



JUNE 2011

2011 MANHATTAN HOTEL MARKET OVERVIEW

33RD ANNUAL NYU INTERNATIONAL HOSPITALITY INDUSTRY INVESTMENT CONFERENCE
JUNE 5 TO JUNE 7, 2011 | NEW YORK MARRIOTT MARQUIS

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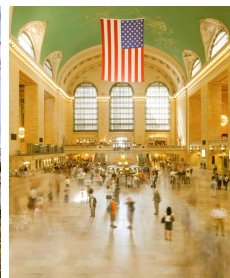
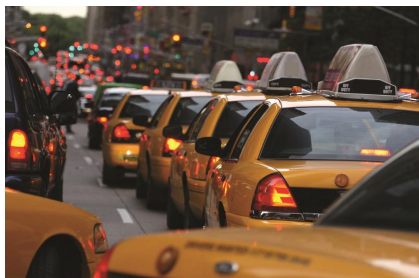


Table of Contents

Introduction.....	1
Long-Term Historical Performance	3
New Supply	13
NYU Survey Results Analysis	17
Manhattan Forecast.....	27
Overview of Sales Transactions in Manhattan.....	28
About HVS	Last page
About the Author	Last page

2011 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 14th 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, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company offers a comprehensive scope of services and specialized industry expertise to help you enhance the economic returns and value of your hospitality assets. Through a network of 30 offices worldwide staffed by approximately 400 seasoned industry professionals, HVS offers a wide scope of services that track the development and ownership process.

Starting with an HVS market feasibility and appraisal study, a newly conceived project is justified. Financing through the HVS investment banking team is then arranged, interiors designed, and management hired. Sales and marketing strategies are developed, and organizational assessments are made. When a client requires on-site hotel or restaurant management and marketing, HVS offers these specialized services as well. HVS asset management provides constant operational oversight to ensure the maximization of economic returns and asset value. No other organization offers such a broad range of services. HVS also has specialists in parking operations, golf courses, and convention centers.

Since the year 2000, HVS has performed approximately 25,000 assignments throughout the world for virtually every major industry participant. Our principals literally “wrote the book” on hospitality consulting, authoring numerous authoritative texts and hundreds of articles. HVS is client driven, entrepreneurial, and dedicated to providing the best advice and services in a timely and cost-efficient manner.

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, as well as the chance to study at several on-site “industry classrooms” at such venues as The New York Marriott Marquis, The Waldorf=Astoria, Chelsea Piers, and the NBA Store.

The 33rd Annual New York University International Hospitality Industry Investment Conference is Sunday, June 5, 2011, to Tuesday, June 7, 2011, 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 the comprehensive hotel statistics 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 four Tisch Center graduate students—Duygu Aktan, Yvette Alaniz, Konstantinos “Dino” Bastas, and Jacqueline Waldman—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 expert, Roland deMilleret, MAI, Managing Director, for his invaluable contribution and dedication to this project.

Steve Rushmore

President and Founder, HVS Global Hospitality Services

In 2010, the Manhattan lodging market turned around faster than expected, despite the fact that the latest recession was the longest since World War II and that the market incurred the largest increase in supply over the last 23 years.

A total of 62 new hotels opened in Manhattan between March 2008 and February 2011, representing growth of 17 percent over the February 2008 level. 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. Future increases in supply are expected to be absorbed and thus are not anticipated to affect the recovery period.

Occupancy is expected to remain in the low-to-mid-80-percent range through 2013. From 2011 to 2013, we forecast strong increases in RevPAR, driven primarily by ADR growth. RevPAR is forecast to return to its pre-recession peak (2008) level in 2012.

By the end of 2010, hotel values in Manhattan had increased dramatically. HVS estimates that hotel values are currently within 10 percent of the pre-recession peak (2007) level and expects hotel values to return to the previous peak by the end of 2012.

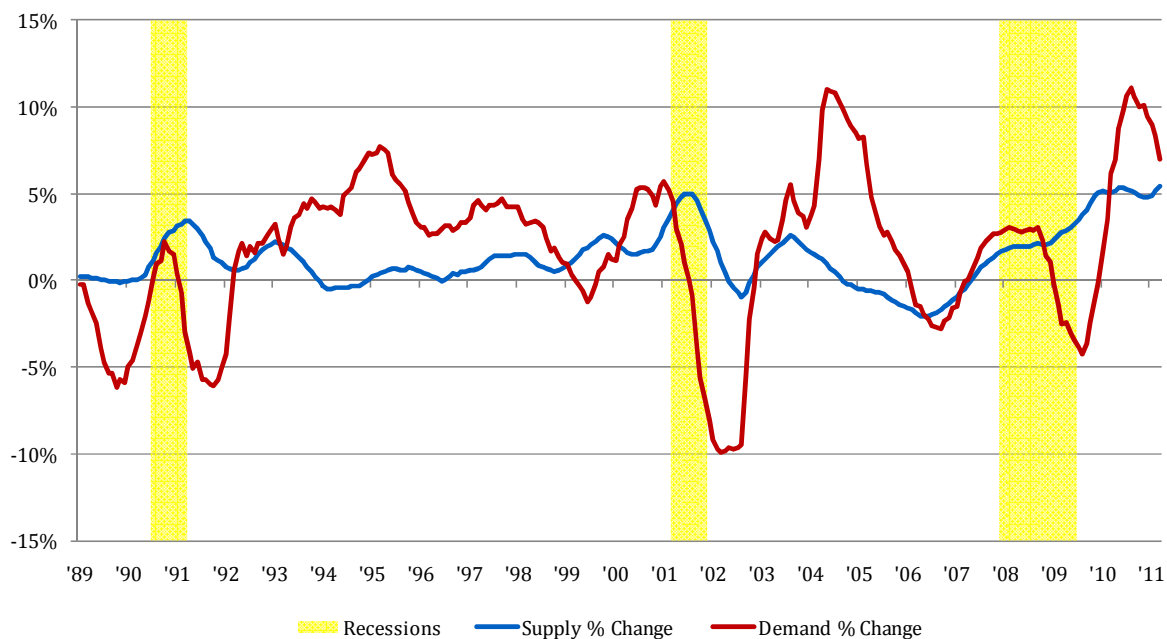
Manhattan boasts a diverse and expansive economic base; the area benefits not only from its standing as the world’s financial capital, but also from its status as a leading leisure destination. Such attributes translate into very strong lodging demand fundamentals for the area.

Long-Term Historical Performance

This section provides an analysis of the long-term historical performance of the Manhattan lodging market from January 1987 to March 2011 and illustrates how the market has fluctuated during business cycles. This period covers the last three recessions. The contractions in the early 1990s and 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 2011. The graph illustrates percent changes in supply and demand (12-month moving average). Periods of recession 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 has generally decreased during times of recession. The minor decline in demand in 2006 was primarily due to the fact that in winter 2005, an art exhibit in Central Park known as “The Gates” attracted an additional 1.0 to 1.5 million tourists to Manhattan during a period considered to be the low season. No comparable event was held during winter 2006, so demand returned to normal levels. Furthermore, the conversion of several hotels to condominiums during this period also contributed to the decline in demand. Decreases in demand are typically short-lived (between 12 and 16 months) and followed by steep increases.

It is interesting to note that during the most recent recession, which was the longest since World War II, demand did not decrease as much as during the previous two recessions in spite of a substantial increase in supply during this period. The change in demand bottomed out at -4.2 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 2010, the Manhattan market registered the strongest year-

over-year growth in demand over the last 23 years, at 11.1 percent. Demand softened in the first quarter of 2011 primarily due to unfavorable weather conditions.

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

Over the last 23 years, the Manhattan lodging market experienced minimal growth in supply as a result of strong barriers to entry prevailing in that market. From 2004 through 2006, supply actually decreased due to the conversion of several hotels to condominiums. Since mid-2009, the market has consistently experienced strong increases in supply each month.

Michael R. Bloomberg
Mayor of the City of New York

Dear Friends:

It is a great pleasure to welcome everyone to the 33rd Annual New York University International Hospitality Industry Investment Conference.

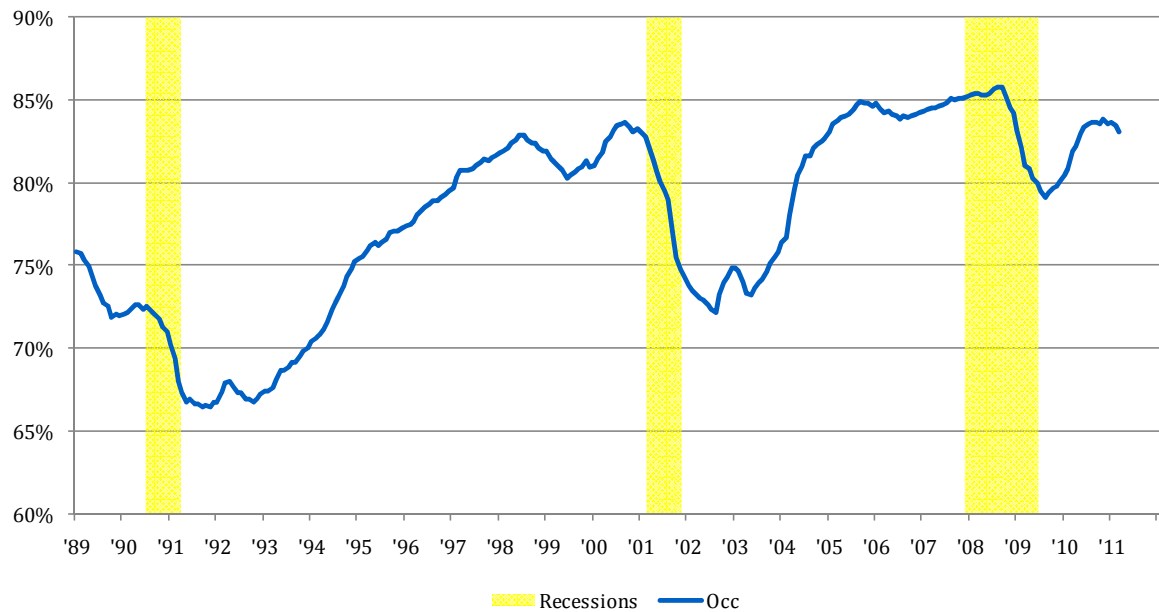
There's no disputing that New York knows a thing or two about the tourism industry—especially since our City drew a record-breaking 48.7 million visitors in 2010. From world-renowned museums to five-star restaurants, iconic attractions to groundbreaking theater, there is certainly something to capture the interest of every traveler. And with so many people coming here for vacation or to visit friends and family, the hospitality industry is crucial to ensuring that we remain a top destination for many years to come.

