2009 MANHATTAN HOTEL MARKET OVERVIEW

31ST ANNUAL INTERNATIONAL HOSPITALITY INDUSTRY INVESTMENT CONFERENCE

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Manhattan Hotel Market Overview

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 twelfth annual Manhattan Hotel Market Overview.

Stephen Rushmore
President & Founder, HVS Global Hospitality Services

Once again, in 2008 Manhattan was the top-performing hotel market in the U.S. in terms of RevPAR. Occupancy remained impressive, in the mid-80% range. However, average rate gains were more modest than in the previous four years because of the heightened economic crisis in the last quarter of 2008. Despite the recent tumultuous economic times and the previous recessions that affected the Manhattan hotel market, all segments and all neighborhoods averaged growth in demand stronger than the growth in supply from 1987 to 2008; these fundamentals highlight the strength of the Manhattan market across the board. As a result of these favorable supply and demand dynamics, average rate grew well above the inflation rate during the historical period reviewed, pushing RevPAR up, and sustaining fairly high values. Considering the current climate, HVS forecasts that the Manhattan market will bottom out in 2011, with RevPAR returning to close to its 2008 peak level by 2013. We expect hotel values in Manhattan to follow a similar trend, reaching their low point in 2010 and returning to the previous peak level in 2013; this scenario assumes that the current recession will not fundamentally change corporate and transient customers' travel patterns over the long term and that financing returns to normal leverage levels.

For most U.S. hotel markets, 2008 represented the first year of the recession; however, the Manhattan lodging market was able to weather the economic downturn during the first nine months of the year and closed 2008 with moderate growth, remaining the top-performing market in the U.S. An analysis of the monthly trends for 2008 reveals that the Manhattan market experienced a RevPAR increase of 9.0% through September, followed by its first decrease in RevPAR since June 2003 as the economic recession heightened. Despite a minor decrease in occupancy in 2008, the Manhattan market registered a 2.5% increase in average rate for the year, yielding a RevPAR increase of 1.4% in 2008. Although a larger-than-ever construction pipeline is poised to enter the Manhattan market, significant barriers to entry, including high construction costs, prohibitive land costs, and a lack of available sites, will continue to remain key factors when considering the construction of lodging facilities in Manhattan. It is also important to note that due to the protracted disruption in the capital markets and the slowdown in the U.S. and local economies, the anticipated new supply represents an approximate 36.0% decrease from our estimate last year. In light of the current market parameters, we forecast overall RevPAR to decline in the near term, reaching its low point in 2011 and returning to its 2008 peak level by 2013.

HVS Global Hospitality Services

HVS is a global services and consulting organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Since the launching of the firm in 1980, our clients have relied on our specialized industry knowledge and expertise for advice and services geared to enhancing economic returns and asset value. Through a network of more than 25 offices staffed by approximately 300 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 actual, 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 nearly 20,000 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.

About 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.

New York University Annual International Hospitality Industry Investment Conference

The 31st Annual NYU International Hospitality Industry Investment Conference is Sunday, May 31, 2009, to Tuesday, June 2, 2009, at the Waldorf=Astoria in New York City. The Preston Robert Tisch Center is the host of the event, and HVS is a valuable partner. Once again, our team of professionals looks forward to welcoming you to this prestigious event.

Acknowledgements

Randy Smith of Smith Travel Research (STR) provided the Survey's comprehensive hotel statistics for Manhattan. STR continues to be the leading source of hospitality industry operating statistics. HVS also acknowledges the assistance of STR's Jan Freitag, who rendered valuable support. We would also like to thank Joseph E. Spinnato and Rick Amatto of the Hotel Association of New York City (HANYC), as well as Brenda Fields and Kathie Stapleton of the Greater New York Chapter of the Hospitality Sales and Marketing Association International (HSMAI) for their assistance. Additionally, in cooperation with New York University, the data-gathering process was largely a contribution of five Tisch Center graduate students—Simone Baradei, Rick Kelly, Robert Washington, Yun Wang, and Zheyi Chen—through the coordination of Dr. Frederic B. 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 specialists, **Roland de Milleret**, Senior Vice President, and **Jonathan Sebbane**, Vice President, for their invaluable contribution and dedication to this project.

Operating History

The following table illustrates aggregate annual room counts, occupancies, and average rates for contributing Manhattan hotels since 1987, as compiled by Smith Travel Research (STR). The table also summarizes marketwide rooms revenue per available room (RevPAR); this figure, which is calculated by multiplying occupancy by average rate, provides an indication of how well rooms revenue is being maximized.

Year	No. of Rooms	% Change	Occupied Rooms	% Change	Occupancy %	% Change	Average Rate	% Change	RevPAR	% Change
1987	52,683	—	14,624,039	—	76.1	—	$113.05	—	$85.98	—
1988	52,768	0.2	14,634,194	0.1	76.0	(0.1)	120.11	6.2	91.26	6.1
1989	52,724	(0.1)	13,873,898	(5.2)	72.1	(5.1)	132.09	10.0	95.23	4.3
1990	54,421	3.2	14,139,816	1.9	71.2	(1.3)	132.34	0.2	94.21	(1.1)
1991	55,058	1.2	13,442,624	(4.9)	66.9	(6.0)	127.54	(3.6)	85.31	(9.4)
1992	56,235	2.1	13,871,555	3.2	67.6	1.0	126.27	(1.0)	85.33	0.0
1993	56,190	(0.1)	14,494,889	4.5	70.7	4.6	126.33	0.1	89.28	4.6
1994	56,083	(0.2)	15,156,219	4.6	74.0	4.8	136.12	7.7	100.78	12.9
1995	57,205	2.0	16,240,921	7.2	77.8	5.1	145.44	6.8	113.12	12.2
1996	57,372	0.3	16,906,189	4.1	80.7	3.8	160.98	10.7	129.97	14.9
1997	58,245	1.5	17,416,819	3.0	81.9	1.5	177.31	10.1	145.26	11.8
1998	58,586	0.6	17,609,297	1.1	82.3	0.5	198.31	11.8	163.31	12.4
1999	59,911	2.3	17,730,575	0.7	81.1	(1.5)	208.64	5.2	169.17	3.6
2000	61,464	2.6	18,771,462	5.9	83.7	3.2	222.73	6.8	186.37	10.2
2001	63,433	3.2	17,236,084	(8.2)	74.4	(11.0)	195.94	(12.0)	145.86	(21.7)
2002	64,727	2.0	17,728,649	2.9	75.0	0.8	185.55	(5.3)	139.24	(4.5)
2003	65,852	1.7	18,243,499	2.9	75.9	1.1	180.83	(2.5)	137.25	(1.4)
2004	65,534	(0.5)	19,866,325	8.9	83.1	9.4	200.68	11.0	166.67	21.4
2005	64,538	(1.5)	19,999,912	0.7	84.9	2.2	231.49	15.4	196.54	17.9
2006	63,804	(1.1)	19,694,637	(1.5)	84.6	(0.4)	264.30	14.2	223.51	13.7
2007	65,010	1.9	20,280,476	3.0	85.5	1.1	298.16	12.8	254.83	14.0

2008	66,438	2.2	20,517,880	1.2	84.6	(1.0)	305.50	2.5	258.48	1.4
Year-to-Date, through September 08' (Third Quarter):										
2007	63,963	—	14,856,558	—	84.8	—	$274.25	—	$232.48	—
2008	65,320	2.1	15,337,112	3.2	85.7	1.1	295.73	7.8	253.42	9.0
Average Annual Compounded Change,										
1987-2008:		1.1		1.6		0.5		4.8		5.4

Sources: Smith Travel Research

Michael R. Bloomberg
Mayor of the City of New York

Dear Friends:

It is a great pleasure to welcome everyone to the 31st Annual New York University International Hospitality Industry Investment Conference.

New York City's tourism industry makes tremendous contributions to our economic vitality, and last year 47 million people, including nearly 10 million international visitors, traveled to the Big Apple to take advantage of our world-class attractions, restaurants, shops, and events. From the Coney Island Boardwalk to a scenic ride on the Staten Island Ferry, from a stroll in Central Park to the Bronx Zoo or a day at Flushing Meadows, there's so much to see and do in New York that even many longtime residents still have more of our diverse, exciting neighborhoods yet to explore.

There's never been a better time to visit the greatest City on earth, and with the help of those gathered here today I know that we can meet our ambitious goal of attracting 50 million visitors per year by 2015. Please accept my best wishes for an enjoyable and productive conference.

The Manhattan hotel market has experienced dramatic cycles since the late 1980s. A significant downturn occurred in the early 1990s, reflecting the combined impact of supply additions, a nationwide recession, several disappointing years in the financial markets, and the Persian Gulf War; the result was a substantial decline in both occupancy and RevPAR. Signs of true recovery began to appear in 1993, and by the end of 1994, it was clear that a dramatic improvement in the market was underway.

Supply decreased slightly in 1994 while demand growth accelerated, engendering a 4.6% increase in the number of occupied rooms. Marketwide average rate exhibited a robust increase of 7.7%. As a result of these factors, RevPAR jumped by 12.9%. The improvement that was evident in 1994 came as a result of a number of factors, not the least of which was the onset and acceleration of the nationwide economic recovery. In addition, the state's 5.0% tax on hotel rooms that cost more than $100 was repealed on September 1, 1994, and the city's room tax was reduced by one percentage point. These changes lowered the city's hotel room tax from 19% (which had been the highest in the nation) to 13%. The metropolitan area also hosted World Cup Soccer and the Gay Games in the summer of 1994; both of these events contributed to record occupancies during what is typically considered to be the off-season.

Demand growth accelerated in 1995, causing marketwide occupancy to increase to 77.8%. Given the seasonality of the Manhattan market, as well as typical weekly patterns, it is clear that occupancy was reaching a saturation point in 1995, and a large amount of demand was left unaccommodated. This high occupancy also led to further gains in average rate.

We note that there were also a number of special events that took place in 1995. The two most significant occurred during periods that are generally characterized by strong demand. The visit of Pope John Paul II and the United Nations' 50th anniversary celebration resulted in virtually sold-out conditions throughout the city in October and early November. In addition, the December holiday shopping season was unusually strong. With overall occupancies nearing 80% in April, May, June, August, and December, and exceeding 85% in September, October, and November, it is apparent that New York City hotels were turning away a significant amount of business.

Despite an unusually harsh winter and the lack of any major citywide events in 1996, demand continued to grow at a strong rate, limited primarily by the lack of available accommodations, particularly during peak periods. New York City hotel operators took advantage of the undersupply of hotel rooms by pursuing aggressive pricing policies, which resulted in an average rate increase of 10.7%.

Although 1997 saw a slight increase in guestroom supply (which resulted primarily from the reopening of the 1,013-room Roosevelt Hotel), demand increased by 3.0%, and occupancy rose by 1.5%. In 1998, despite the opening of four new hotels late in the year, the overall room supply grew by only 0.6%, which was largely reflective of the closing of the Peninsula and the Beverly (now the Benjamin), which were undergoing renovation. Although the market was believed to have reached a maximum occupancy, there was a further occupancy gain of 0.5% in 1998, to a level of 82.3%. Average rate rose by a strong 11.8%, reaching $198.31. These increases resulted in RevPAR growth of 12.4%.

In 1999, the 1,642 new rooms that entered the market (a net addition of 1,325 rooms) had only a minor impact on occupancy. Room supply increased by 2.3%, outpacing the 0.7% growth in demand, and as a result, occupancy slipped by 1.5%. We note that the year ended on a relatively strong note; although demand dropped during the first six months of 1999, causing many hotel operators to wonder if New York had out-priced itself, demand rose by 10.4% during the last half of 1999 compared to the first half of the year.

The year 2000 was another record year for the Manhattan hotel market. Boosted by exceptionally strong first and second quarters, the Manhattan lodging market posted a 10.2% gain in RevPAR in 2000, the market's eighth consecutive RevPAR increase. Demand for room nights increased 5.9% over 1999's record level, causing citywide occupancy to reach an impressive 83.7%. With the exception of 1999, which saw a substantial increase in supply, RevPAR registered double-digit growth each year from 1994 through 2000.

However, supply increases significantly outpaced demand growth in the last quarter of 2000 and the first quarter of 2001. Although the market was easily able to absorb the new rooms over the summer and fall months of 2000, the first quarter of 2001 was more problematic, as five new hotels with a total of 573 guestrooms opened between December 2000 and February 2001.

A second significant downturn started in 2001, as a result of the slowdown in the national and regional economies, the backlash from the dot-com debacle, and the September 11 terrorist attacks; the result was even more dramatic than that of the previous recession, with a RevPAR decline of 21.7%. We note that the number of occupied rooms, or demand, started declining as of March 2001.

In 2002, marketwide occupancy rose slightly, as many hotels employed a strategy of aggressive rate discounts to stimulate demand and maintain occupancy levels; marketwide average rate decreased further, resulting in a RevPAR decline of 4.5%, compared to 2001. Following a RevPAR decline of 1.4% in 2003, composed of a 1.1% gain in occupancy and a 2.5% decline in average rate, 2004 and 2005 ended on very positive notes for the Manhattan lodging market, recording RevPAR increases of 21.4% and 17.9%, respectively. Between 2003 and 2005, average rate rose by more than $50.00, or an increase of ±28.0%, while occupancy improved by about nine percentage points, from 75.9% in 2003 to 84.9% in 2005.

Occupancy in Manhattan remained relatively stable in 2006, which was not a result of an economic slowdown but reflective of the extraordinarily high occupancy levels registered during the first three months of 2005. This strong demand was caused by an art installation in Central Park that took place in February and March 2005, and attracted a significant number of visitors to New York City, which resulted in occupancies of 80.6% in February and 87.5% in March 2005, unusually high levels for the city's generally low-season first quarter. Thus, occupancy declined during the first quarter of 2006. In addition, due to continued strong demand levels in the market in 2006, hotel operators focused primarily on average rate growth rather than volume by accommodating greater numbers of higher-rated commercial travelers; this strategy allowed average rate to grow by double-digit numbers every month in 2006 (with the exception of December). Marketwide average rate rose by 14.2% in 2006, causing RevPAR to increase by a noteworthy 13.7%.

Hotels in Manhattan pushed their aggregate performance to new heights in 2007, setting records for occupancy, average rate, and RevPAR. Occupancy rose to 85.5%, while average rate soared to $298.16. We note that demand growth was impacted by capacity constraints imposed by the city's room inventory, which operated at near-maximum-capacity levels during many months of the year. As a result, occupancy rose by a modest 1.1% in 2007, attributable to a 3.0% increase in demand. The increasing supply compression allowed Manhattan hotel operators to realize an average rate gain of 12.8% in 2007, causing RevPAR to increase by 14.0% compared to 2006 and resulting in the fourth consecutive year of double-digit RevPAR growth. In terms of both average rate and RevPAR, Manhattan hotels reported the highest levels of any U.S. city in 2007. Although a slowing U.S. economy was evident in the second half of 2007, Manhattan hotels experienced a very strong performance during this period.

This upward trend continued through the third quarter of 2008, albeit at a slower pace, as indicated by the 1.1% increase in occupancy and the 7.8% gain in average rate, yielding a RevPAR increase of 9.0%, compared to the first nine months of 2007. In October 2008, the Manhattan hotel market posted its first decrease in RevPAR since June 2003, as a result of the economic recession. During October, occupancy decreased by 5.8%, while average rate declined by 3.0%, resulting in a RevPAR contraction of 8.6% compared to October 2007. Although the Manhattan market experienced moderate RevPAR growth of 1.4% in 2008, RevPAR posted consistent declines in the last three months of the year as the economic crisis heightened.

