.

Roland is a designated Member of the Appraisal Institute (MAI) and a New York State certified general appraiser. He is an adjunct professor at NYU's School of Continuing and Professional Studies where he taught a course on hotel development each spring semester from 2007 to 2009.

For additional information on the Manhattan lodging market, please contact Roland deMilleret at +1 (516) 248-8828 x. 269 or at +1 (516) 209-7305 (cell) or by e-mail at rdemilleret@hvs.com.