As a City that thrives on the contributions of the tourism industry, New York is proud to be the host of this exciting annual conference. I commend all those associated with this event for their unwavering support of both our City and this field. Please accept my best wishes for an enjoyable and productive conference.

As a result of supply and demand dynamics, Manhattan has been undersupplied historically. Over the last 23 years, average demand growth, at 2.0 percent, has outpaced the corresponding growth in supply, at 1.5 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

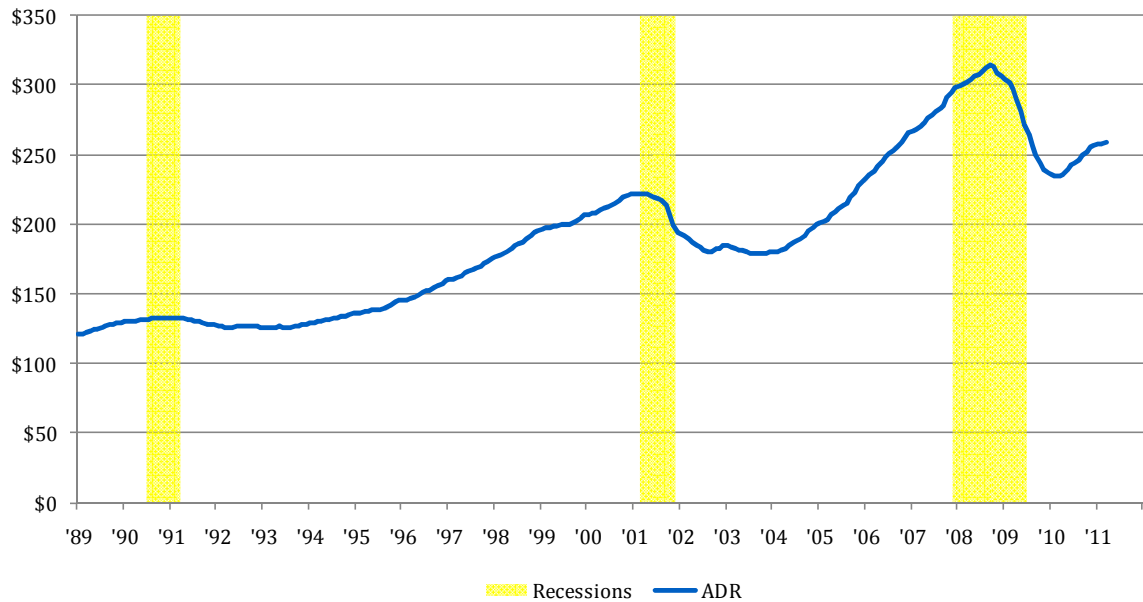


Source: HVS, STR Global, and National Bureau of Economic Research

The preceding graph illustrates the volatility in occupancy, particularly during the first two recession periods. Occupancy percentages remained in the mid-80s from 2005 through 2008 (close to maximum-level capacity). Following the latest recession, occupancy levels remained healthy compared to those recorded after the 2001 recession, despite the largest increase in supply to date. Occupancy dipped below the 80 percent threshold for only six consecutive months in 2009, while occupancy remained in the mid-70-percent range from September 2001 to February 2004 (30 months).

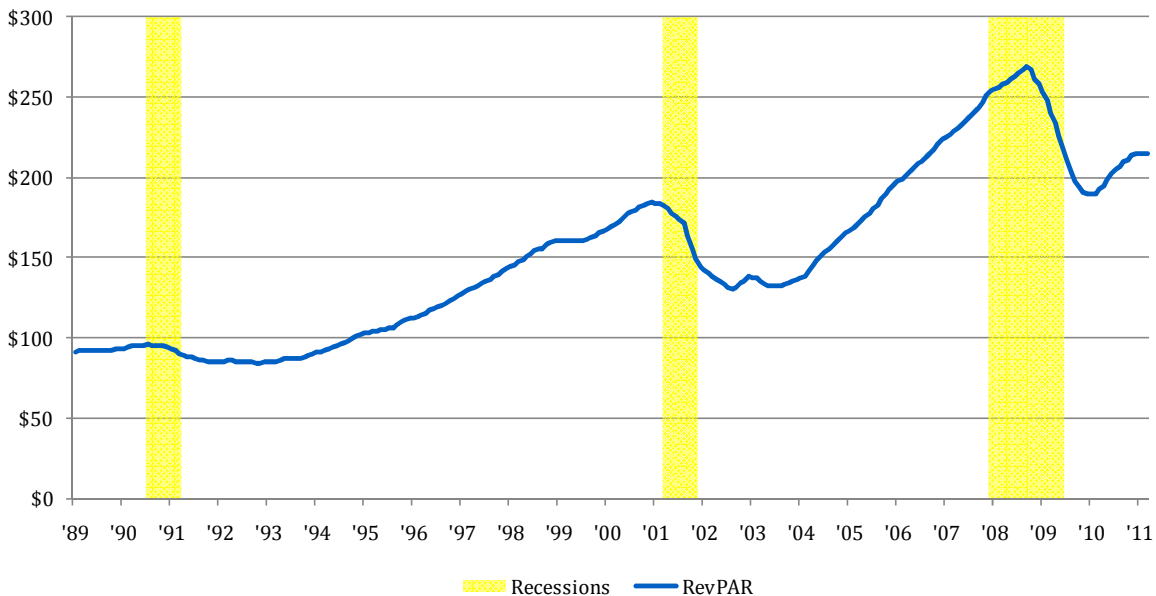
The supply and demand dynamics have also translated into strong historical ADR and RevPAR levels, as indicated by the following two graphs.

LONG-TERM ADR LEVELS – 12-MONTH MOVING AVERAGE



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

LONG-TERM REVPAR LEVELS – 12-MONTH MOVING AVERAGE

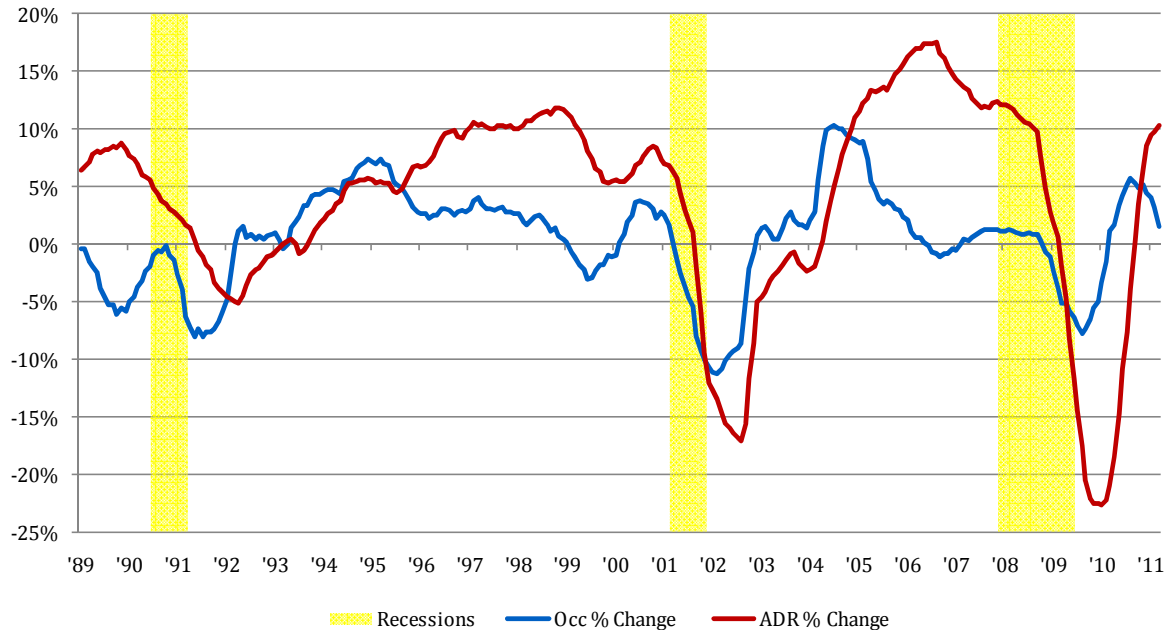


Source: HVS, STR Global, and National Bureau of Economic Research

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 2011.

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



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

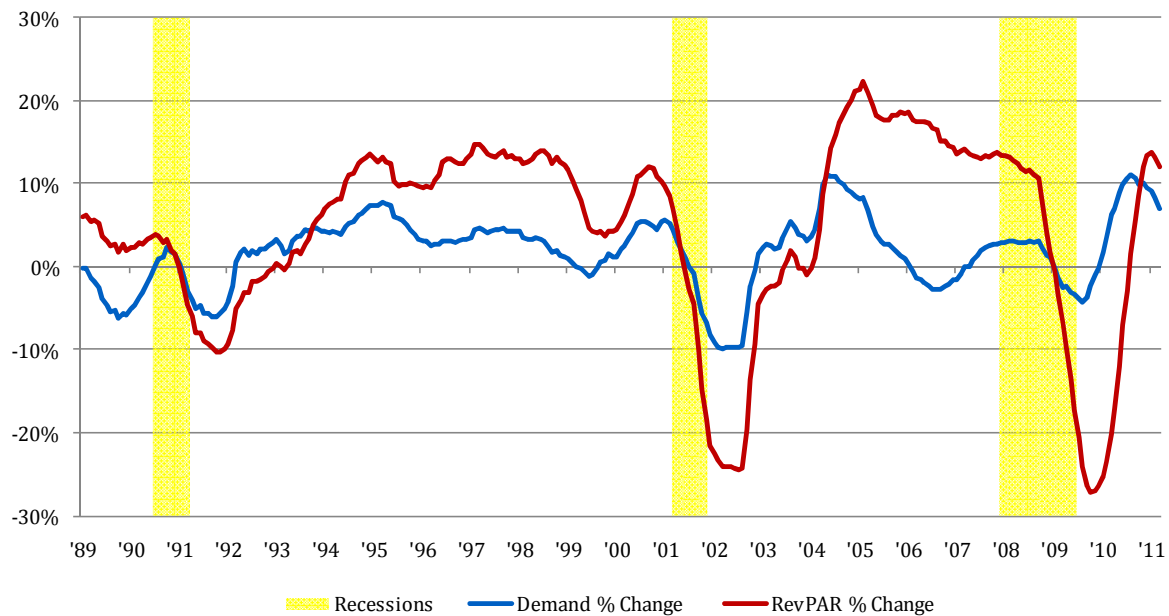
The preceding graph illustrates the high volatility of the Manhattan lodging market, and particularly for ADR. It is interesting to note that ADR volatility has increased over time, which can most likely be explained by the growing use of services offered by STR Global and third-party websites such as Expedia. The timely availability of lodging data has created a higher level of transparency in the market. Local operators can now react faster to shifts in ADR strategies used by competitors and adjust room rates accordingly.