The following table sets forth monthly changes in occupancy, average rate, and RevPAR from 2004 to 2008.

Occupancy													
Month	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Total Year**
2004	10.8 %	8.1 %	23.7 %	28.2 %	13.5 %	8.6 %	9.1 %	1.8 %	6.8 %	3.0 %	3.2 %	3.3 %	9.4 %
2005	6.5 %	8.4 %	3.4 %	1.5 %	2.5 %	0.9 %	3.7 %	4.2 %	2.5 %	(1.7) %	0.7 %	(3.0) %	2.2 %
2006	2.0 %	(5.5) %	(3.1) %	1.4 %	(1.6) %	(2.2) %	(1.7) %	2.2 %	(0.9) %	1.7 %	1.2 %	1.6 %	(0.4) %
2007	0.2 %	2.3 %	1.0 %	(0.5) %	1.4 %	0.9 %	1.6 %	4.3 %	(1.7) %	2.1 %	(0.0) %	1.0 %	1.1 %
2008	2.8 %	3.1 %	0.4 %	(1.9) %	1.4 %	1.0 %	2.3 %	2.2 %	(0.8) %	(5.8) %	(10.8) %	(4.3) %	(1.0) %
Average Rate													
Month	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Total Year**
2004	(0.5) %	0.2 %	7.7 %	9.4 %	14.2 %	14.6 %	12.1 %	15.3 %	14.2 %	13.3 %	14.8 %	14.1 %	11.0 %
2005	7.2 %	10.7 %	10.9 %	16.0 %	12.8 %	17.1 %	13.8 %	12.2 %	24.5 %	18.1 %	20.4 %	18.9 %	15.4 %
2006	16.1 %	12.3 %	14.9 %	15.4 %	17.3 %	16.0 %	13.1 %	13.0 %	12.6 %	13.7 %	12.9 %	10.7 %	14.2 %
2007	9.8 %	11.7 %	13.6 %	12.6 %	11.9 %	11.8 %	11.1 %	14.6 %	12.2 %	16.6 %	14.8 %	10.9 %	12.8 %
2008	9.0 %	8.0 %	8.4 %	7.6 %	6.6 %	6.5 %	9.9 %	8.8 %	8.0 %	(3.0) %	(12.0) %	(10.2) %	2.5 %
RevPAR													
Month	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Total Year**
2004	10.2 %	8.3 %	33.2 %	40.3 %	29.7 %	24.5 %	22.2 %	17.4 %	21.9 %	16.7 %	18.5 %	17.9 %	21.4 %
2005	14.1 %	20.0 %	14.7 %	17.8 %	15.6 %	18.2 %	18.1 %	16.8 %	27.6 %	16.0 %	21.2 %	15.3 %	17.9 %
2006	18.4 %	6.1 %	11.3 %	17.1 %	15.5 %	13.5 %	11.2 %	15.5 %	11.5 %	15.7 %	14.2 %	12.4 %	13.7 %
2007	10.0 %	14.3 %	14.7 %	12.0 %	13.5 %	12.8 %	12.9 %	19.6 %	10.3 %	19.0 %	14.8 %	12.1 %	14.0 %
2008	12.0 %	11.3 %	8.9 %	5.5 %	8.1 %	7.6 %	12.4 %	11.2 %	7.2 %	(8.6) %	(21.5) %	(14.0) %	1.4 %

Source: Smith Travel Research; HVS

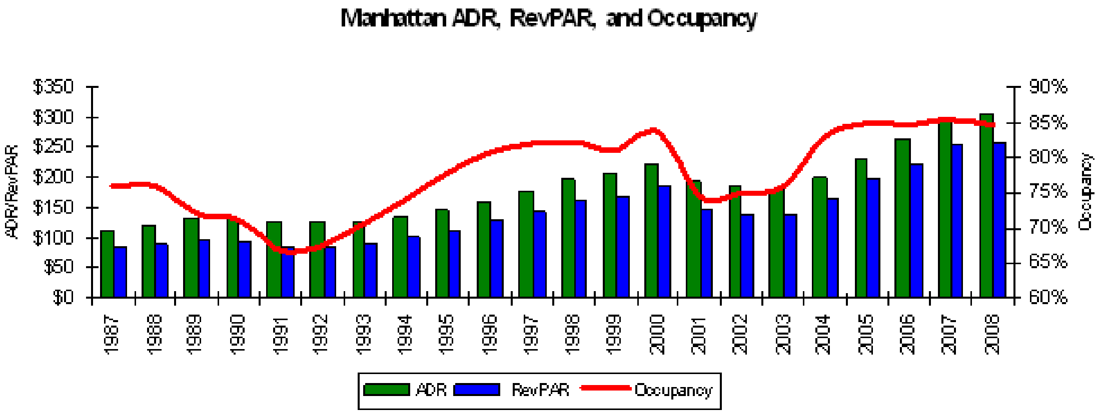
The combination of an improved economic climate in 2004, and the market's poor performance during the first four months of 2003 owing to the war in Iraq and the outbreak of the SARS epidemic, resulted in an exceptionally strong 21.4% RevPAR increase in 2004, compared to the prior year. Monthly statistics for 2004 indicate that year-over-year RevPAR increases ranged from a low of 8.3% in February to a high of 40.3% in April. While RevPAR growth during the first four months of 2004 was paced by strong increases in occupancy, average rate growth exceeded the corresponding occupancy growth from May through December, suggesting that the heightened demand compression in the market enabled hoteliers to achieve robust year-over-year room rate increases. For the first time since 1994, room supply declined slightly in Manhattan from 2004 to 2006 as a result of the closing of several hotels for conversion to condominiums. In 2005, the positive trends prevailing in the market continued, and RevPAR grew by roundly 17.9%, compared to 2004. With overall occupancy near a maximum-capacity level in 2005, year-over-year monthly RevPAR increases ranged from 14.1% to 27.6%.

October and December 2005 registered minor declines in occupancy. Slightly higher decreases occurred in February and March 2006; as mentioned previously, these declines in 2006 were the result primarily of the exceptionally high occupancy levels, in the high-80s, registered during the prior year's first quarter, which is typically Manhattan's low-season period. Average rate continued its upswing in 2006, at a strong rate of 14.2%, contributing to a RevPAR gain of 13.7%.

Hotels in Manhattan pushed their aggregate performance to new heights in 2007, setting records for occupancy, average rate, and RevPAR. Occupancy in the leading hotel market in the U.S. rose to 85.5%, while average rate soared to $298.16. For the fourth consecutive year, RevPAR recorded double-digit growth in 2007, climbing 14.0%, indicative of the continued strength of the Manhattan lodging market.

An analysis of the monthly RevPAR indicates that the Manhattan hotel market experienced two to three years of negative RevPAR change during the late 80s recession and the 2001 aftermath. During these periods, it took about five years for the market to return to its previous RevPAR peak (1989 to 2004; 2000 to 2005). While 2008 represented the first year of the recession for most U.S. hotel markets, the Manhattan lodging market was able to weather the economic recession and the fall-out from Wall Street during the first nine months of the year, closing 2008 with moderate growth in RevPAR of 1.4% and remaining the top-performing hotel market in the U.S.

The following chart illustrates Manhattan's lodging market performance from 1987 through 2008.



As evidenced in the preceding chart, overall RevPAR bottomed in 1991 and peaked in 2008, exceeding the previous cycle's peak level (year 2000) by roundly $72, or 38.7%.

New Supply

Jonathan M. Tisch
Chairman & CEO, Loews Hotels

This year, both as a nation and as an industry, we face economic times unlike any we've experienced before. Here in New York City, we particularly feel the impact of the crisis in the financial service sector, which has historically been a mainstay of our economy. It has been a wake-up call to many on the need to diversify our economy, and a reminder that the travel and tourism industry is essential to our economic well-being; it can continue to provide good jobs and generate critical tax revenues. Despite the downturn in travel, New York City remains the #1 destination for international travelers – visitors who stay longer and spend more. New York City tourism has always been essential to our city's economic health, but today it has the potential to be a cornerstone for our recovery.

In 2008, 14 new hotels entered the Manhattan market, adding 2,195 guestrooms to the market's inventory as presented in the table below. We note that a few hotels closed for renovations in the same year, including the 132-room Surrey Hotel and the 200-room Pierre Hotel, as well as the Morgans Hotel, which was closed for a six-month renovation. We also note the reopening of the Plaza Hotel.

Name of the Hotel	Room Count	Opening Date	Type	Neighborhood
Holiday Inn NYC Manhattan Sixth Avenue	226	Jun 2008	Midscale	Midtown West
Hampton Inn New York Empire State Building	146	Oct 2008	Midscale	Midtown East
The Thompson Lower East Side	141	Jul 2008	Boutique	Lower Manhattan
Cooper Square Hotel	145	Dec 2008	Boutique	SoHo/Lower Manhattan
Wyndham Garden Hotel Manhattan Chelsea West	124	Nov 2008	Midscale	Midtown West
Ascend Collection The Gem Hotel Chelsea	81	Nov 2008	Midscale	Midtown West
The Greenwich Hotel	88	Apr 2008	Boutique	SoHo/Lower Manhattan
Hilton Garden Inn New York City Tribeca	151	Dec 2008	Midscale	SoHo/Lower Manhattan
Best Western Bowery Hanbee Hotel	99	Apr 2008	Midscale	Lower Manhattan
Hampton Inn Manhattan SoHo	160	Sep 2008	Midscale	SoHo/Lower Manhattan
Standard Hotel New York	347	Dec 2008	Boutique	SoHo/Lower Manhattan
Four Points Manhattan SoHo Village	150	Sep 2008	Midscale	SoHo/Lower Manhattan
Wyndham Garden Hotel Midtown Convention Center	224	Nov 2008	Midscale	Midtown West
Hotel Reserve	113	Dec 2008	Midscale	Downtown/Financial District
Total	**2,195**			

Sources: Smith Travel Research; HVS

PROPOSED HOTELS

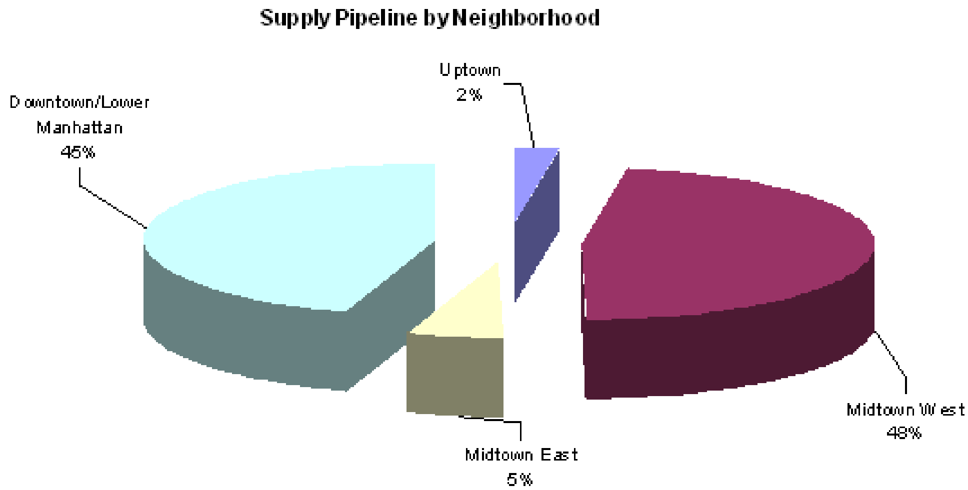
The following table sets forth the number of new rooms under construction that are anticipated to become available from 2009 through 2011.

Project	Location	Type	No. of Rooms	Anticipated Opening	Developer	Under Construction
Upper East Side						
The Mark	25 East 77th Street	Luxury	118	Mid 2009	Izak Senbahar & Simon Elias	Yes
	The Mark will be converted into 51 co-op units and 100 guestrooms and suites.					
Upper West Side						
aloft	2296-2308 Frederick Douglass Boulevard	Boutique	124	Jun 2010	Capital Dreams LLC	Yes
Midtown West						
The Vu Hotel	653 West 11th Avenue	Boutique	222	Fall 2009	Horizen Global	Yes
	In addition to guestrooms, the Vu will contain an 1,800-square-foot, glass-enclosed bar providing 360-degree views and a swimming pool and whirlpool. This lodging facility will be managed by Kimpton Hotels.					
Fairfield Inn Times Square	330 West 40th Street (b/w 8th and 9th Ave.)	Mid-scale	244	Mar 2009	The Lam Group	Open
	Located adjacent to the Four Points on West 40th Street. The hotel will feature a rooftop lounge and bar, which will be shared with the Four Points by Sheraton.					
Four Points Times Square	326 West 40th Street (between 8th and 9th Ave.)	Mid-scale	244	Mid 2009	The Lam Group	Yes
	Located adjacent to the 244-room Fairfield Inn Times Square on West 40th Street. The hotel will feature a rooftop lounge and bar, which will be shared with the Fairfield Inn.					
Candlewood Suites	339 West 39th Street	Extended-stay	183	Mid 2009	McSam Hotel Group	Yes
Holiday Inn Express	343 West 39th Street	Economy	210	Mid 2009	McSam Hotel Group	Yes
Hampton Inn	337 West 39th Street	Mid-scale	186	Mid 2009	McSam Hotel Group	Yes
Hilton Garden Inn	63 West 35th Street	Mid-scale	296	Mar 2009	Brack Capital Real Estate	Open