Periods of economic expansion are characterized by strong ADR growth. The Manhattan market experienced double-digit ADR increases for 27 consecutive months from January 1997 to March 1999, and for 46 consecutive months from November 2004 to August 2008.

Strong occupancy levels during and following the last recession were achieved largely at the expense of ADR, which experienced sizeable decreases. Percent change trough for ADR was -22.7 percent in January 2010 compared to -17.2 percent in August 2002. However, ADR rebounded faster and stronger following the most recent recession than after the previous two contractions.

The following graph illustrates the dynamics between demand and RevPAR from January 1989 to March 2011. The graph provides percent changes in demand and RevPAR (12-month moving average).

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

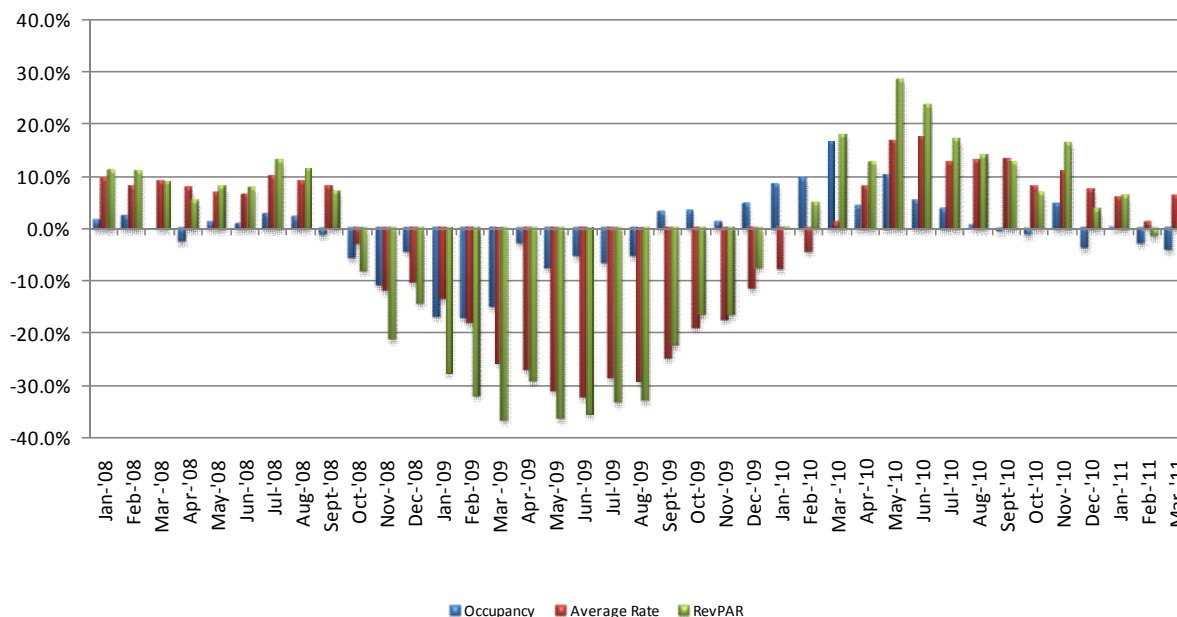


Source: HVS, STR Global, and National Bureau of Economic Research

The preceding graph demonstrates the high volatility of RevPAR in the Manhattan lodging market. However, since 1987, RevPAR has increased at a favorable average annual rate of 4.8 percent. Periods of economic 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 reached its trough of -27.3 percent in October 2009 compared to -24.4 percent in July 2002. However, RevPAR rebounded faster and stronger following the most recent recession than after the previous two contractions, primarily fueled by gains in ADR.

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).

MONTHLY OCCUPANCY, ADR, AND REVPAR CHANGES – JANUARY 2008 THROUGH MARCH 2011



Due to the effect of the latest recession, all three key indicators (occupancy, ADR, and RevPAR) commenced their downward trends in fall 2008. The declining trend persisted through most of 2009, with particularly substantial declines in spring and summer 2009. However, by the fall of 2009, signs of a strong recovery were apparent. Marketwide occupancy generally illustrated growth on a year-over-year basis from September 2009 through December 2010, with the exception of marginal declines in September, October, and December 2010 as occupancy levels were unusually high during the same months in 2009. Occupancy remained stable in January 2011 and incurred minor declines in February and March 2011, primarily due to unfavorable winter weather.

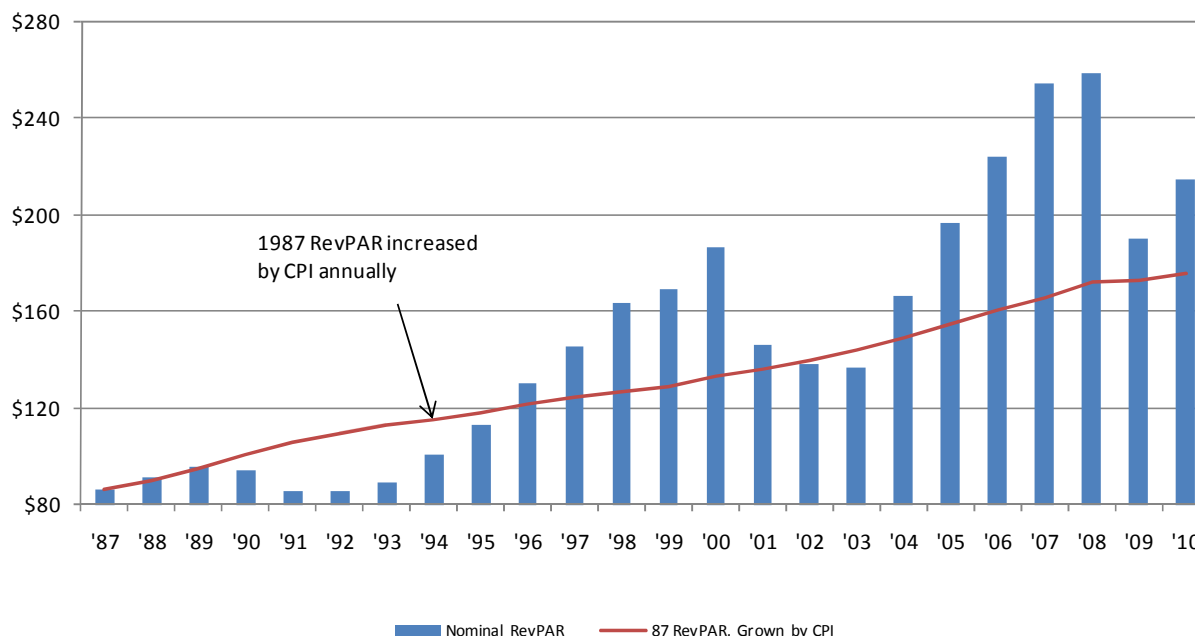
Moreover, after experiencing heavy declines in the high-20-percent to low-30-percent range through most of spring and summer 2009, the pace of declines in average rate subsided progressively from October 2009 through February 2010. For the first time since September 2008, marketwide average rate achieved growth in March 2010. From that time, average rate consistently illustrated an upward trend through March 2011, with 6 of these 13 months experiencing strong double-digit growth over the same month in the previous year, ranging from 11.3 percent to 17.4 percent.

Such trends translated into double-digit year-over-year RevPAR growth by year-end 2010 compared to 2009 (at 13.2 percent). Year-to-date through March 2011 data indicate a minor RevPAR gain of 2.3 percent compared to the corresponding quarter of 2010. This modest performance can be attributed primarily to unfavorable weather during this period.

Reflective of such trends, the Manhattan lodging market seemingly remains poised for a strong recovery, irrespective of any forthcoming increases in supply.

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 and then experienced strong growth until the 2001 recession. Nominal RevPAR was consistent with CPI-adjusted 1987 RevPAR in 2002, and fell below it in 2003. During the recovery and expansion periods that followed, nominal RevPAR experienced more robust growth than that achieved during the previous cycle. Thus, nominal RevPAR remained well above CPI-adjusted 1987 RevPAR for five consecutive years before peaking in 2008 at a level 50.0 percent above that of CPI-adjusted 1987 RevPAR. Despite the effect of the latest recession and a substantial increase of new supply, nominal RevPAR remained 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 strongly, as the economic recovery was under way.

Jonathan M. Tisch

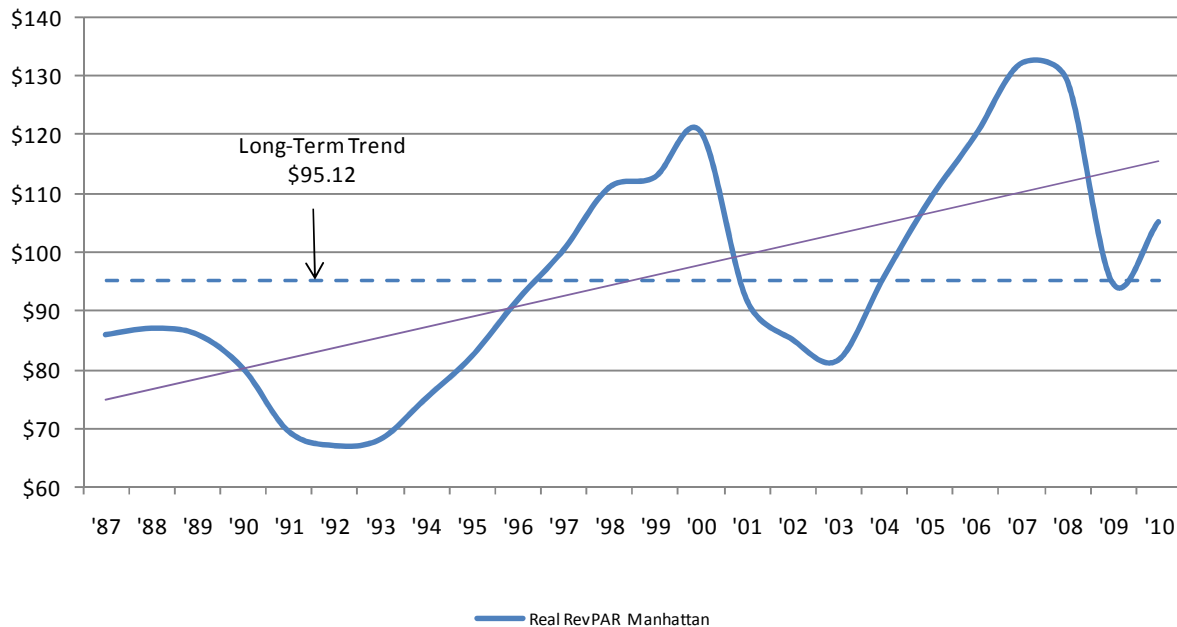
Chairman & CEO, Loews Hotels

New York City hosted a record-breaking 48.7 million visitors in 2010, which means we continue to be the #1 destination in the United States for overseas travelers—who stay longer and spend twice as much, making international travel an essential component of our city's economic health.

Concurrent with the promising data on international travel, we are optimistic that an increase in domestic leisure travel and a stronger meetings industry will be crucial to New York City's continued success, which will also strengthen the travel and tourism industry nationally.

The following graph illustrates the trend for real RevPAR from 1987 through 2010.

LONG-TERM REAL REVPAR TREND

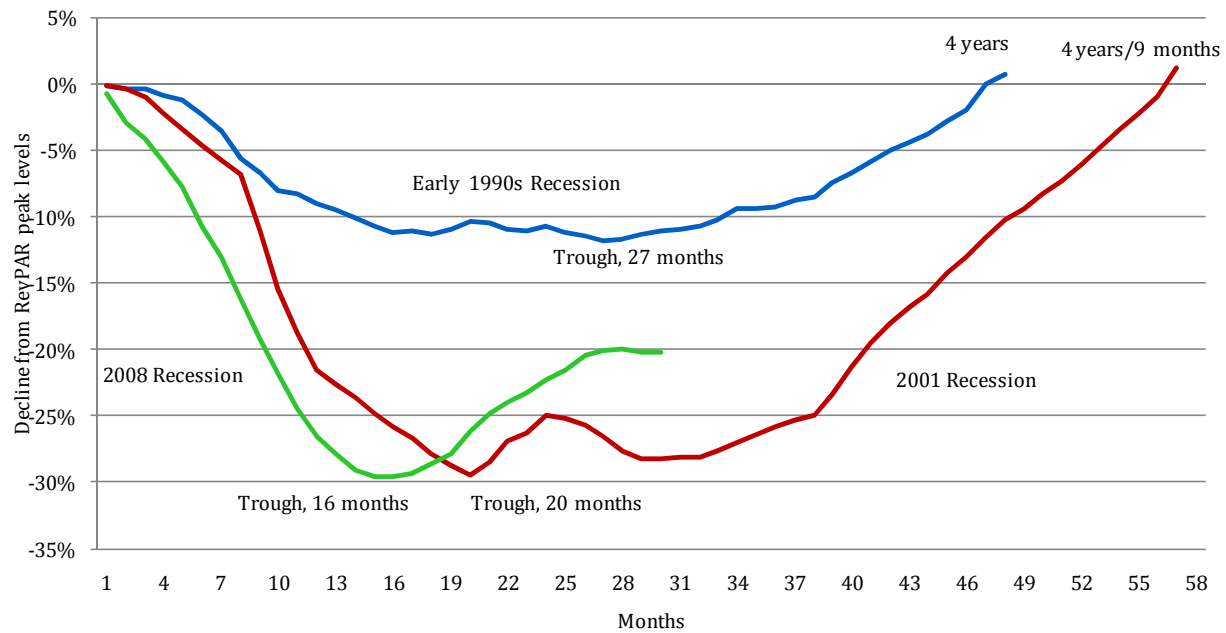


Source: HVS, STR Global, and National Bureau of Labor Statistics

The long-term real RevPAR trend further illustrates the high volatility of the Manhattan lodging market. However, the slope of the trend line is steeper than that for any other top-25 market in the U.S. Each trough is higher than that of the previous recession; the same applies to each peak.

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 recession of the early 1990s, 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 (an approximately 30.0 percent decrease); however, the decline was more rapid. The rebound was strong through the end of 2010; however, primarily due to unfavorable weather and the effect of new supply, RevPAR remained somewhat flat in the first three months of 2011.

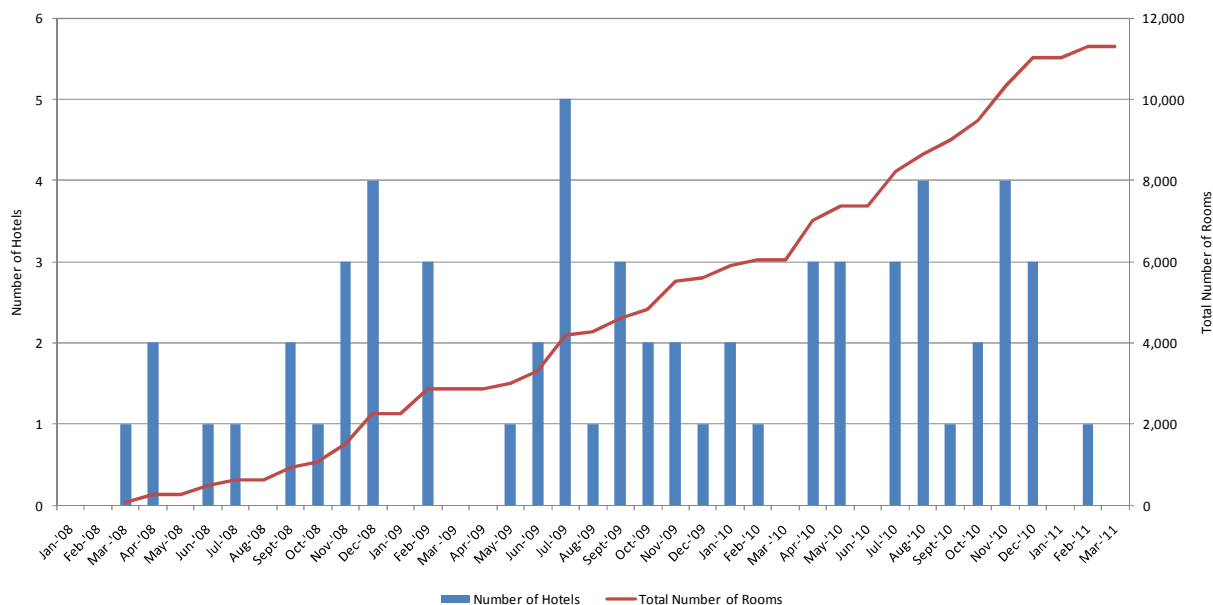
New Supply

George Fertitta
CEO, NYC & Company

Last year, New York City welcomed a record 48.7 million visitors, who collectively spent \$31 billion. Tourism remains an important pillar of New York City's economy—it's the City's fifth largest industry, generating 320,000 jobs. The City is on track to achieve Mayor Michael Bloomberg's goal of attracting 50 million annual visitors by 2012. Last year, NYC & Company, the City's official marketing, tourism, and partnership organization, launched the "Get More NYC" campaign using the tagline "See More. Be More. This is New York City." The multi-faceted marketing campaign is designed to showcase the unsurpassed energy, excitement, and diversity of the nation's number one tourist destination.

A total of 62 new hotels opened in Manhattan between March 2008 and February 2011, adding 11,285 rooms to the market and representing growth of 17.0 percent over the February 2008 level. This addition is the largest increase in supply in the last 23 years. The following chart illustrates the timing of these openings, as well as the total number of new rooms.

NEW SUPPLY – JANUARY 2008 TO MARCH 2011



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, new hotels had a minimal effect on the occupancy of the existing properties, as evidenced by the data shown in the following table.

OCCUPANCY

	2008	2009	2010	YTD March '11
Existing Hotels	84.4%	80.3%	84.1%	73.2%
New Hotels	N/A	76.7%	79.2%	71.1%
Index	N/A	96%	94%	97%

Source: HVS and STR Global

New hotels achieved an average occupancy of 76.7 percent in their first calendar year of operation (2009), increasing to 79.2 percent by 2010. During these first two years of operation, the overall occupancy of the new supply was only 4.5 percent to 5.8 percent below that of the existing hotels. In the first three months of 2011, new supply further penetrated the market, with an index of 97.0 percent.

The combined effect of the latest recession and the new supply on the overall occupancy of the existing hotels contributed to a decrease of only 5.0 percent in 2009, which was followed by 4.8 percent growth in 2010.

The following table illustrates the ADR performance of the existing hotels and the new supply from 2008 through March 2011.

ADR

	2008	2009	2010	YTD March '11
Existing Hotels	\$305.87	\$236.86	\$256.27	\$214.30
New Hotels	N/A	\$206.38	\$245.75	\$209.59
Index	N/A	87%	96%	98%

Source: HVS and STR Global

The latest recession and the new supply had a greater effect on ADR, as indicated by the 22.6 percent decrease in the ADR of the existing hotels in 2009 compared to 2008. However, the ADR of the existing properties increased by 8.2 percent in 2010, despite considerable new supply. New hotels had lower rates in their first calendar year of operation, with an index of 87.0 percent in 2009, to achieve occupancy and better penetrate the market. In 2010, the new hotels pushed their ADR, resulting in a 19.1 percent increase compared to 2009, and an index of 96.0 percent. In the first three months of 2011, the ADR index increased further, to 98.0 percent.

The following table illustrates the RevPAR performance of the existing hotels and the new supply from 2008 through March 2011.

REVPAR

	2008	2009	2010	YTD March '11
Existing Hotels	\$258.12	\$191.31	\$217.00	\$157.26
New Hotels	N/A	\$158.39	\$194.75	\$148.99
Index	N/A	83%	90%	95%

Source: HVS and STR Global

The RevPAR index of the new hotels increased from a level of 83.0 percent in 2009 to 95.0 percent in the year-to-date through March 2011.