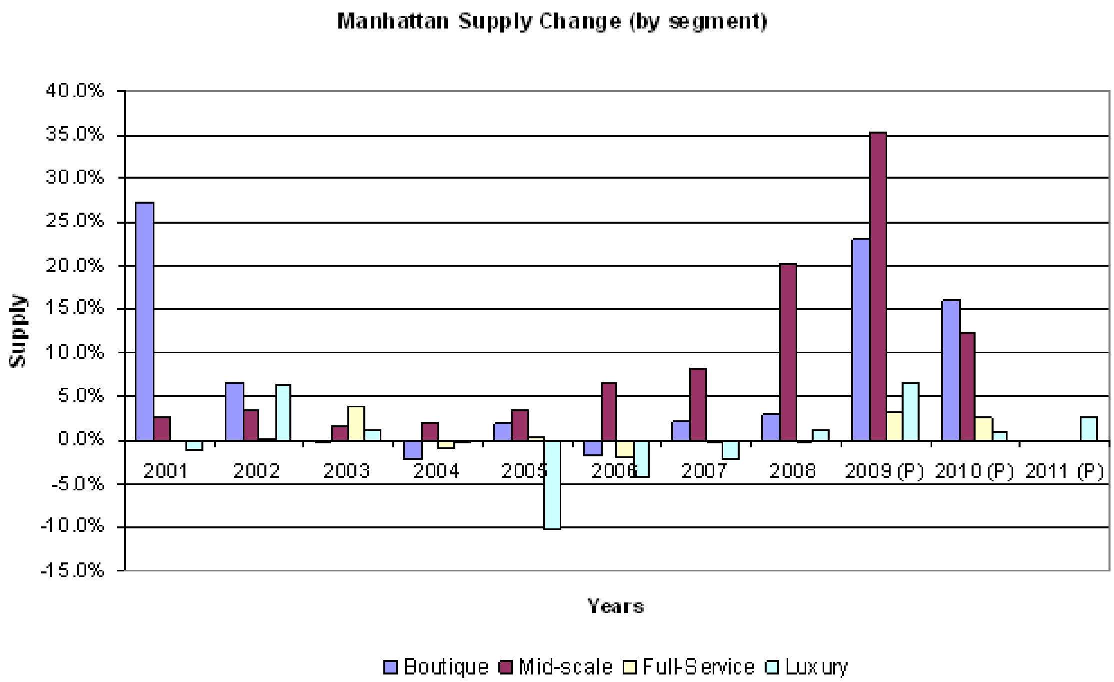
Staybridge Suites	334 West 40th Street	Extended-stay	310	Mid 2009	Mehta Family, LLC	Yes
Clarion	342-344 West 40th Street	Economy	155	Mid 2009	Greenway Realty Holdings	Yes
DoubleTree Chelsea	128 West 29th Street	Full-service	241	Mid 2009	McSam Hotel Group	Yes
Fairfield Inn	21-23 West 37th Street	Mid-scale	92	Mid 2009	Lam Generation	Yes
Ace Hotel	1186 Broadway (29th Street)	Boutique	280	Mid 2009	GFI Development Co.	Yes
The NoMad Hotel	1170 Broadway (28th Street)	Boutique	171	Fall 2009	GFI Development Co.	Yes
Gem Hotel Chelsea	300 West 22nd Street	Mid-scale	81	Early 2009	The ICON Group	Open
Hotel Indigo	127 West 28th Street	Boutique	122	Mid 2009	Fortuna Realty Group	Yes
	Property owner Morris Moinian and his Fortuna Realty Group are constructing the first Indigo-branded hotel in Manhattan. The 20-story structure is expected to cost roundly $50 million and will be a mid-scale boutique hotel.					
The Strand Hotel	33 West 37th Street	Boutique	177	Fall 2009	Don Glassie	Yes
Wyndham	152-158 West 26th Street	Full-service	280	Oct 2009	Flintlock Construction Services, LLC	Yes
Fairfield Inn Chelsea	114-116 West 28th Street	Mid-scale	112	Feb 2010	Midtown West Hotel	Yes
The Chatwal	44th Street (b/w 6th and 7th Avenue)	Luxury	88	Early 2010	Hampshire Hotels & Resorts	Yes
	In addition to guestrooms, the Chatwal Hotel will contain 6,000 square feet of meeting space as well as an upscale restaurant from Lotus Partners, a business center, and a health club.					
element	311 West 39th Street	Extended-stay	411	Fall 2010	McSam Hotel Group	Yes
Hyatt Place	52 West 36th Street	Mid-scale	188	Fall 2010	McSam Hotel Group	Yes
Hotel Eventi (Kimpton Hotels)	839 Avenue of the Americas	Boutique	287	Early 2010	J.D. Carlisle Development Corp.	Yes
InterContinental Times Square	44th Street	Full-service	613	Early 2011	InterContinental Hotels Group	Yes
Midtown East						
Lexington House Hotel	517 Lexington Avenue	Extended-stay	116	Late 2009	Hersha Construction Group/Hunter Roberts	Yes
	Hunter Roberts Construction Group is currently providing Construction Management services to this 80,000 square foot, 25-story structure located in Midtown Manhattan. This hotel will feature a restaurant, a fitness, outdoor terraces, and 116 guest rooms.					
Andaz by Hyatt	485 Fifth Avenue (b/w 41st & 42nd Streets)	Boutique	167	Early 2010	Hyatt Hotels & Resorts	Yes
The Setai	400 Fifth Avenue	Luxury	214	Mid 2011	The Setai Group	Yes
Lower Manhattan						
Hilton Garden Inn	6 York Street	Mid-scale	150	Jan 2009	McSam Hotel Group	Open
The Standard	848 Washington Street (West 13th Street)	Boutique	344	Jan 2009	André Balazs Properties	Partial Opening
	This lodging facility was developed by Hotels AB (André Balazs) and is the fourth Standard hotel in the U.S. The property will feature extensive food and beverage facilities, including a rooftop lounge, as well as meeting and event space. Soft opening occurred in January 2009 and full opening is expected in June 2009.					
Smyth TriBeCa	85 West Broadway	Boutique	100	Jan 2009	Thompson Hotels/Pomeranc Group, LLC	Partial Opening
Cooper Square Hotel	25 Cooper Square (Bowery)	Boutique	145	Jan 2009	Peck Moss Hotel Group	Partial Opening

Comfort Inn	61-63 Chrystie Street	Mid-scale	60	Mar 2009	BTW Hotels, LLC	Open
Holiday Inn Express	126 Water Street	Economy	112	Mid 2009	McSam Hotel Group	Yes
Crosby Hotel	79-85 Crosby Street	Boutique	86	Sep 2009	Firmdale Hotels London	Yes
Trump Hotel & Tower SoHo	246 Spring Street	Luxury	391	Sep 2009	Sapir & Bayrock Group	Yes
Hotel Reserve	20 Maiden Lane	Mid-scale	115	Early 2009	McSam Hotel Group	Partial Opening
Andaz by Hyatt	75 Wall Street	Boutique	250	Summer 2009	Hakimian Group	Yes
	The 42-story building was built in 1986 and will be converted to a luxury hotel containing 250 guestrooms in the lower portion of the building and 350 luxury condominiums on the upper 24 floors. The building will be redesigned by David Rockwell. The lower floors will include meeting space, a restaurant located off Water Street, and a bar.					
Sheraton	370 Canal Street	Full-service	368	Nov 2009	McSam Hotel Group	Yes
The Nolitan	153 Elizabeth Street/40 Kenmare	Boutique	60	Jan 2010	Veracity Development	Yes
Courtyard	179 Varick Street	Mid-scale	122	Jul 2010	Ocean King LLC	Yes
Grand Street Hotel	23 Grand Street	Boutique	114	Early 2010	Brack Capital Real Estate	Yes
	The developer, Brack Capital Real Estate, is planning to build a 17-story rectangular glass tower on Grand Street. In addition to guestrooms, the hotel will feature two restaurants and bar, a lobby lounge, a rooftop bar, a business center, a fitness room, and a rooftop swimming pool.					
Mondrian	9 Crosby Street	Boutique	274	Early 2010	Cape Advisors, Inc.	Yes
	Cape Advisors, Inc. is converting an existing building in Soho and adding 14 floors to the existing 12 levels. The property, which will feature a restaurant, two bars, a rooftop bar, and ±5,400 square feet of meeting space, will be managed by Morgans Hotel Group.					
W New York – Downtown & Residences	123 Washington Street	Boutique	217	Feb 2010	Moinian Group	Yes
	The mixed-use property will consist of 222 condos and 217 guestrooms. Of the 222 condos, 55 will be studios, 125 will be 1 Br's, and 42 will be 2Br's. A total of 64 condos will come furnished. Designed by Gwathmey Siegel & Associates Architects, the hotel will offer meeting rooms, a spa, and a restaurant. The top floor will feature a garden for the residents. The W New York – Downtown Hotel & Residences will be the first W residential development in Manhattan. It will be the sixth W in New York City.					
DoubleTree	8 Stone Street	Full-service	410	Early 2010	McSam Hotel Group	Yes
Club Quarters Hotel	130 Cedar Street	Full-service	200	Early 2010	Masterworks Development Company	Yes
	The hotel will be a semi-private hotel primarily for member use but occasionally available to the public.					
Habita Hotel	West 27th Street (High Line)	Boutique	56	Mid 2010	Black House Development	Yes
The Dream Downtown	346 West 17th Street (Covenant House)	Boutique	316	Late 2010	Hampshire Hotels and Resorts	Yes
Holiday Inn	99 Washington Street	Economy	370	Late 2010	McSam Hotel Group	Yes
Wyndham	93 Bowery Street (Corner Hester Street)	Full-service	106	Sep 2010	Unknown	Yes
		Total	**10,298**			

It is important to mention that even though the Manhattan lodging inventory declined from 2004 through 2006 due to condo conversion, room supply is expected to grow significantly in the future. As illustrated in the preceding table, as many as 10,298 new rooms, or 61 properties, will enter the Manhattan market from 2009 through 2011. The proposed supply represents 15.5% of the 2008 Manhattan room supply, increasing the number of guestrooms from 66,438 in 2008 to 76,736 as of 2011. These 10,298 rooms are far more than all the new supply that opened between 1998 and 2007 (5,607 rooms). As a result of the protracted disruption in the capital markets and the slowdown in the U.S. and local economies, the anticipated new supply represents an approximate 36.0% decrease from our estimate last year. The following chart presents the pipeline by neighborhood.



Based on the data outlined previously, Manhattan is forecast to experience a record increase in hotel room supply over the next few years, as can be observed in the following graph.



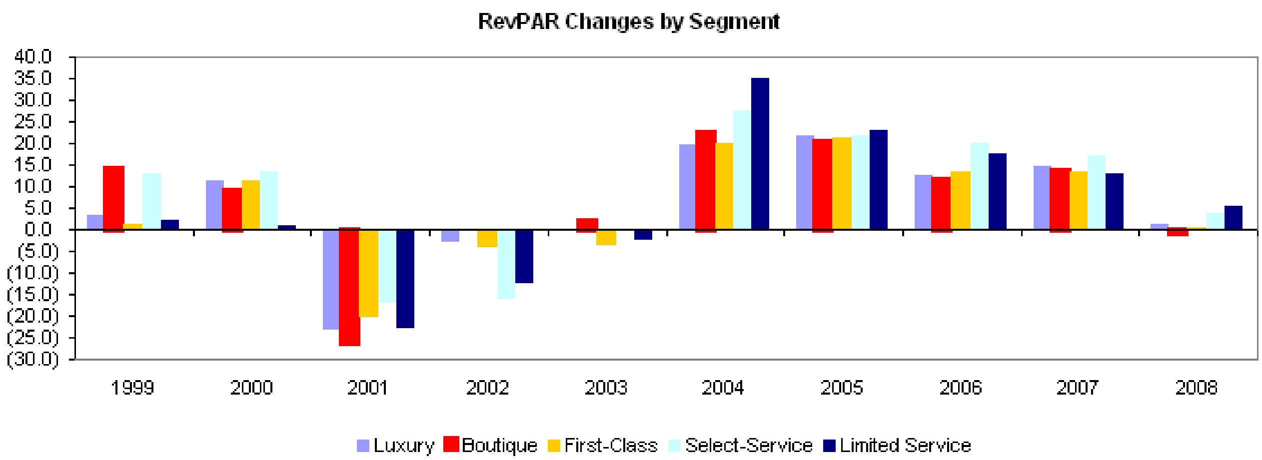
Of the anticipated new projects, 18 represent mid-scale hotels, or 30% of the total new supply, while 22 hotels, or 36% of the proposed properties, can be classified as boutique hotels. Only three new lodging facilities have been proposed for the luxury segment (The Chatwal, The Setai Fifth Avenue, and the Trump SoHo), not including the reopening of The Mark Hotel. Significant barriers to entry, including high construction costs, prohibitive land costs, and a lack of available sites, continue to remain key factors when considering construction of lodging facilities in Manhattan. It is also important to note that because of the tightening capital markets, some of the hotel developments proposed for Manhattan may not come to fruition, thereby reducing the number in the current pipeline, which bodes well for the market's existing lodging facilities.

Manhattan Operating Statistics by Segment

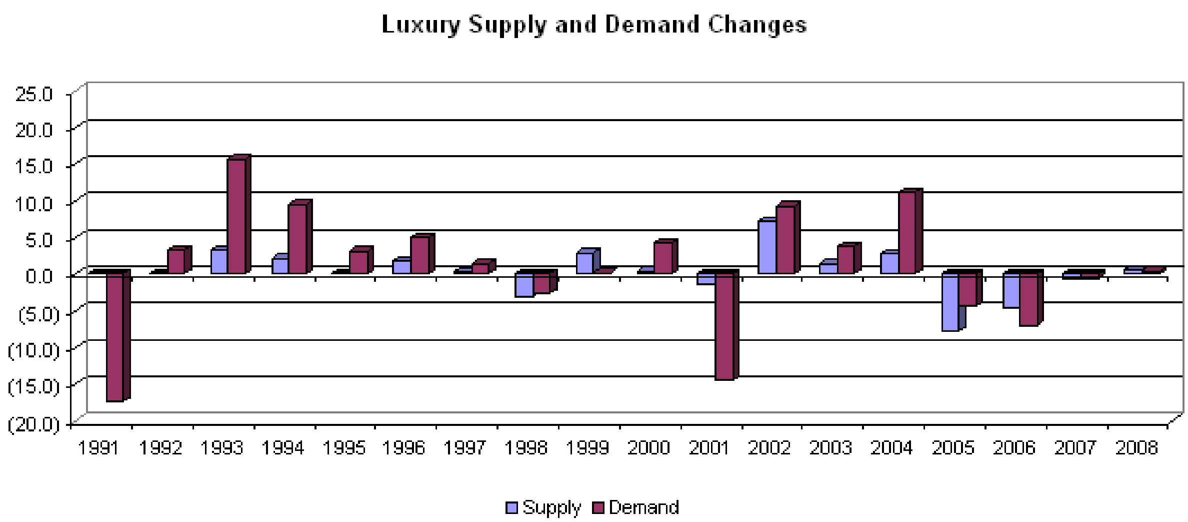
George Fertitta
CEO, NYC & Company

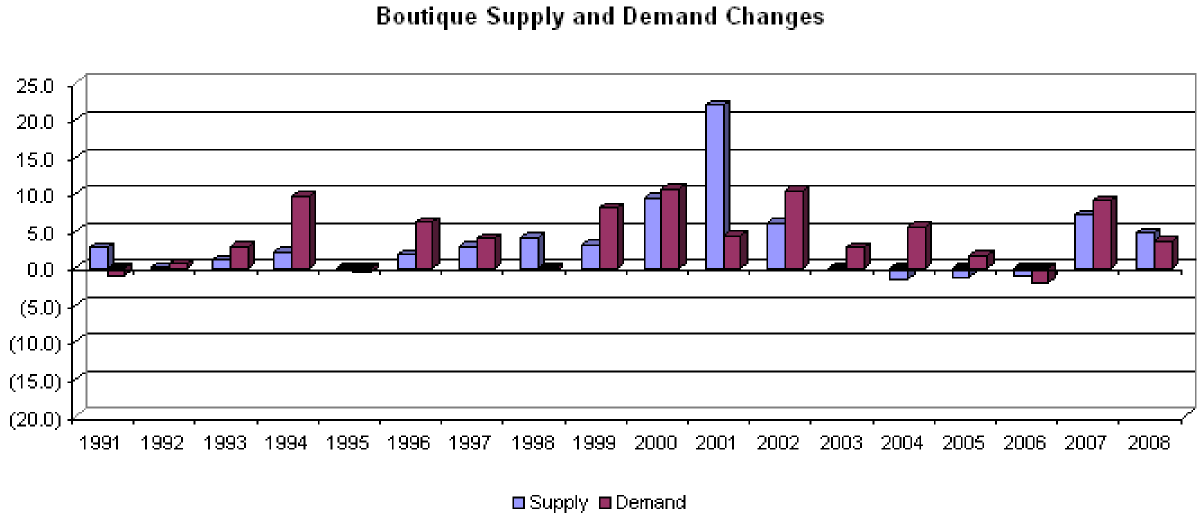
New York City closed 2008 with a record-breaking tourism year, welcoming an estimated 47 million visitors who collectively spent $30 billion. After completing our global expansion and opening our 18th office in Mumbai, India, last Fall, NYC & Company will turn its focus in 2009 to enhancing the image of the City domestically. Promoting the value of a visit to New York City, we will highlight new hotel development, new product, and the multiple anniversaries that take place this year, including the 400th anniversary of the discovery of New York City by the Dutch, the 100th anniversary of the NAACP and the 40th anniversary of the Stonewall Riots. While we anticipate an estimated 5% decline in tourism to the City in '09, we are confident we will continue to outperform other cities across the U.S. and lead the nation in hotel occupancy by at least 20 percentage points.

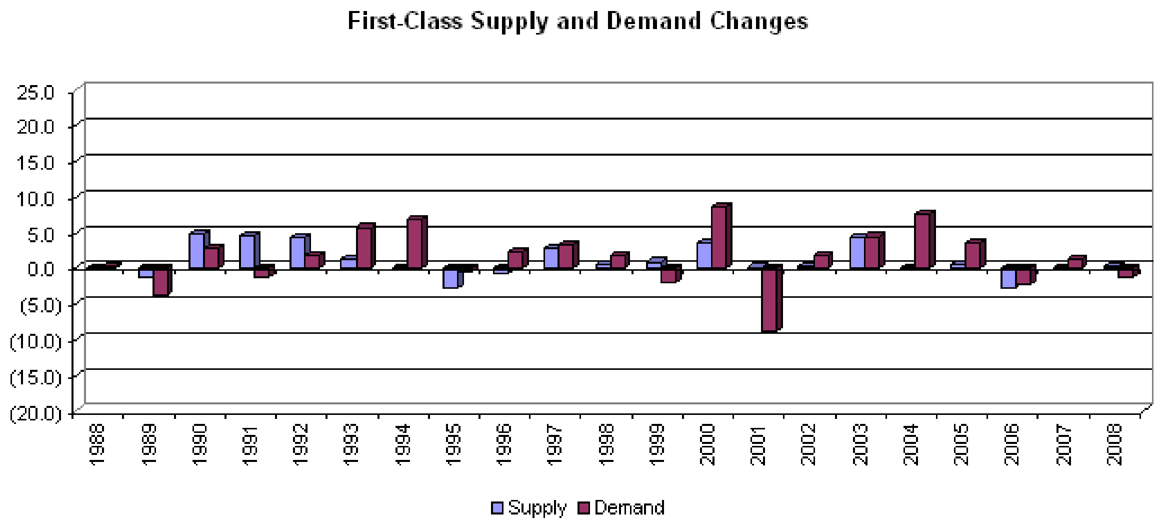
HVS Global Hospitality Services has analyzed data provided by Smith Travel Research to illustrate the effects of the current state of the economy on different classes of hotels in Manhattan. The following graph presents the annual percentage RevPAR change for all five segments since 1999

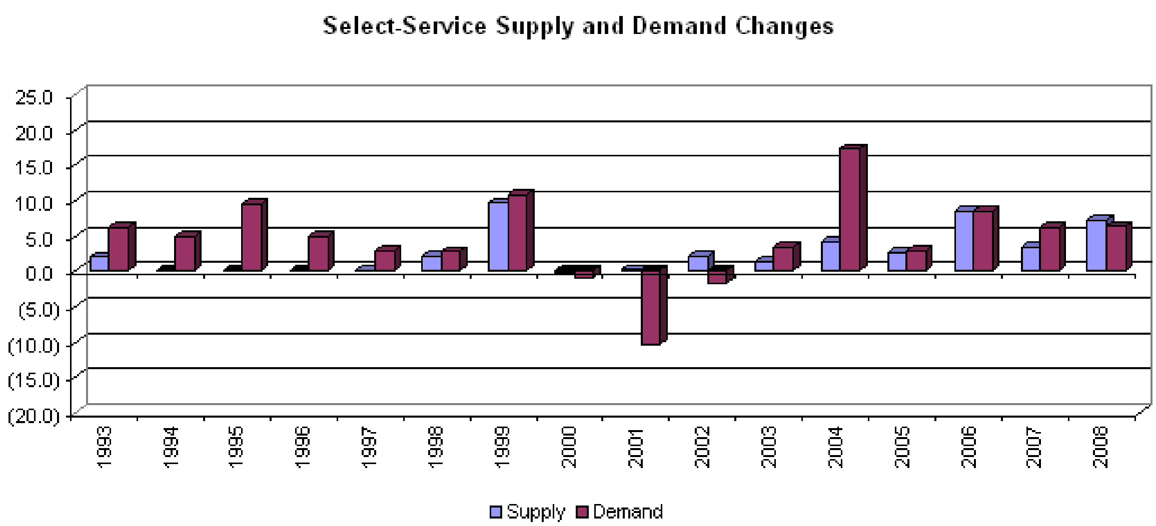


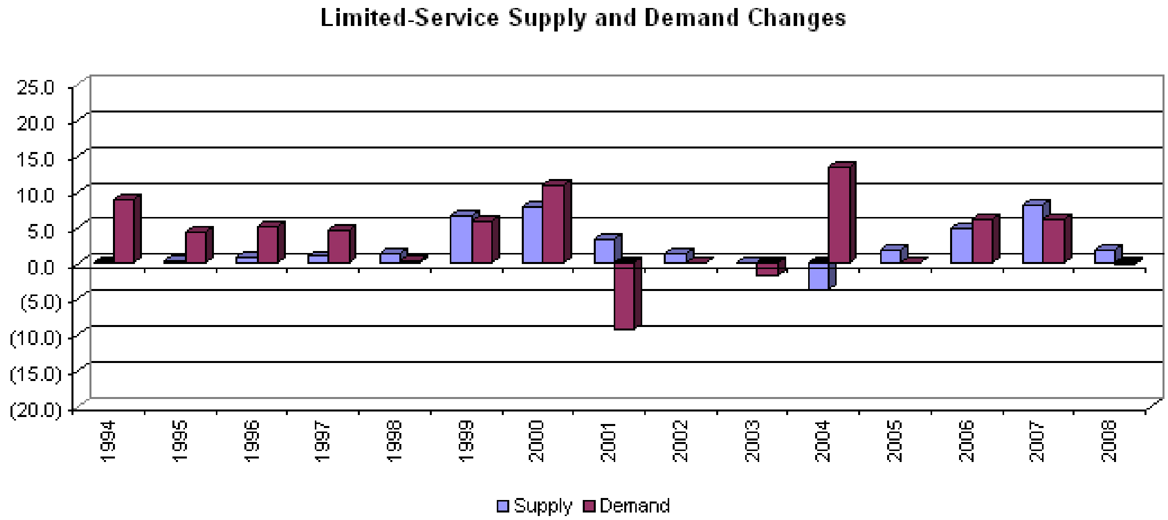
The following graphs compare the supply and demand changes of all reporting hotels in Manhattan using historical figures through 2008. These results are classified by market segment: luxury, boutique, first class, select service, and limited service.




Boutique Supply and Demand Changes
25.0
20.0
15.0
10.0
5.0
0.0
(5.0)
(10.0)
(15.0)
(20.0)
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Supply
Demand


First-Class Supply and Demand Changes
25.0
20.0
15.0
10.0
5.0
0.0
(5.0)
(10.0)
(15.0)
(20.0)
1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Supply
Demand


Select-Service Supply and Demand Changes
25.0
20.0
15.0
10.0
5.0
0.0
(5.0)
(10.0)
(15.0)
(20.0)
1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Supply
Demand



A review of the previous charts reveals the following:

- Despite the recent tumultuous economic times and the previous recessions that affected the Manhattan hotel market, all segments experienced growth in demand stronger than the growth in supply during the observed periods, indicating the strength of the Manhattan market across the board.

- The luxury segment experienced the slowest growth in supply, expanding at an average annual compounded rate of 0.25% from 1990 to 2008, and representing a net addition of roundly 300 rooms only. As a result of the closing of several luxury hotels for conversion to condominiums, supply within the luxury segment decreased by nearly 13% between 2004 and 2007. Therefore, a large portion of demand previously accommodated at luxury hotels was forced to seek accommodation outside this segment, and occupancy declined by 2.6% in 2006; the unusually high occupancy in the first months of 2005 also contributed to this decline. Nevertheless, from 2006 to 2008, the luxury segment continued to perform strongly, with an annual occupancy of roundly 80.0%. The change in supply in 2008 resulted from the closing of the 200-room Pierre Hotel and the reopening of the 282 transient rooms at the Plaza Hotel.
- The boutique segment experienced the strongest increase in supply, expanding at an average annual compounded rate of 3.38% from 1990 to 2008. Boutique hotels are a relatively new concept in the U.S. lodging industry; they were first introduced in the mid-1980s, and became increasingly popular in the 1990s, which led to a rash of boutique hotel development in the late 1990s and early 2000s. This dynamic is reflected in the Manhattan lodging market, where roundly 25.0% of the boutique hotel supply, or 2,569 rooms, opened in 2000-2001. These openings included the Hudson, the W Times Square and the W Union Square, the 60 Thompson, the Tribeca Grand, and the Bryant Park. Also, we note that approximately 40.0% of the boutique supply opened after 2001. This trend was offset by a greater increase in demand within this segment, which grew by 4.12% during the same period. As a result, occupancy was able to reach the low 80s during the observed period. We note that in 2008, the boutique segment was the only one experiencing a decrease in RevPAR due to its greater exposure to the Downtown area and the financial markets.
- As a result of the strong supply and demand dynamics, average rate grew well above the inflation level for all segment types during the observed period, with the select-service and limited-service segments exhibiting the strongest increases, at 6.70% and 6.96% respectively. The strong performances associated with the select-service and limited-service segments suggest the presence of a notable amount of unaccommodated demand for those two segments; this demand is expected to be accommodated by the large number of select-service and limited-service hotels proposed for the city in the next three years.

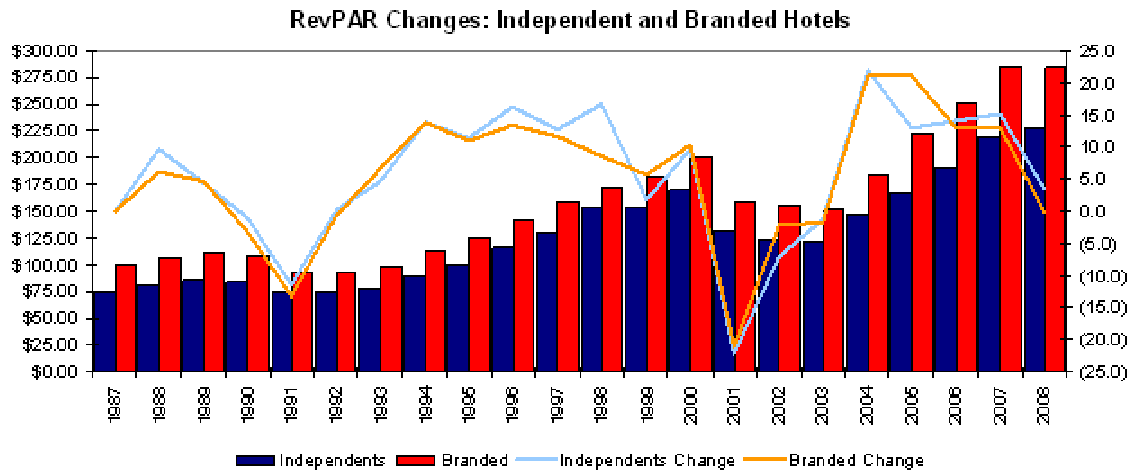
Independent and Branded Hotels in Manhattan

Lalia Rach, Ed.D.
Divisional Dean and HVS International Chair
The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management

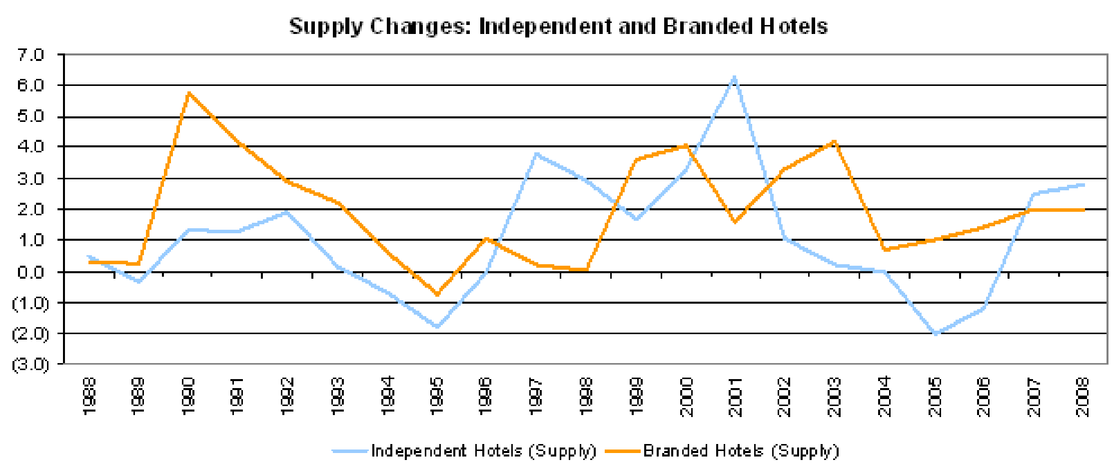
2009 will be remembered as the year of fortitude as New York City hotel professionals confronted transformational shifts in demand and unyielding pressure to cut expenses.

Business and leisure travel behavior has abandoned traditional patterns, shortening the booking cycle to days if not hours, rapidly switching allegiance from destination to destination while redefining a vacation as a want rather than a need.

This year, HVS Global Hospitality Services has also analyzed data provided by Smith Travel Research to illustrate the effects of the current state of the economy on independent and brand-affiliated hotels in Manhattan. The following graph presents the annual percentage change in RevPAR as well as the RevPAR levels for these two hotel categories since 1987.



As a reference, during the historical period reviewed, branded hotels averaged roundly 53.0% of the total Manhattan room supply, increasing from 50% in the late 1980s to 54% as of 2008. The independent hotel category experienced lower supply growth during the past 21 years compared to branded hotels, expanding at an average annual compounded rate of 1.11% from 1987 to 2008 as opposed to 1.92% for the branded hotels during the same period. The following graph presents the annual percentage change in supply for branded and independent hotels.



On the demand front, independent hotels exhibited a demand-to-supply ratio of roundly 45.0% from 1987 to 2008, compared to a ratio of roundly 29.0% for branded hotels. The demand-to-supply ratio, which is calculated by dividing the annual compounded growth rate for demand by the annual compounded growth rate for supply over the observed period, highlights the dynamics between supply and demand

and provides an indication of the market's capacity to push average rates upward. As a result, and due to stronger demand and supply dynamics, independent hotels were able to push room rate at a higher pace than branded hotels during the observed period, growing at an average annual compounded rate of 4.94% from 1987 to 2008 as opposed to 4.52% for the branded hotels during the same period. However, we note that branded hotels historically outperformed independent hotels with higher average rate levels, resulting in a RevPAR premium averaging roundly $32.00 from 1987 to 2008.