The following table lists all the hotels that opened in 2010.

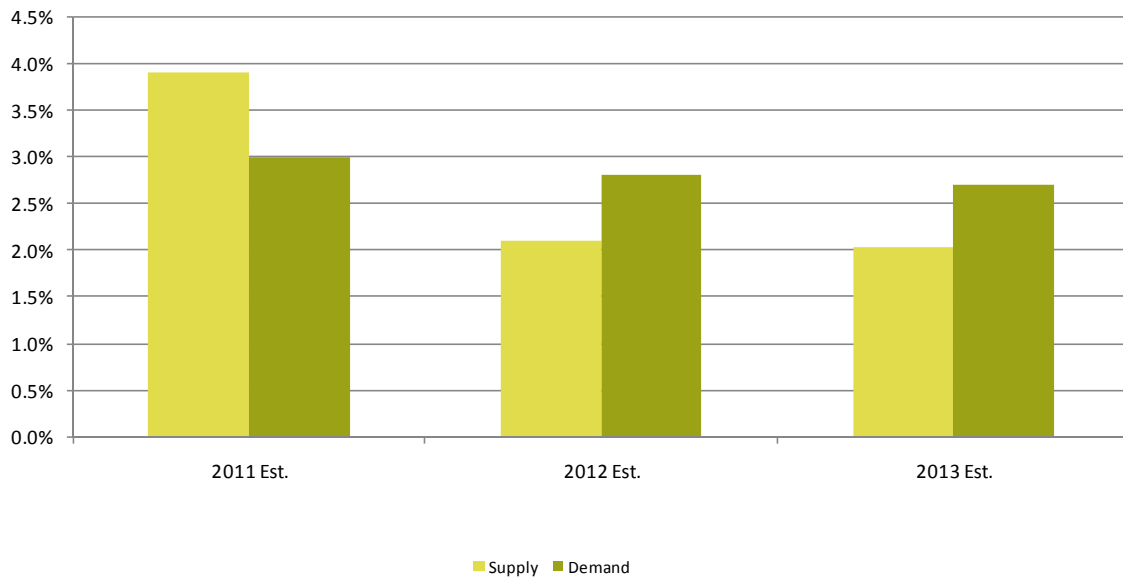
Name of the hotel	Room Count	Opening Date
Andaz Wall Street	253	Jan-10
Sutton Court Hotel & Residences	71	Jan-10
Ascend Collection Distrikt Hotel	155	Feb-10
Staybridge Suites Times Square	310	Apr-10
Trump Hotel SoHo	376	Apr-10
Hilton Fashion District	280	Apr-10
Kimpton Hotel Eventi	292	May-10
Comfort Inn Lower East Side	32	May-10
Hotel Mulberry	34	May-10
Andaz Fifth Avenue	184	Jul-10
InterContinental Times Square	547	Jul-10
Holiday Inn Express Wall Street	112	Jul-10
W Hotel Downtown	217	Aug-10
The Chatwal Starwood Luxury Collection	83	Aug-10
Cassa Hotel	165	Aug-10
Gansevoort Park Hotel	249	Aug-10
James SoHo	114	Sep-10
The Gotham Hotel	66	Oct-10
Sheraton TriBeCa	369	Oct-10
The Jewel	135	Nov-10
Courtyard SoHo	120	Nov-10
The Setai Fifth Avenue	214	Nov-10
element Times Square	411	Nov-10
Doubletree Financial District	399	Dec-10
Fairfield Inn Chelsea	110	Dec-10
Aloft Hotel Harlem	124	Dec-10
Total	5,422	

Source: HVS

A total of 26 new hotels opened in 2010, encompassing 5,422 rooms. In addition, the 253-room Mondrian SoHo opened in February 2011.

A further increase in supply of approximately 8.0 percent over the 2010 level is expected through 2013, as illustrated in the following table. This supply forecast reflects only projects that are currently under construction and have secured the necessary financing. Thus, our forecast excludes from consideration any projects that are in the planning stages or are delayed because of financing or other reasons.

FORECAST OF SUPPLY AND DEMAND – 2011 TO 2013



As the economic recovery continues, we anticipate that the additional new supply will be absorbed. 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 (HSMIAI)

Analysis prepared by Duygu Aktan, Yvette Alaniz, Konstantinos “Dino” Bastas, and Jacqueline Waldman

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 2011 Manhattan hotel market. This report presents the 2011 Manhattan Hotel Market Overview survey results and summarizes respondents' answers about the effects of the recent economic recession on the Manhattan lodging market.

The online survey reached 478 members of the Greater New York Chapter of HSMIAI and of HANYC. The survey was limited to 16 questions about how hotel executives view the current state of the Manhattan hotel market. A total of 50 hotel executives responded to the survey.

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 HSMIAI and HANYC for their support.

Survey Findings

The general sentiment of respondents indicated that the Manhattan lodging market was in a recovery phase. The market incurred a faster turnaround in 2010 than anticipated, primarily because of strong economic growth and the popularity of Manhattan as a tourist destination. In 2010, the United Kingdom, Europe (excluding Germany, Russia, and the UK), and Brazil generated the highest volume of international travelers. Brand reservation systems continued to generate a substantial portion of rooms revenue. New supply had an effect on hotel performance in 2010, with ADR being more affected than occupancy.

Bjorn Hanson, Ph.D.

Divisional Dean, Clinical Professor, HVS Chair

The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management

New York University

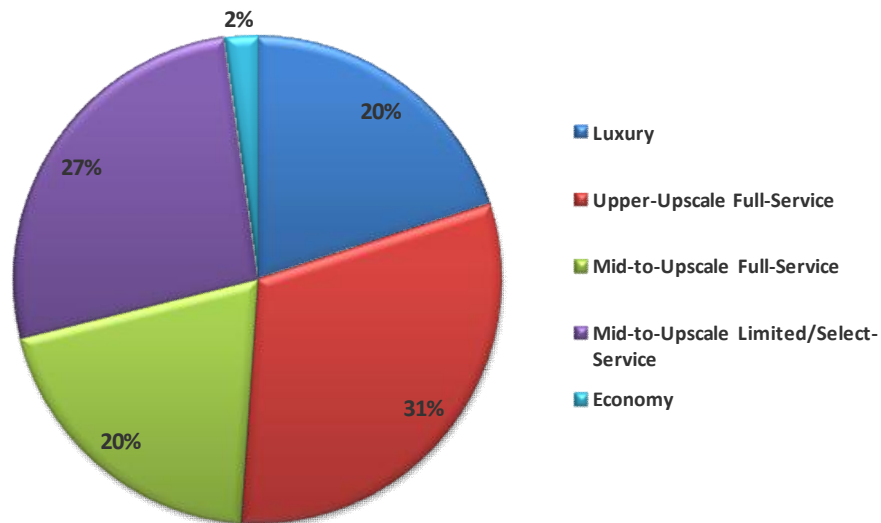
Thank you and congratulations to HVS for this, the 14th Manhattan Hotel Market Overview. I am especially grateful to Steve Rushmore, Dorothy Jennings, Roland deMilleter, and Suzanne Leander for the opportunity and experience afforded our students to conduct research and participate in this project with HVS professionals. New York is the most exciting of any major U.S. urban market with its diversity of hotels, number and complement of demand segments, representation of the largest number of lodging brands, and the highest long-term occupancy of over 80 percent. It is also the most challenging market considering its high development and acquisition costs, labor and other expenses, recent and continuing record supply increases, and an estimated market break-even occupancy of over 70 percent.

I anticipate you will find the factual data in this report useful and this year's survey responses especially interesting.

Almost half of the respondents expected an increase in RevPAR between six and 10 percent in 2011 compared to 2010, based primarily on commercial segment growth. Expectations are that RevPAR will return to its pre-recession (2008) level between 2012 and 2013, while net operating income (NOI) will recover between 2013 and 2014. Some expense-control strategies established during the recession are expected to be sustained over the longer term, thus positively affecting net operating income.

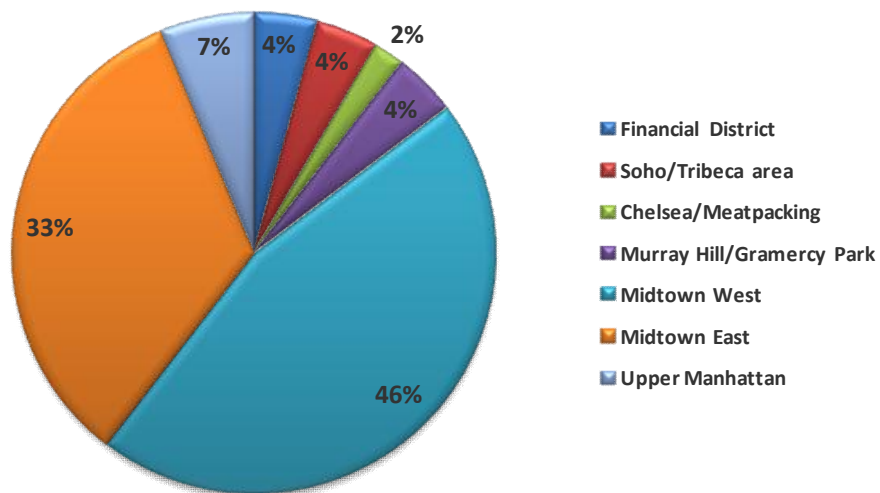
The findings outlined below are based on this 2011 Manhattan Hotel Market Overview survey. The number of responses for each question varies; therefore, the analysis reflects the actual number of answers for the individual question.