Operating Statistics by Neighborhood

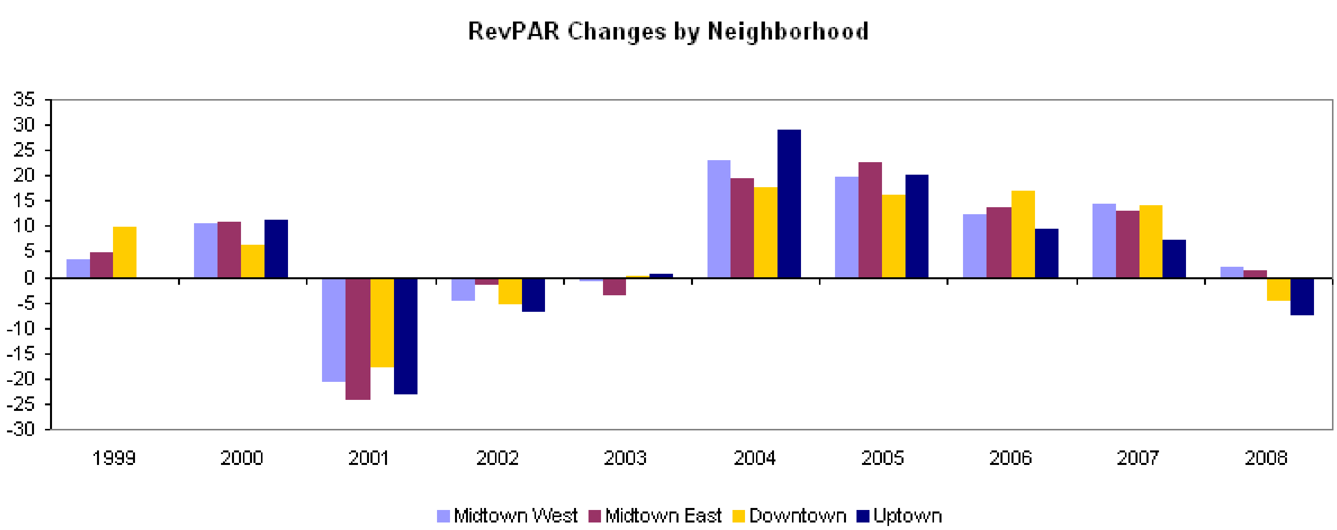
Mark Lomanno
President, Smith Travel Research

After a relatively strong start to 2008, the year finished very badly for NYC hotels. During the first 8 months of the year, New York City hotels were able to weather the economic storm that had been brewing since late in 2007, better than most markets. While it was clear that the high-flying days of the past several years were beginning to wane, especially in the luxury segment, hoteliers in the city had been able to continue to grow rate. However, the fall of Lehman Brothers in September of last year seemed to signal a real sea change in hotel performance. That event heralded some fundamental changes in the way corporate America was doing business, especially as it related to travel. No longer does it seem acceptable to stay at high-end properties for business reasons, and even the once taken for granted necessity for company and group meetings has been called into question.

For a city like New York, which has a very high proportion of its hotel supply at the high end of the marketplace, these changes are going to make 2009 an extremely difficult year for the hotel community. The effects can already be seen as through the first quarter of 2009, citywide RevPARs are down over 20 percent. We are hopeful that this level of decline will moderate as the year goes on; otherwise, 2009 will be remembered as very dark days for hotels in the city.

While this modified behavior is almost certain to change again over time, especially as the economy and specifically the health of the financial community improves and businesses return to profitability, a recovery is liable to be several years away. In the meantime, hoteliers should do all they possibly can to preserve room rate integrity because as was clearly demonstrated in 2001 and 2002, it can take many years to recover from extended periods of room rate discounting.

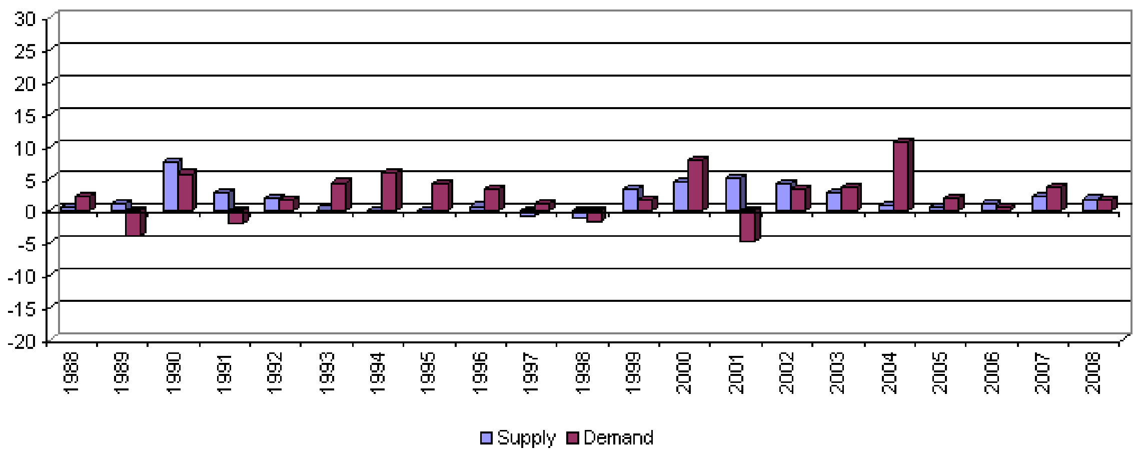
HVS Global Hospitality Services has analyzed data provided by Smith Travel Research to illustrate the effects of the current state of the economy on different neighborhoods in Manhattan. The following graph presents the annual percentage changes in RevPAR for all four neighborhoods over the last ten years.



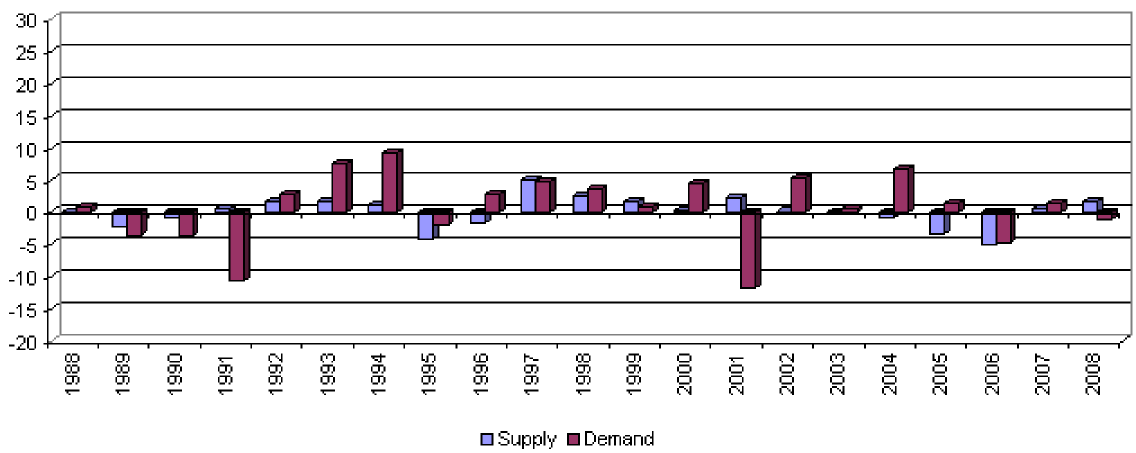
The following graphs compare the supply and demand changes of all reporting hotels in Manhattan using historical figures through 2008.

These results are categorized by neighborhood: Midtown West, Midtown East, Downtown, and Uptown.

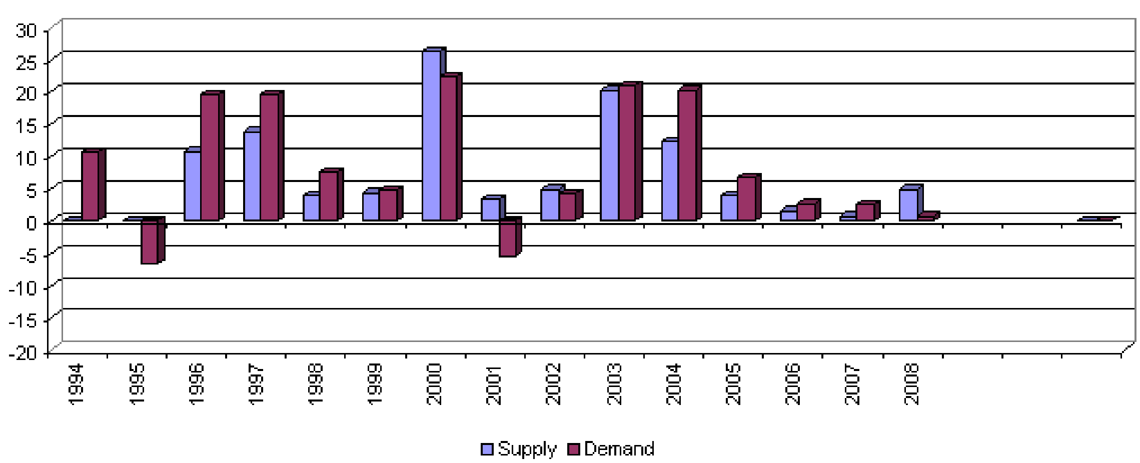
Midtown West Supply and Demand Changes

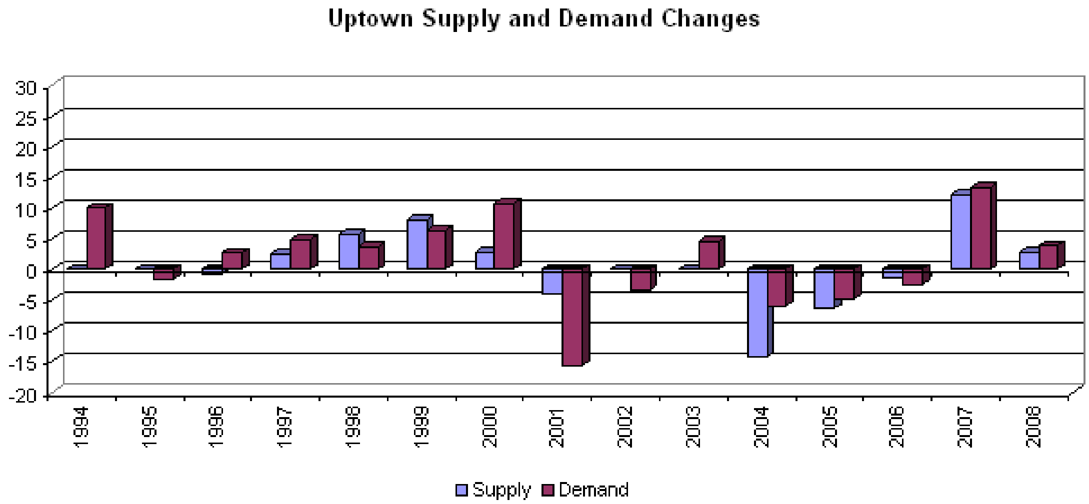


Midtown East Supply and Demand Changes



Downtown Supply and Demand Changes





A review of the previous charts reveals the following:

- All neighborhoods experienced growth in demand stronger than growth in supply during the observed periods, indicating the strength of the entire Manhattan market.
- The Downtown neighborhood experienced the most rapid supply growth, expanding at an average annual compounded rate of 7.11% from 1993 to 2008, while the other neighborhoods experienced limited supply growth during the historical periods.
- Although the Uptown area outperformed the other neighborhoods in terms of occupancy change in 2008, significant rate discounting caused average rate to decline by 8.0% at Uptown hotels, which experienced the most significant RevPAR decrease through year-end 2008. Downtown hotels also recorded a decrease in RevPAR in 2008, given their direct exposure to the financial markets.

2009 Manhattan Hotel Market Overview Survey Result Analysis

Respondents: Members of the Hotel Association of New York City and the Greater New York Chapter of Hospitality Sales and Marketing Association International
Prepared by Simone Baradei, Zheyi Chen, Rick Kelly, Yun Wang, Robert Washington

This report presents the results and data analysis of the 2009 Manhattan Hotel Market Overview survey conducted by graduate students of New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management in collaboration with HVS Global Hospitality Services. The survey was conducted in March 2009. The objective of this research is to identify hotel professionals' perspective on the current recession and its impact on the New York City hotel market specifically. It is also aimed at identifying trends in the NYC hotel market as well as how hotels plan or are planning to react to the effects of the current economic downturn.

An online survey was developed and targeted to members of the Greater New York Chapter of the Hospitality Sales and Marketing Association International (HSMAI) and the Hotel Association of New York City (HANYC). The survey was sent to approximately 500 members of the Greater New York Chapter of HSMAI. Of these members, 26 opted out of taking the survey, 15 emails were invalid, and 10 members expressed that they were not the appropriate contact to take the survey. The HANYC database contained 240 email addresses, most of which were for hotel general managers/executives. Of these members, 7 opted out of taking the survey and 19 emails were invalid. This eliminated 77 names, resulting in a potential sample size of 663 members from HSMAI and HANYC.

Survey questions were limited to those related to changes, trends, operations, and strategies currently utilized in today's NYC hotel market. The survey was also limited to 24 questions to ensure a sufficient return rate; therefore, many questions, though pertinent, were not included in order for the respondents to complete the survey with the least amount of inconvenience.

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 in this study.

SURVEY FINDINGS

The purpose of the survey is to gain perspectives relative to trends in the hotel industry and their potential impact on the New York City hotel market. Of the 137 responses, 68 were totally completed, with the remaining 69 partially completed, representing a 20.7% (includes both partial and fully completed surveys) response rate. The findings outlined below are based on this 2009 Manhattan Hotel Market Overview Survey.

The New York City hotel market continues its decline, and the hotel professionals in the city displayed less optimism for this year, 2009. Most respondents anticipated a decrease in their year-over-year demand due to the fact that 86.3% of them expect a lower annual occupancy in their hotels compared to 2008. 83.8% of the respondents expect their hotel's year-end ADR in 2009 to be lower compared to 2008, 80.6% of whom anticipated a decrease of more than 10%. More than 70% of the respondents believe that their RevPAR will rebound at least after the first quarter of 2010. Lower demand results in less revenue, and almost all respondents' hotels have contemplated taking actions to reduce operating expenses, especially in cutting down their labor costs. In addition, to drive more demand, more than 60% of the participating hotels have discounted their room rates by more than 10% because of the current recession.

Below are additional details of the survey findings. (The number of responses to each question may vary, and the statistics are based on responses to each individual question).

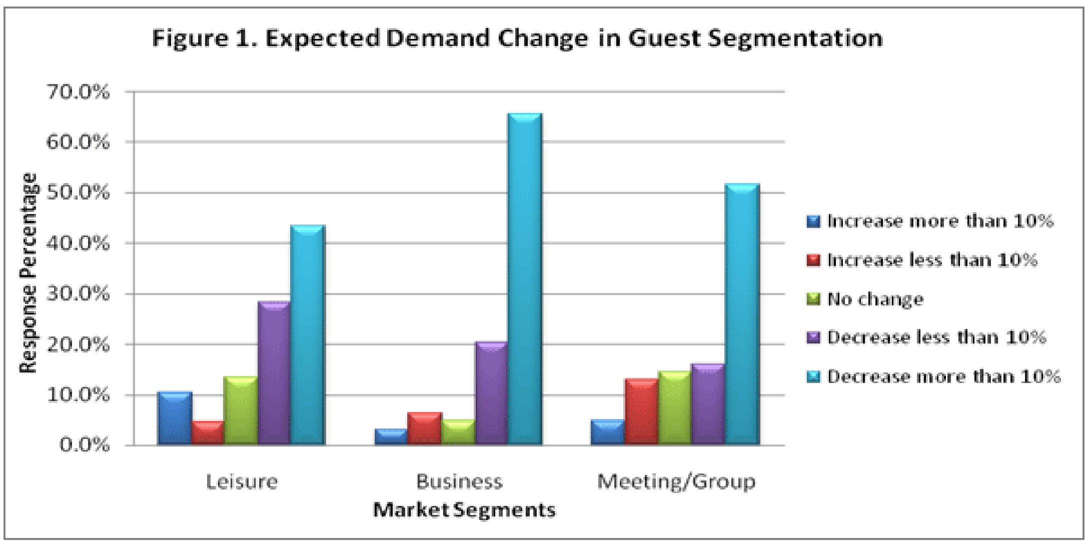
- In terms of job functions, more than three quarters of the survey respondents were from General Management (37.0%) and Sales & Marketing teams (39.3%). Revenue Management (8.9%), Operations (2.2%), and Accounting/Finance (2.2%) made up 13.3% combined. Other job functions (10.4%) included President of a hotel company, Human Resource, Consultant, Asset Management, and so on.

- As to the hotel market segments, 21.7% of the respondents' hotels belonged to the upscale market, 19.4% belonged to the luxury market, and 18.4% was identified as upper upscale. A little more than a quarter was midscale, some with F&B (14.7%) and some without F&B (11.6%). Only 3.1% belonged to the economy hotel market, and unaffiliated hotels counted for 10.9%.

- The areas of the respondents' hotels varied, but about three quarters (73.6%) of these hotels were Midtown properties, with almost half (43.4%) located on the west side of Midtown. The Upper East and West Sides combined accounted for 9.4%, and 17.0% were from the Downtown area.

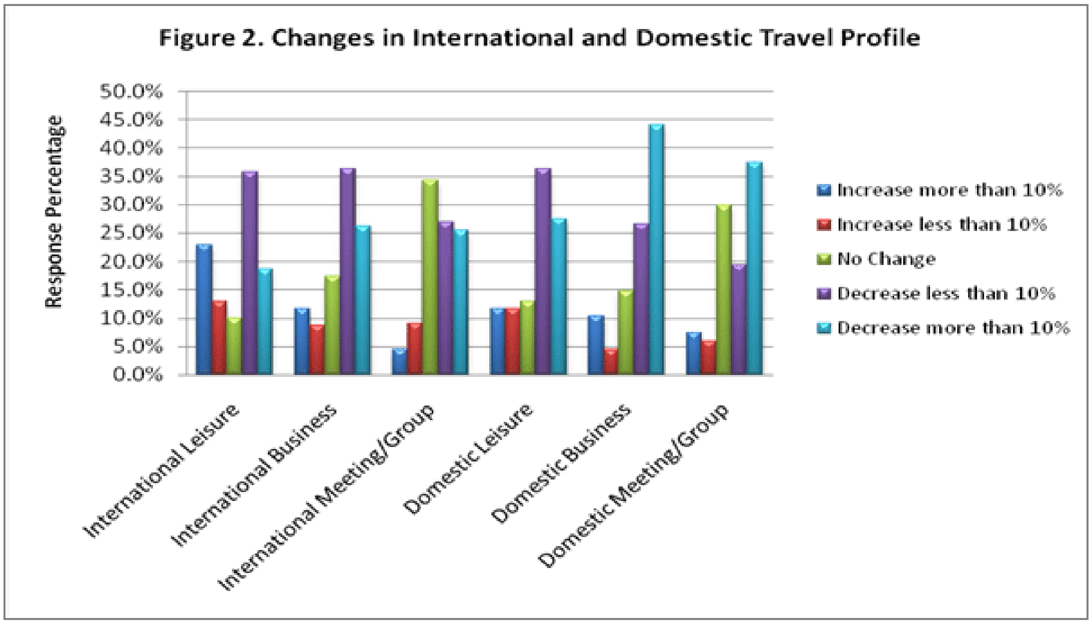
- The majority of respondents' hotels (63.3%) were affiliated with a brand. Of those with a brand affiliation, 22.2% saw an 11% to 20% contribution from their brand reservation system. Approximately 17.5% saw a 31% to 40% contribution, 15.9% contributed less than 10%, and 17.4% of all respondents saw a contribution of over 40%.

- In terms of year-over-year (2008-2009) demand change, in the leisure guest segment, slightly less than three quarters (74.0%) of respondents expected a decrease in their year-over-year demand, 61.1% of which was a decrease of more than 10%. In the business segment, around 85% of respondents anticipated a decrease in their demand, three quarters of whom expected a decrease of more than 10%. In the meeting/group segment, around 50% anticipated a decrease of more than 10% in their year-over-year demand. See Figure 1 below for details.

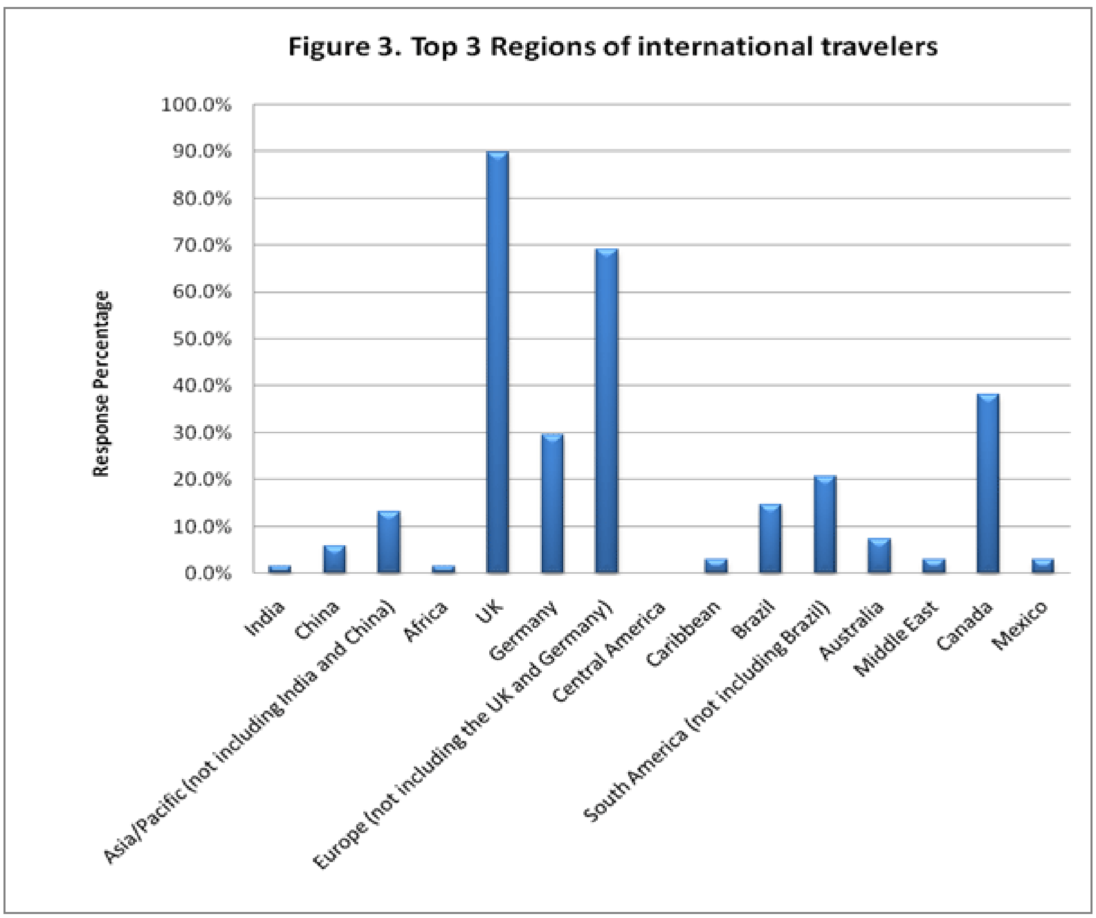


- In terms of marketing, about a half (43.1%) of the respondents' hotels were decreasing their marketing budget in 2009 compared to 2008. Roughly 31.9% have kept their budget the same, and a quarter of them are increasing their marketing efforts.

- About half of the respondents reported a decrease in their international leisure, business, and meeting/group travelers in the past year. Less than 20% of all respondents reported an increase in their domestic traveler profile in the leisure, business, and meeting/group segments in the past year. Please refer to the chart below for more details.

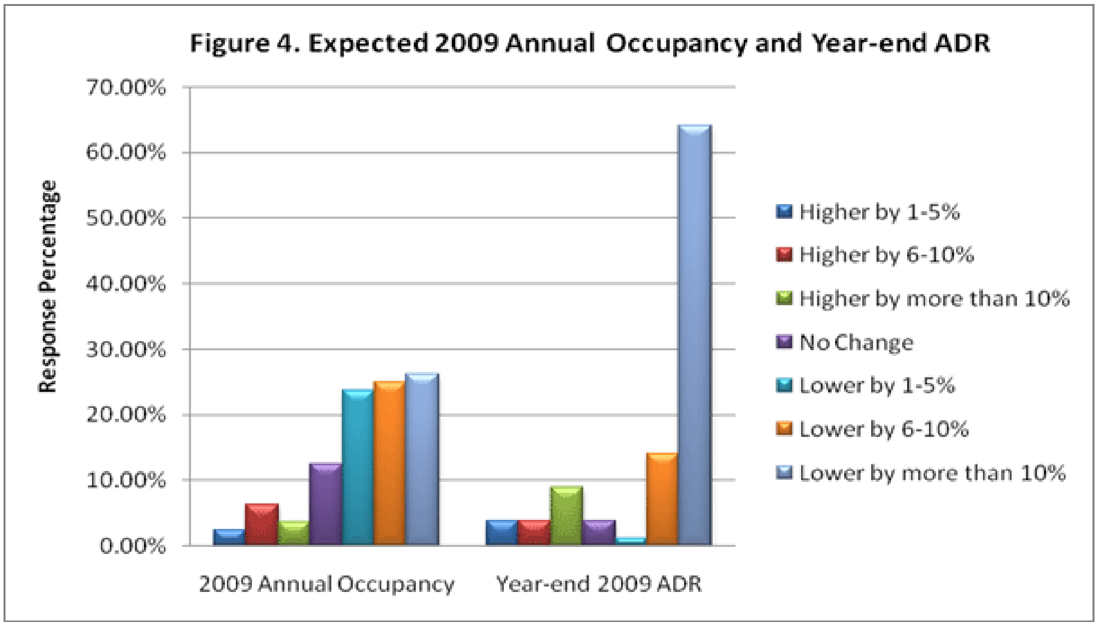


- Europe was identified as the strongest generator of international travelers for most of the respondents' hotels this year, 2009. About 89.3% of the respondents listed the United Kingdom as the strongest generator of international travelers to their hotel property. South America (38.7%), Canada (37.3%), and Germany (30.7%) are three other major generators of international visitors to respondents' hotels. See Figure 3 for more information.



- In terms of occupancy, three quarters of all respondents expected a lower annual occupancy at their hotels in 2009, while 12.5% expected a higher annual occupancy, the same rate as those who thought there would be no change in their hotels' annual occupancy. See Figure 4 for more detail.

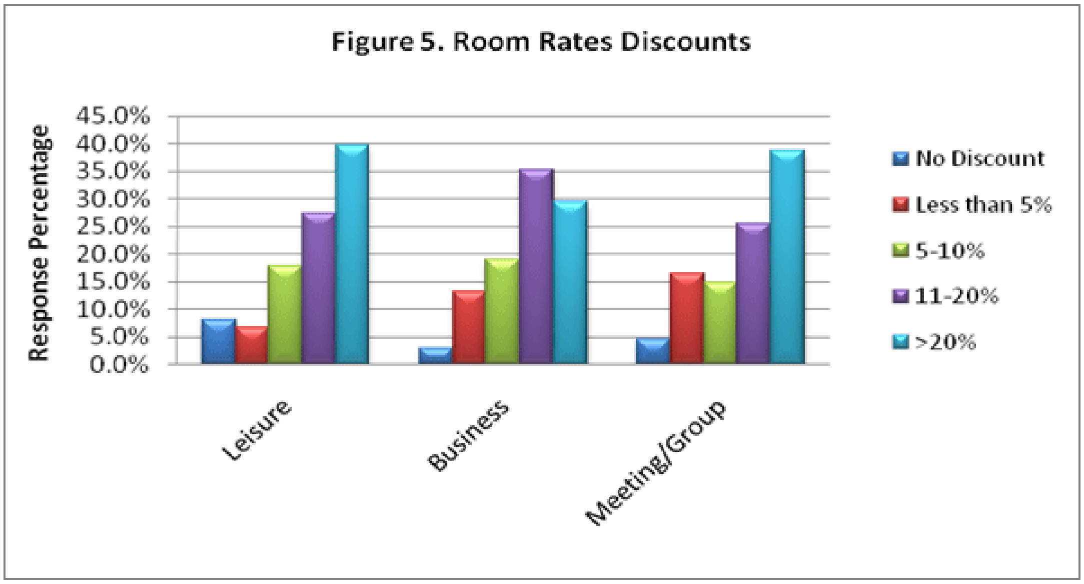
- Of all the respondents, 79.5% expected their year-end 2009 ADR to be lower than year-end 2008, and of those respondents, 80.6% expected ADR to be lower by more than 10%. Only 16.7% of all respondents expected a higher year-end ADR, and 3.8% expected no change in their hotels' ADR in 2009. Refer to Figure 4 for more statistics.



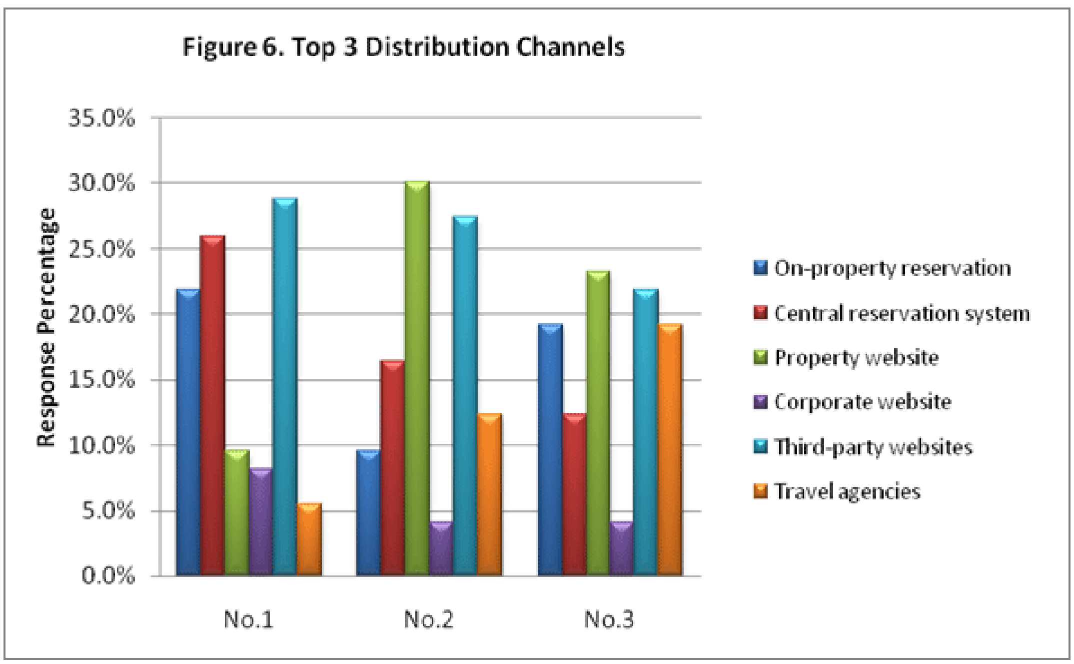
- Respondents were asked to rate factors in terms of their importance to attract international guests to NYC hotels, using a scale of 1 to 5, with 5 having the greatest potential impact. Of all respondents, 70.6% considered price as having the greatest impact, receiving an average rating of 4.53. Most respondents thought language and cuisine to be less important. Language received an average rating of 1.97, and cuisine received 1.81. Location was believed to have a great impact, with an average rating of 4.25. Service quality, brand recognition, and amenities were considered somewhat important, receiving ratings of 3.55, 3.16, and 3.06, respectively.