RESPONSES BY SUPPLY SEGMENTATION



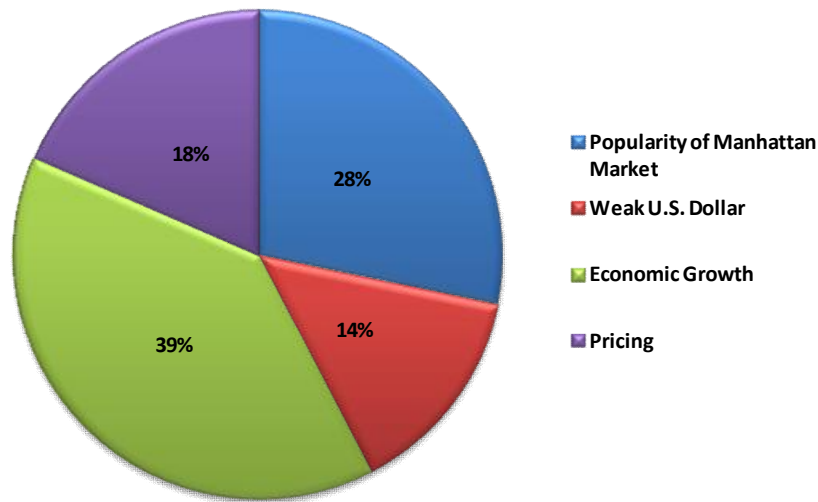
Hotel executives at upper-upscale full-service hotels accounted for the most survey participants, at 31 percent, followed by respondents at mid-to-upscale limited/select-service properties, at 27 percent.

RESPONSES BY NEIGHBORHOOD



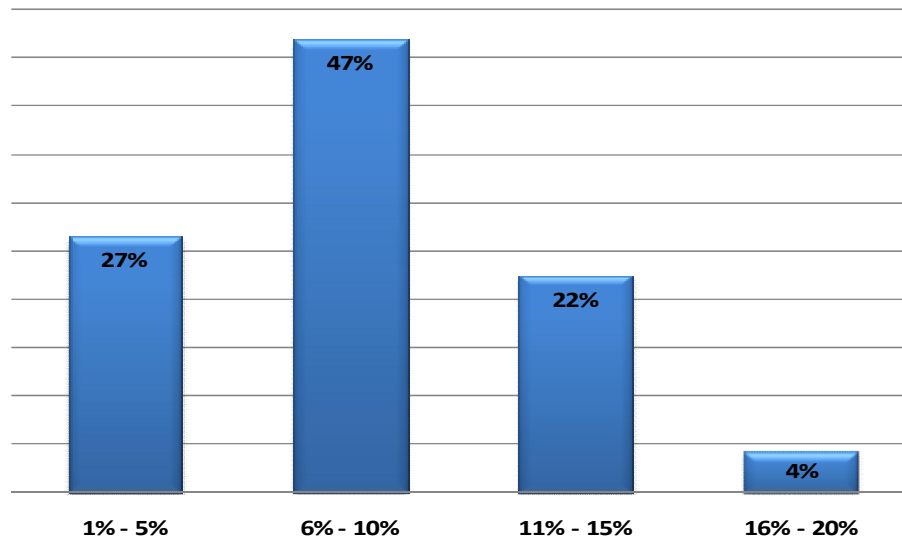
Respondents at lodging facilities in the Midtown area (Midtown West with 46 percent and Midtown East with 33 percent) accounted for the majority of the survey participants, or 79 percent, because of the high concentration of hotels in that area.

THE MANHATTAN LODGING MARKET HAS INCURRED A FASTER TURNAROUND THAN ANYONE COULD HAVE ANTICIPATED. IN YOUR OPINION, WHAT HAS CONTRIBUTED TO THIS DYNAMIC?



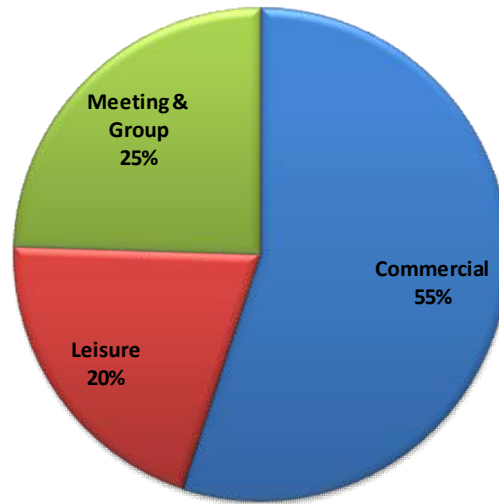
Respondents who agreed with the question cited economic growth as the number one reason for the faster turnaround, at 39 percent, followed by the popularity of Manhattan, at 28 percent, then pricing, at 18 percent.

HOW MUCH DO YOU ANTICIPATE REVPAR TO INCREASE IN 2011 COMPARED TO 2010 REVPAR?



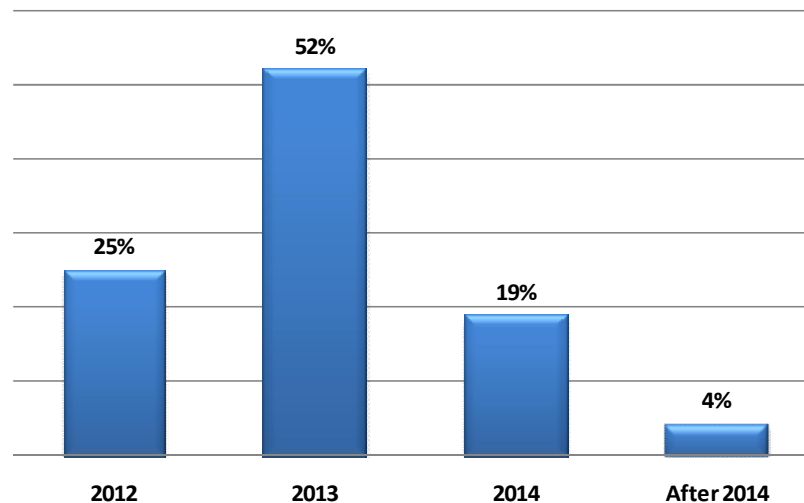
Almost half the respondents expected a RevPAR increase of six to 10 percent in 2011 compared to 2010.

WHICH SEGMENT WILL EXPERIENCE THE MOST GROWTH IN 2011?



More than half the respondents estimated that the commercial segment would register the strongest growth in 2011.

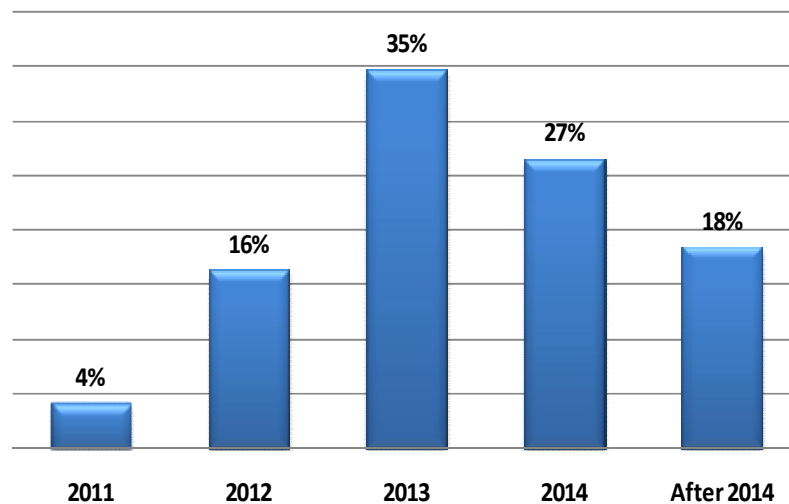
WHEN DO YOU ANTICIPATE REVPAR TO FULLY RECOVER FROM THE LATEST RECESSION AND RETURN TO ITS PRE-RECESSION LEVEL?



A majority of the respondents, 77 percent, anticipated that RevPAR would return to its pre-recession (2008) level between 2012 and 2013. Among 52 percent of the responses, 2013 was the most common answer.

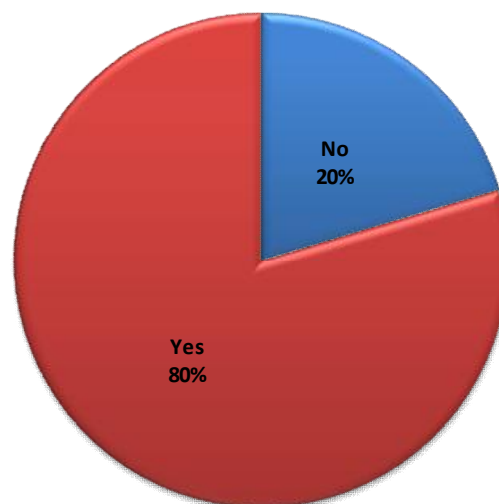
When analyzed by supply segmentation, 69 percent of respondents representing upper-upscale full-service properties and 75 percent of participants at mid-to-upscale limited/select-service hotels agreed that a full RevPAR recovery would occur in 2013. Half of the respondents at mid-to-upscale full-service hotels and 44 percent of those at luxury properties selected 2012 for a RevPAR recovery. The two significant response rates identifying 2013 as the year for RevPAR to fully return to pre-recession levels were from respondents at Midtown West hotels, at 48 percent, and Midtown East hotels, at 60 percent.

WHEN DO YOU ANTICIPATE NET OPERATING INCOME (NOI) TO FULLY RECOVER FROM THE LATEST RECESSION AND RETURN TO ITS PRE-RECESSION LEVEL?



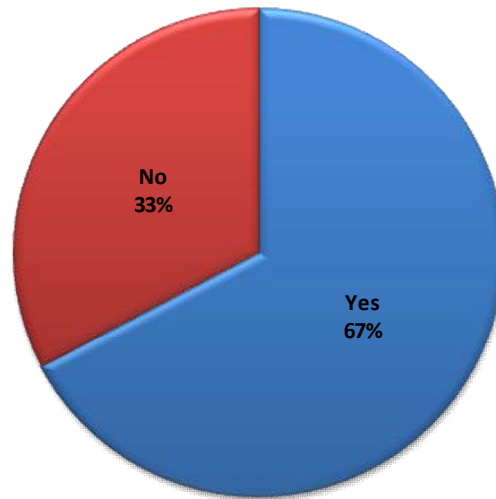
The majority of the hotel executives, 62 percent, anticipated that NOI would recover and return to its pre-recession level between 2013 and 2014. At 35 percent, 2013 was the most common answer, with Midtown East and Midtown West recording the greatest percentages owing to the high concentration of diverse lodging demand generators in those areas. Respondents at upper-upscale full-service properties gave the highest response rate for 2013.

AS THE MARKET RETURNS TO ITS PRE-RECESSION LEVEL, DO YOU ANTICIPATE THE OPERATIONAL COST-CUTTING MEASURES THAT WE INSTITUTED DURING THE WORST OF THE LATEST RECESSION TO PERSIST?



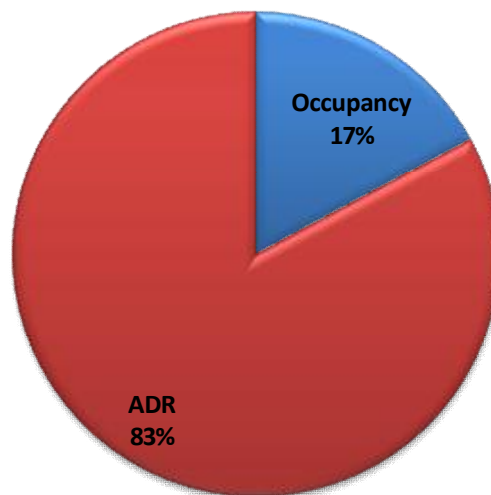
The majority of respondents, 80 percent, indicated that they had learned to operate “lean,” and that a number of cost-cutting measures would be maintained. One out of five hotel executives replied that cost-cutting measures were temporary and that critical departmental components would be restored as revenue levels improved.

DID NEW SUPPLY AFFECT YOUR HOTEL'S PERFORMANCE IN 2010?



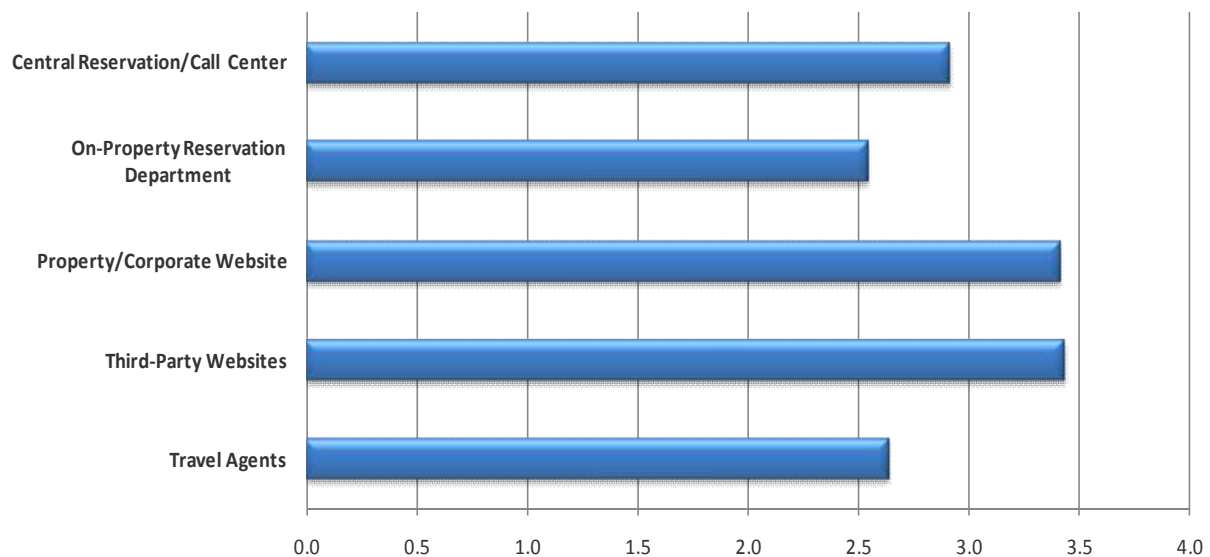
Two-thirds of the respondents indicated that new supply had an effect on their property's performance in 2010. Among all the neighborhoods, the Financial District was affected the least, with half the responses indicating no effect. Upper-upscale full-service properties were affected to a greater extent, as indicated by 79 percent of the respondents at those properties.

WHAT COMPONENT WAS AFFECTED MORE BY NEW SUPPLY IN 2010?



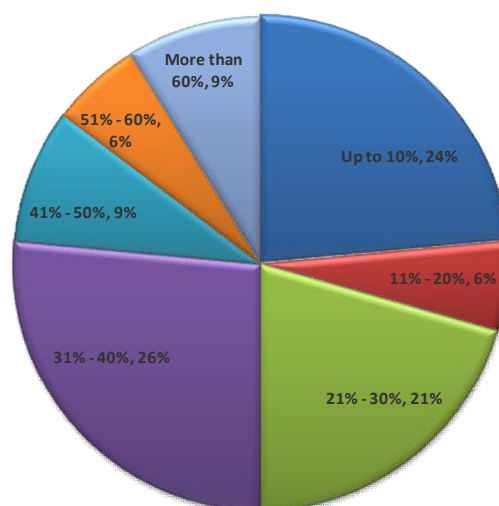
According to the majority of respondents, new supply had a greater effect on ADR than on occupancy in 2010. The Financial District and Soho/Tribeca both indicated that occupancy was as equally affected as ADR. Respondents at economy properties chose occupancy over ADR, while only 17 percent of survey participants at luxury hotels and 30 percent at upper-upscale full-service properties selected this response.

RANK THE FOLLOWING DISTRIBUTION CHANNELS FOR ROOMS REVENUE GENERATION IN 2010, WITH 1 AS THE LEAST AND 5 AS THE GREATEST REVENUE GENERATOR.



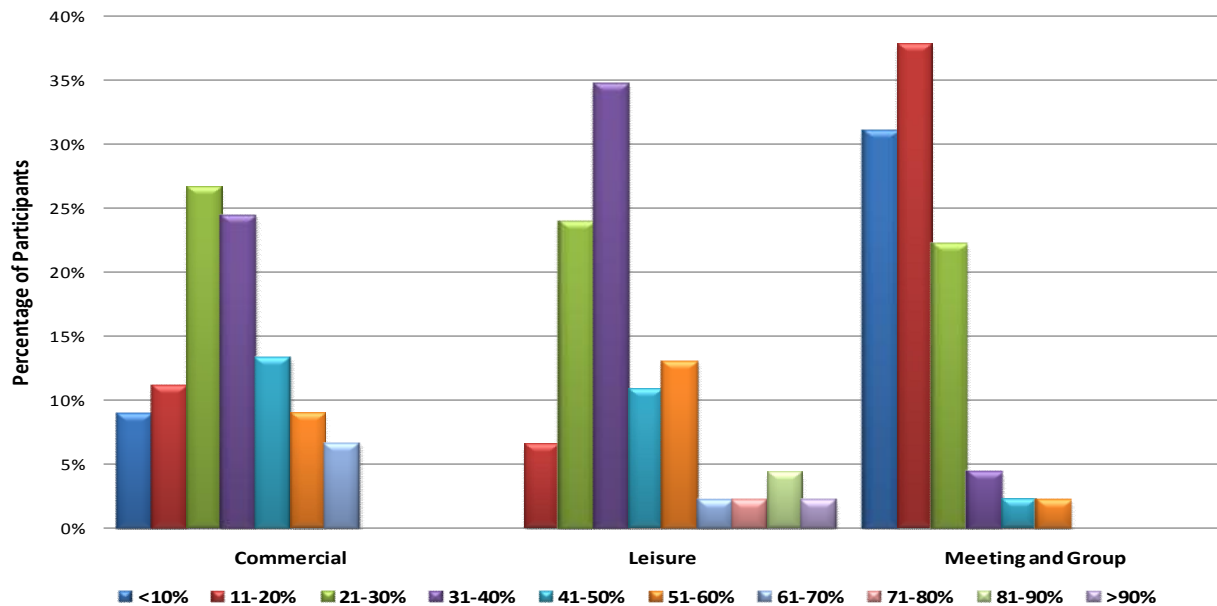
According to the survey participants, the top three rooms revenue generators in 2010 were third-party websites, property/corporate websites, and central reservation/call centers. On-property reservation departments and travel agents were ranked as less effective.

WHAT PERCENTAGE OF YOUR ROOMS REVENUE WAS GENERATED BY THE BRAND RESERVATION SYSTEM AND LOYALTY PROGRAM IN 2010?



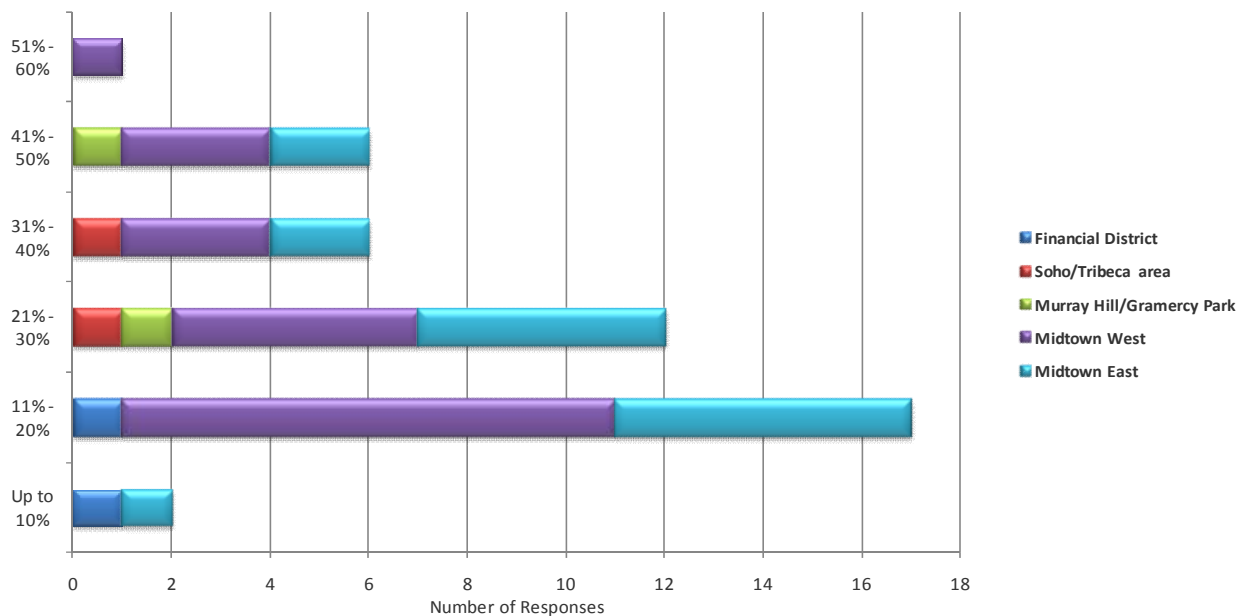
The brand reservation system and loyalty program generated a substantial portion of rooms revenue in 2010, with 70 percent of the respondents indicating a contribution of more than 20 percent; 15 percent reported a contribution of over 50 percent.