- In terms of factors to attract domestic guests, price again was thought to have the greatest impact, receiving an average rating of 4.74. Location was also considered important, with an average rating of 4.25. Service quality had an average rating of 3.75, and brand recognition and amenities received 3.20 and 3.22, respectively. Cuisine was considered less important and received 2.00.

- Almost all the respondents' hotels have used discounting of room rates to offset a decrease in occupancy this year. Approximately 91.8% of all respondents' hotels have discounted their room rates for leisure guests, with 65.3% discounting their room rates by more than 10%. In the business segment, 97% of all respondents' hotels have discounted their room rates, and 64.7% have discounted their room rates by more than 10%. About 95.5% of all respondents' hotels have offered discounts to the meeting/group segment, with 64.2% discounting their room rates by more than 10%. See Figure 5 for more details.

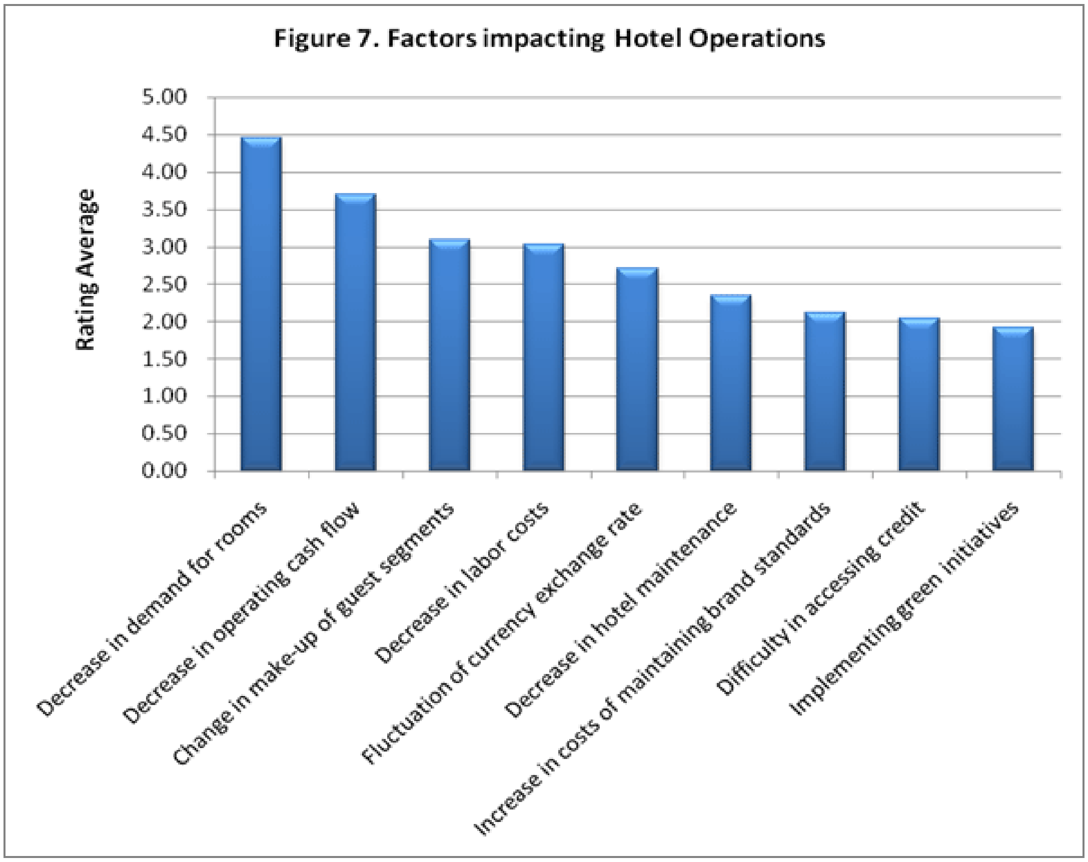


- As to the top three distribution channels in terms of their contribution to hotel revenue, third-party websites received most of the votes. Roughly 78.1% of all respondents rated third-party websites as one of their top three revenue drivers, and 63.0% rated their properties' web sites to be one of the top three distribution channels. About half of all respondents rated their central reservation system (54.8%) and on-property reservation system (50.7%) one of their top three revenue drivers. Travel agencies and corporate websites received 37.0% and 16.4%, respectively, of the votes. See Figure 6 for more information.

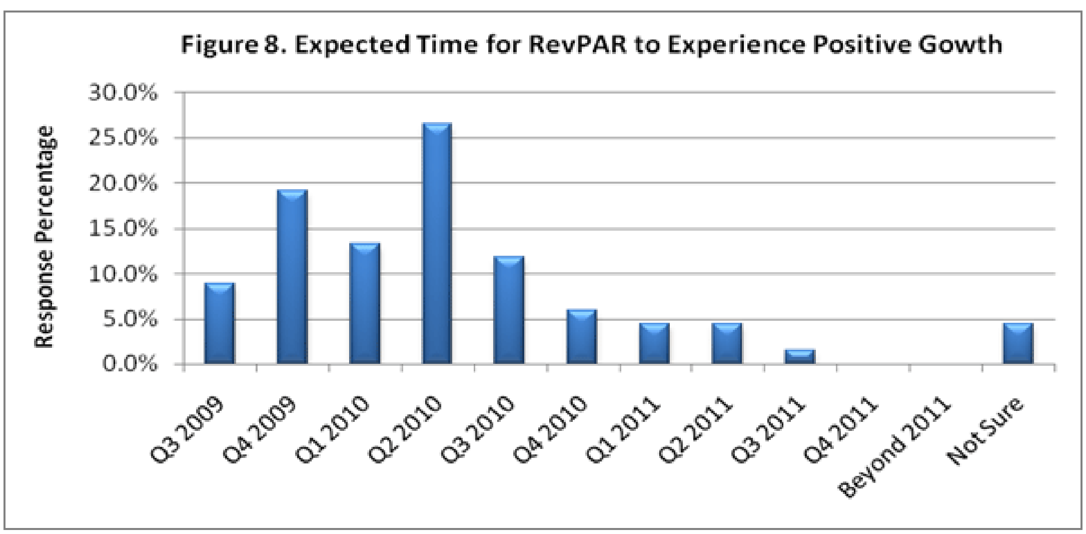


- 94.2% of the respondents' hotels have contemplated taking actions to reduce their operating expenses. Of those who had taken or contemplated taking actions to reduce operating costs, approximately 75% consider(ed) reducing labor costs. Laying off staff, reducing employee hours, freezing salaries, and reducing new hires received 80.9%, 77.9%, 75.0%, and 72.1%, respectively, of the votes. Of all the respondents, 51.5% were also considering reducing employee benefits and bonuses. About 33.8% reduced or intend to reduce operating hours in their restaurants and spas to decrease operating costs, the same percentage as those who considered reducing their sales and marketing expenses. Deferring maintenance and reducing training received 27.4% and 14.7%, respectively.

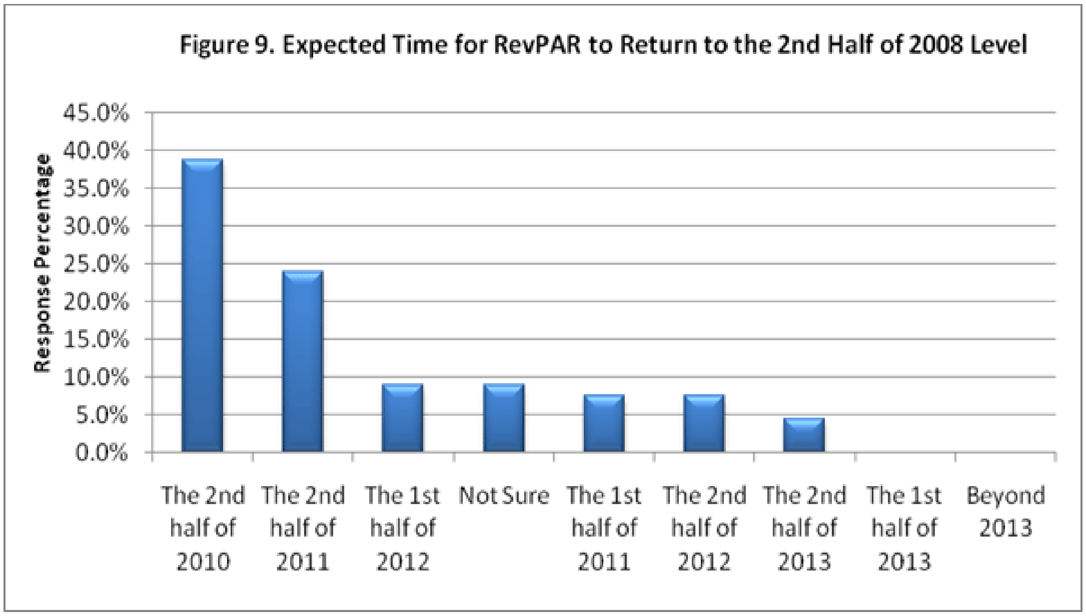
- Low demand for hotel rooms was considered to be a great challenge for most hotels in 2009. Approximately 68.2% of all respondents believed that decreased demand for hotel rooms will have the greatest impact on their hotel operation in 2009 (average rating of 4.45, 1 to 5 scale). Decreased operating cash flow was also believed to have a great impact (rating of 3.70). Changes in the make-up of guest segments and a decrease in labor costs were considered somewhat significant, with average ratings of 3.08 and 3.02, respectively. Fluctuation of currency exchange rate, decrease in hotel maintenance, increased cost of maintaining brand standards, and difficulty in accessing credit were believed to have less impact on hotel operations. Implementing green initiatives was thought to have the least impact (rating of 1.92). Figure 7 shows a detail of these statistics:



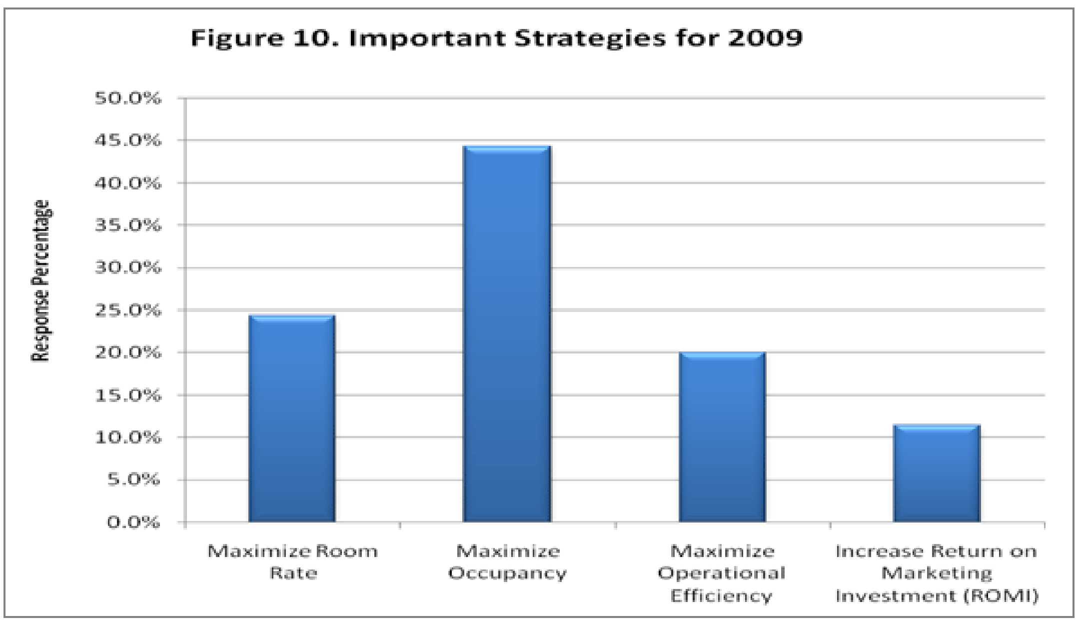
- Slightly less than three quarters (72.1%) of all respondents expected their RevPAR to experience positive growth after 2009. Only 27.9% were optimistic about year 2009. While 8.8% expected their RevPAR to rebound in the third quarter of 2009, 19.1% believed it would rebound in the fourth quarter of 2009. Approximately 57.4% of all respondents expected their RevPAR growth to occur in year 2010, 46.2% of whom believed that their RevPAR will experience positive growth in Q2 of 2010. About 10.3% of all respondents were less optimistic, expecting a rebound of their RevPAR after 2010. See Figure 8 for more details.



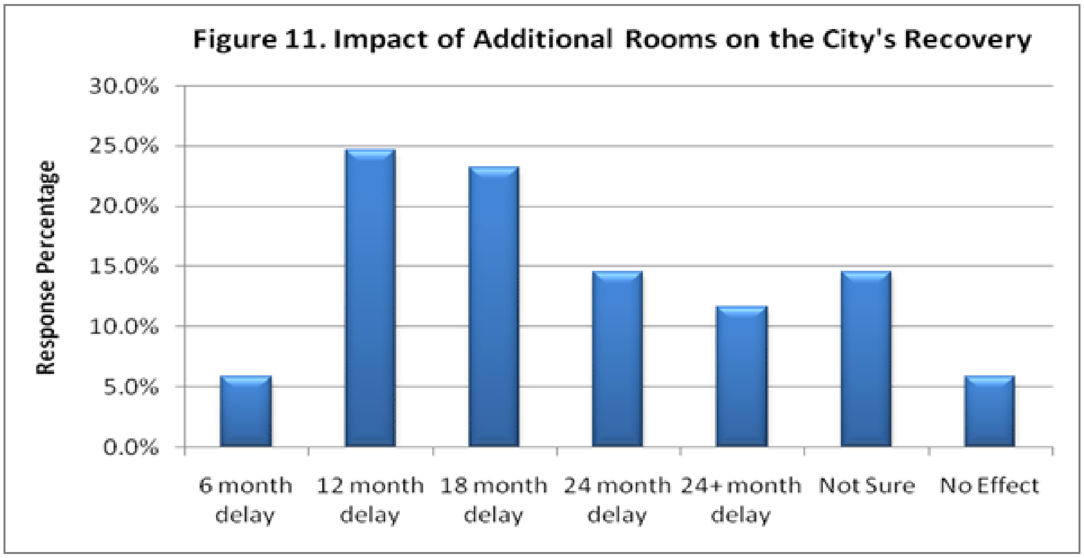
- Of all the respondents, 38.8% expected their RevPAR to return to its 2nd half of 2008 level in the 2nd half of 2010, and 23.9% expected this rebound to be realized in the 2nd half of 2011. See Figure 9 for details.



- 44.3% of all respondents ranked maximizing occupancy the most important strategy for 2009, and 24.3% considered maximizing room rate the most important. Maximizing operational efficiency ranked third, at 20.0%, as the most important strategy of this year, while 11.4% selected increasing return on marketing investment to be the most important. See Figure 10 for details:



- When it comes to the impact of supply (12%-15% additional rooms within the next two years), slightly less than a quarter, 24.6%, of all respondents believed it would delay the City's recovery by twelve months. About 23.2% expected an eighteen-month delay. See Figure 11 for more information:



FURTHER ANALYSIS

Considering the respondent demographics, the NYU student team was able to analyze various opinions derived from experienced professionals. This analysis shed light on different perspectives of the Manhattan hotel industry based on market segments, year-over-year comparison, and job functions.

Market Segment Perspectives

- Half of the respondents from luxury hotel properties indicated that their leisure customer base might decrease by more than 10% in 2009. 87.5% of them indicated that their business segment might decrease by more than 10%. 62.5% from luxury properties indicated that their meeting/group customers might decrease by more than 10%.