WHAT PERCENTAGE OF YOUR GUESTS FIT THE FOLLOWING CATEGORIES IN 2010?



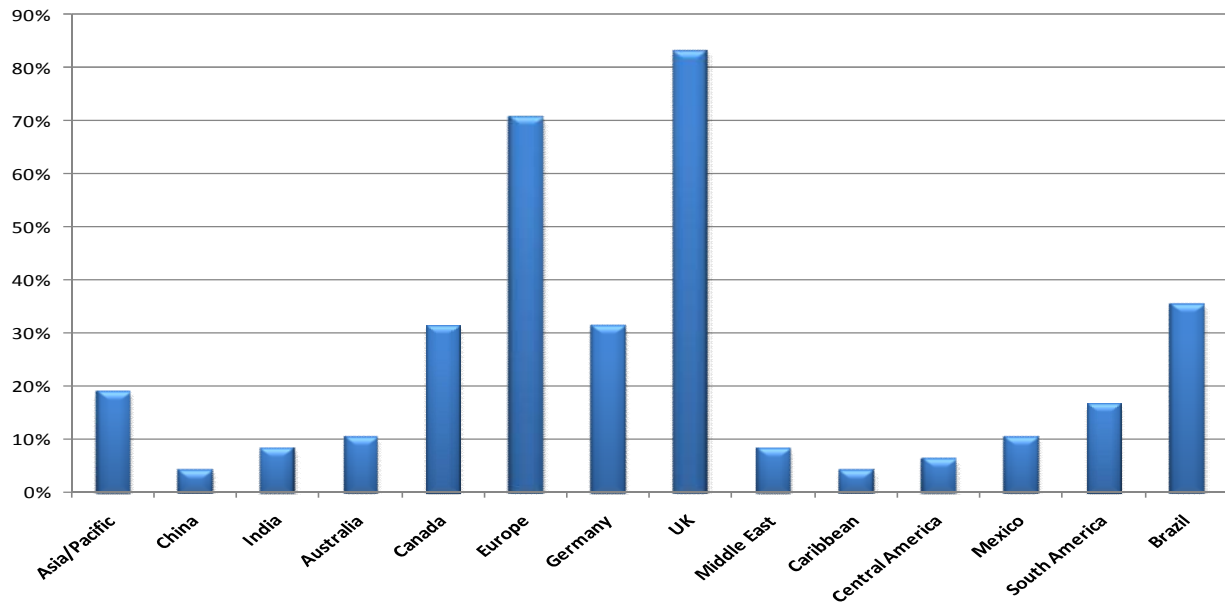
About half the respondents indicated that the commercial segment accounted for 21 to 40 percent of their hotel guests. A total of 59 percent of hotel executives stated that the leisure segment represented 21 to 40 percent of their guests. Approximately 69 percent indicated that the meeting and group segment represented 20 percent or less.

WHAT PERCENTAGE OF YOUR BUSINESS WAS GENERATED BY INTERNATIONAL TRAVELERS IN 2010?



According to the survey, international travelers generated over 35 percent of business in 2010. Midtown West received the most international visitors based on the concentration of tourist attractions in that area, followed by Midtown East.

WHAT ARE THE THREE COUNTRIES/REGIONS THAT GENERATED THE MOST INTERNATIONAL TRAVELER DEMAND FOR YOUR HOTEL IN 2010?



Note: In the above graph, Europe excludes Germany, Russia, and the UK; Asia/Pacific excludes China and India; South America excludes Brazil.

Survey results indicated that the majority of international travelers originated from Europe, with most of these visitors coming from the United Kingdom. Brazil and Canada followed in the ranking. The results shown in the preceding graph are similar to the data from last year's survey; however, the hotel executives participating in this year's survey ranked Brazil ahead of Canada.

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 2013.

HVS FORECAST THROUGH 2013

Year	No. of Rooms	Percent Change	Occupied Rooms	Percent Change	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2007	65,786		20,487,789		85.3 %		\$297.52		\$253.85	
2008	67,219	2.2 %	20,704,828	1.1 %	84.4	(1.1) %	305.87	2.8 %	258.12	1.7 %
2009	70,611	5.0	20,666,997	(0.2)	80.2	(5.0)	236.75	(22.6)	189.21	(26.7)
2010	74,029	4.8	22,606,049	9.4	83.7	4.3	256.83	8.5	214.33	13.3
<i>Forecast</i>										
2011	76,916	3.9 %	23,284,230	3.0 %	82.9 %	(0.9) %	\$278.92	8.6 %	\$231.33	7.9 %
2012	78,537	2.1	23,936,189	2.8	83.5	0.7	309.04	10.8	258.05	11.6
2013	80,138	2.0	24,582,466	2.7	84.0	0.6	343.34	11.1	288.55	11.8

STR Global (Historical), HVS (Forecast)

Marketwide occupancy is expected to remain in the low-to-mid-80-percent range through 2013. Average rate achieved a strong rebound in 2010, and rate is expected to increase further in the following years as the national economic recovery continues, and Manhattan's occupancy remains over 80 percent. Marketwide average rate is forecast to recover and surpass its pre-recession (2008) level in 2012. For the 2011 to 2013 period, we forecast strong increases in RevPAR, driven primarily by ADR growth. Given this forecast, RevPAR is also anticipated to undergo a four-year recovery period from the latest recession, compared to the five-year recovery periods for the previous two contractions. Further increases in supply are expected to be absorbed and thus are not anticipated to affect the recovery.

Joseph E. Spinnato

President & CEO, Hotel Association of NYC

There is no question that 2010 proved to be a relatively good year for the hotel industry in New York City. The final numbers for the year show that the average occupancy was approximately 85 percent, with hotel room rates inching ahead of 2009. Although the first two months of 2011 have been a challenge with regard to occupancy, probably due to the January weather, the balance of the year's projections indicate a fairly good year ahead. Our Association will keep working with NYC & Company to implement marketing strategies that will continue to lure international as well as domestic visitors to our city.

Overview of Sales Transactions in Manhattan

Marc Lomanno

CEO, STR

NYC hotels experienced a nice rebound in performance in 2010 after a very challenging 2009. Lodging demand recovered nicely as more hotel rooms were sold in NYC last year than in any other calendar year since STR began tracking hotel performance in 1987. We expect that strong performance to continue in 2011 as the demand for hotel rooms in the city remains robust. While room rate growth began in earnest last year, absolute room rates are still well below the peaks seen in 2008, to the tune of over \$65. So even though city-wide occupancy has surged above the 80 percent level (the historical level at which room rate growth can consistently stay at or above 10 percent), given the accelerating nature of those price increases, it seems likely that it will be another two years before room rates, and therefore RevPAR, reach pre-recession levels.

Also of note is the fact that in 2010, NYC was the best-performing hotel market in the U.S. and almost certainly will be again in 2011.

The following table sets forth an overview of hotel sales in Manhattan in 2010 and early 2011.

MANHATTAN HOTEL SALES – 2010 THROUGH MAY 2011

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Radisson Lexington	May-11	511 Lexington Avenue	712	Whitehall Street Real Estate/Highgate Holdings	DiamondRock Hospitality Co.	\$335,000,000	\$471,000
New York Palace	May-11	455 Madison Avenue	899	Royal Family of Brunei	Northwood Investors LLC	400,000,000	445,000
Royalton	Apr-11	44 West 44th Street	168	Morgans Hotel Group	Felcor Lodging Trust	83,400,000	496,000
Morgans	Apr-11	237 Madison Avenue	114	Morgans Hotel Group	Felcor Lodging Trust	56,600,000	496,000
Holiday Inn Express	Apr-11	126 Water Street	112	Metro Six Hotel LLC	Hersha Hospitality Trust	36,700,000	328,000
Cassa Hotel	Apr-11	70 West 45th Street	165	Waterscape Resort LLC	Not Available	130,000,000	788,000
Holiday Inn Express Fifth Avenue	Feb-11	15 West 45th Street	125	Magna Hospitality Group	Walnut Hill Group	43,870,000	351,000
Helmsley New York	Jan-11	212 East 42nd street	775	Estate of Leona Helmsley	Host Hotels	313,500,000	405,000
Doubletree Metropolitan	Jan-11	569 Lexington Avenue	759	Highgate Holdings, Whitehall, and Rockwood Capital	RLJ Development	335,000,000	441,000
Milford Plaza	Oct-10	235 West 46th Street	1300	Milford Plaza Associates	Highgate Holdings/Rockpoint Group	230,000,000	177,000
Roger Williams*	Sep-10	131 Madison Avenue	193	JRK Hotel Group	LaSalle Hotel Group	94,500,000	490,000
Fashion 26 Hotel (Wyndham)	Sep-10	152 West 26th Street	280	Infinity Real Estate	RLJ Development	122,000,000	436,000
W Union Square	Sep-10	201 Park Avenue South	270	LEM Mezzanine	Host Hotels & Resorts/Istithmar JV	188,000,000	696,000
Hilton Garden Inn Chelsea	Sep-10	121 West 28th Street	169	Inland American Winston Hotels	DiamondRock Hospitality Co.	68,400,000	405,000
Holiday Inn at Wall Street	May-10	51 Nassau Street	113	McSam Hotel Group	Hersha Hospitality Trust	34,800,000	308,000
W New York – The Court & The Tuscany	Apr-10	120-130 East 39th Street	320	Starwood Hotels & Resorts Worldwide	St. Giles Hotels, LLC	78,000,000	244,000
Helmsley Carlton House**	Mar-10	680 Madison Avenue	160	Leona Helmsley/Helmsley Hotels	Angelo, Gordon & Company and Extell Development Company	170,000,000	1,063,000
Candlewood Suites Times Square South	Feb-10	339 West 39th Street	188	McSam Hotel Group	Hersha Hospitality Trust	51,000,000	271,000
Hampton Inn Times Square South	Feb-10	337 West 39th Street	184	McSam Hotel Group	Hersha Hospitality Trust	56,000,000	304,000
Holiday Inn Express Times Square South	Feb-10	343 West 39th Street	210	McSam Hotel Group	Hersha Hospitality Trust	58,000,000	276,000
*Leasehold Interest	**Incl. 15,000 sq. ft. retail space; assuming residential conversion						

Source: HVS



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and specifics about our services, please visit www.hvs.com.

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 1,500 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.