- Half of the respondents from upper upscale properties anticipated that the leisure segment would decrease by less than 10% in 2009. 76.9% of the participants anticipated that their business segment might decrease by more than 10%. 41.7% of the respondents anticipated that their business would decrease by more than 10%.

- 61.1% of the professionals from upscale properties anticipated a decrease of more than 10% in the leisure segment. 66.7% of them anticipated a decrease of more than 10% in the business segment. 66.7% anticipated a decrease of more than 10% in the meeting/group segment.

- With regard to 2009 marketing budgets, half of the respondents from luxury hotels would increase their marketing efforts, while half would cut back. 53.8% of the respondents from upper upscale hotels indicated no change compared to 2008. 44.4% of the professionals from upscale properties anticipated a decrease in marketing efforts.

- All professionals from luxury, upper upscale, and upscale properties indicated the UK as the strongest generator of international travelers for their hotels in 2009.

- In 2009, luxury properties adopted the method of reducing new hires to reduce their operating expenses. Upper upscale hotels cut expenses by laying off staff, while upscale properties adopted the strategy of laying off staff, reducing employee hours, and freezing salaries.

- For luxury properties, more than 75% of all respondents forecast a decrease in their year-over-year demand in the leisure, business, and meeting/group segments. 85.7% of upper upscale hotel professionals indicated decreased demand in the leisure segment; 100% anticipated a decrease in the business segment and 66.7% anticipated a decrease in the meeting/group segment. For upscale properties, around 85% of the hotel professionals indicated a lower year-over-year demand.

- 87.5% of hotel professionals from luxury properties forecast a lower annual occupancy in 2009; 75% expected a lower year-end ADR. 76.9% of the upper upscale hotel professionals anticipated a lower annual occupancy; 75% expected a lower year-end ADR. 94.7% of respondents from upscale properties forecast a lower annual occupancy; 94.4% expected a lower year-end ADR in 2009.

Year-over-year Comparison

The following analysis is a comparison between years 2009 and 2008 based on the Manhattan Hotel Market Overview survey results.

- 61.9% of all 2008 survey respondents expected an increase in their year-over-year demand in their leisure segment, while the 2009 survey indicated that the majority (74%) of all respondents expected a decrease in their leisure market.

- In the business segment, about 40% of all 2008 respondents anticipated an increased demand, the same percentage as those who expected a decreased demand, while 2009 respondents were less optimistic in that market segment and 85% anticipated a decrease in their year-over-year demand.

- In terms of the meeting/group segment, 67.2% of 2009 respondents anticipated a decrease in this market, while only 20.4% anticipated a decline last year and 40% forecast an increase in demand.

- As to marketing efforts, around half of all 2009 respondents' hotels were decreasing their marketing budget with only a quarter of them increasing their marketing budget, while in 2008, around half of all respondents' hotels increased their marketing efforts and almost no hotels cut back this budget.

- The majority of 2008 survey respondents anticipated an increase in their international travelers. However, about half of the 2009 respondents reported a decrease in their international travelers in 2008. Europe remained the strongest generator of international travelers, especially the United Kingdom, as indicated by both surveys.

- Higher occupancy was expected by most of the 2008 survey respondents (74.4%), while this year only 12.5% expected a higher annual occupancy. Instead, three quarters of all respondents anticipated a lower occupancy.

- With regard to ADR, the 2008 survey respondents were optimistic as 100% expected their year-end 2008 ADR to be higher than year-end 2007; the 2009 survey showed the opposite as 79.5% expected their year-end 2009 ADR to be lower than year-end 2008.

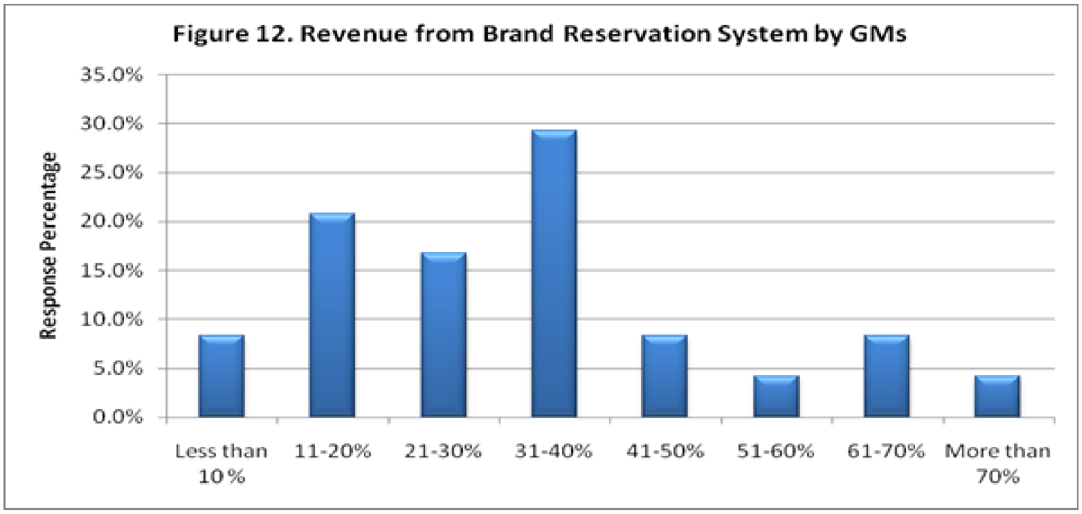
- Due to the additional room supply in the NYC hotel market, 84.2% of the respondents from the 2008 survey anticipated a decreased occupancy in 2008. Consequently, around 80% of 2009 survey participants believed that the additional room supply would delay the City's recovery.

- In terms of factors that affect hotel operations, the 2008 survey indicated that factors such as increase in energy cost, increase in labor costs, economic uncertainty, and Customer Relationship Management would have the greatest impact on hotel operations. Low demand for hotel rooms, decreased operating cash flow, changes in the make-up of guest segments, and decrease in labor costs were considered as most significant factors impacting hotel operations.

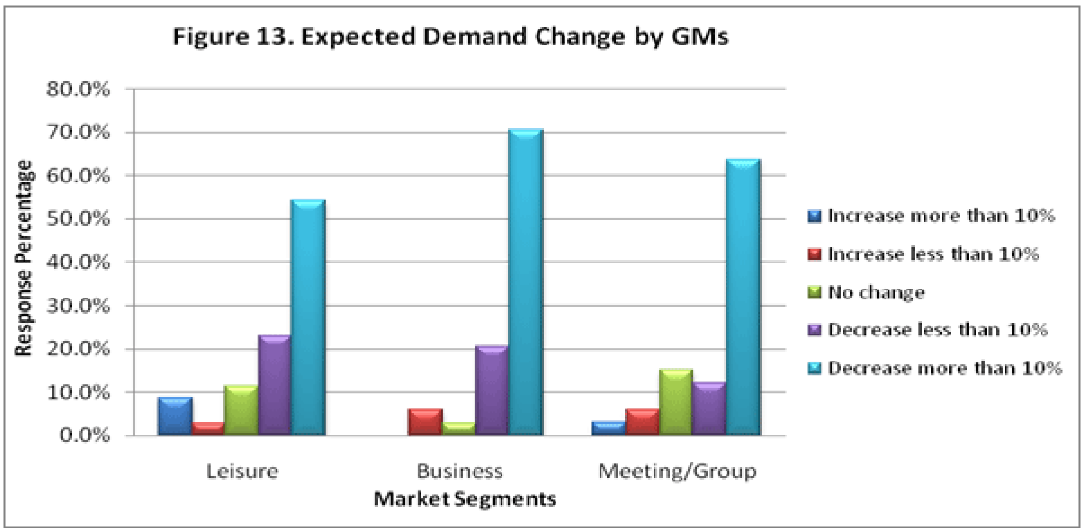
General Management Perspective

Among the 50 General Managers, 64% were from upscale hotels and above, 65.3% from brand-affiliated properties. 40% of the General Managers' properties were located in Midtown West.

- With regard to revenue contribution from brand reservation systems, 83.3% of those who responded saw less than a 50% contribution. 29.2% saw a 31%-40% contribution. See Figure 12 for more details.

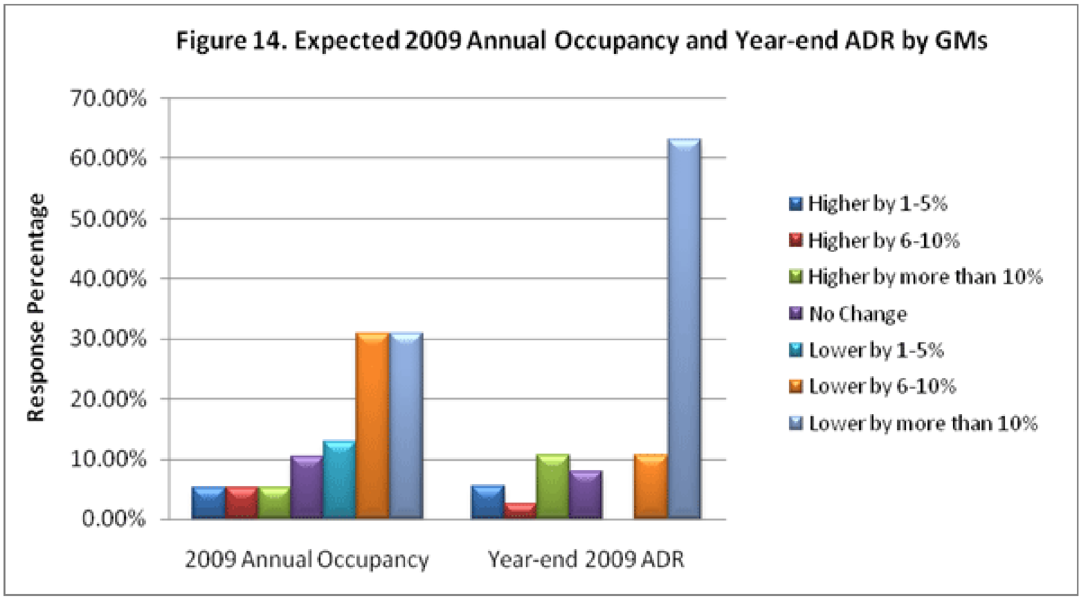


- For year-over-year (2008-2009) demand, 54.3% of all responding general managers anticipated there would be a decrease in the leisure segment of more than 10%. 70.6% anticipated a decrease in the business segment of more than 10%. 63.6% anticipated a decrease of more than 10% in the meeting/group segment. See Figure 13 for more details.



- Among the General Managers who answered the occupancy question, 76.9% expected their hotels' 2009 annual occupancy to be lower than that in 2008, with 80% expecting a decrease of more than 6%.

- Most General Managers (80.0%) anticipated their hotels' year-end 2009 ADR to decrease compared to that of last year, 85.7% of whom predicted a decrease of more than 10%. See Figure 14 for more details.



- 97.1% of the General Managers contemplated taking actions to reduce operating expenses. Among the measures, laying off staff and reducing employee hours were ranked as the most commonly used (85.3%), followed by freezing salaries (76.5%) and reducing new hires (73.5%).

- Among the factors that have impact on hotel operations, decreased demand for rooms was the greatest factor, with a rating of 4.61 (5 has the greatest impact.)

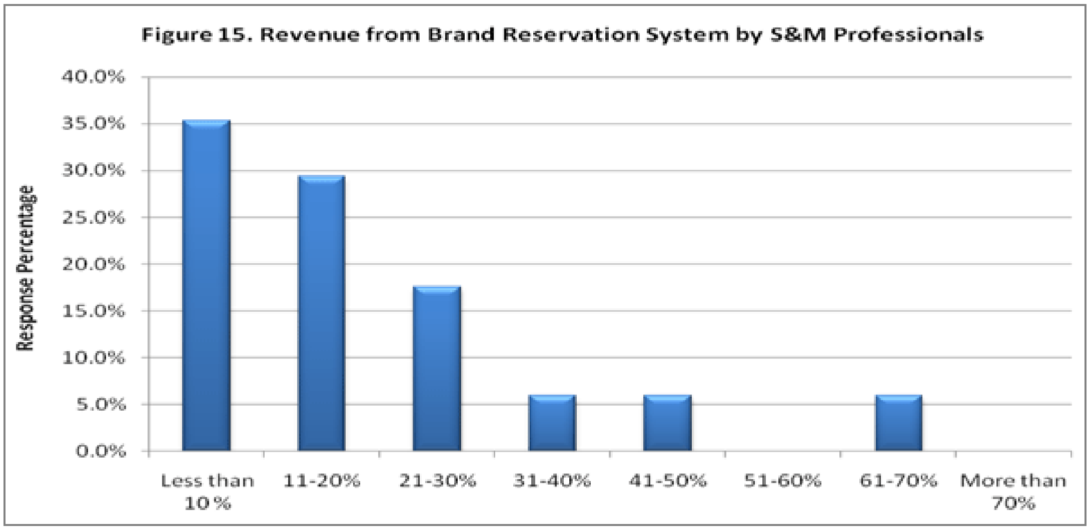
- 45.5% of the General Managers anticipated RevPAR to return to its 2nd half of 2008 level by the 2nd half of 2010.
- In terms of important strategies, maximizing room rate and maximizing occupancy ranked 1st and 2nd, followed by maximizing operational efficiency and increasing Return on Marketing Investment (ROMI).

- Due to the increased room supply within the next two years, 84.8% participants anticipated that this addition of rooms will delay the City's recovery of more than 12 months.

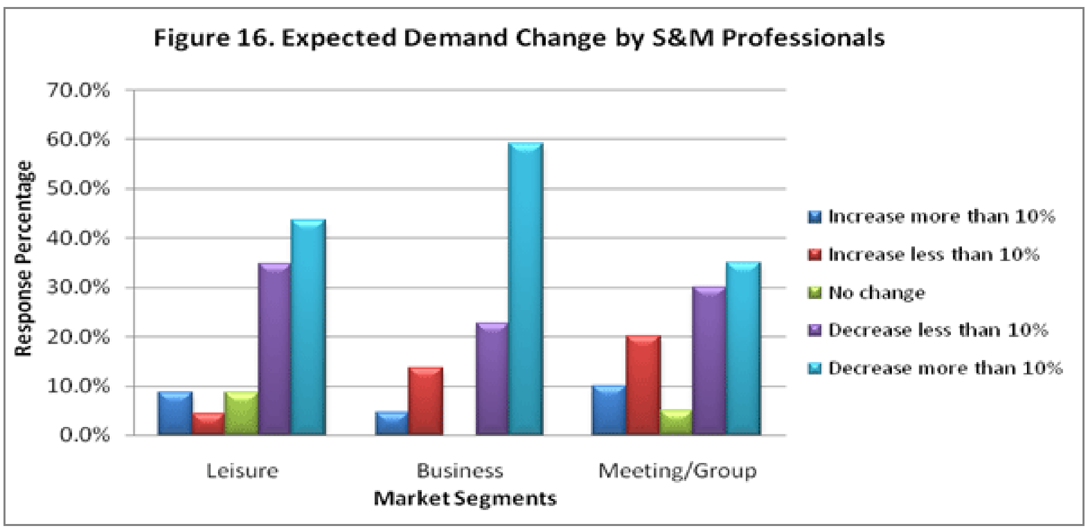
Sales and Marketing Perspective

Among the 53 Sales and Marketing executives, 55% were from upscale hotels and above, 54.5% from brand-affiliated properties. 48.6% of their properties were located in Midtown West.

- With regard to revenue contribution from brand reservation systems, 35.3% of Sales and Marketing professionals at brand-affiliated properties who responded to this question saw less than a 10% contribution, and 29.4% saw a contribution of 11%-20%. See Figure 15 for more details.



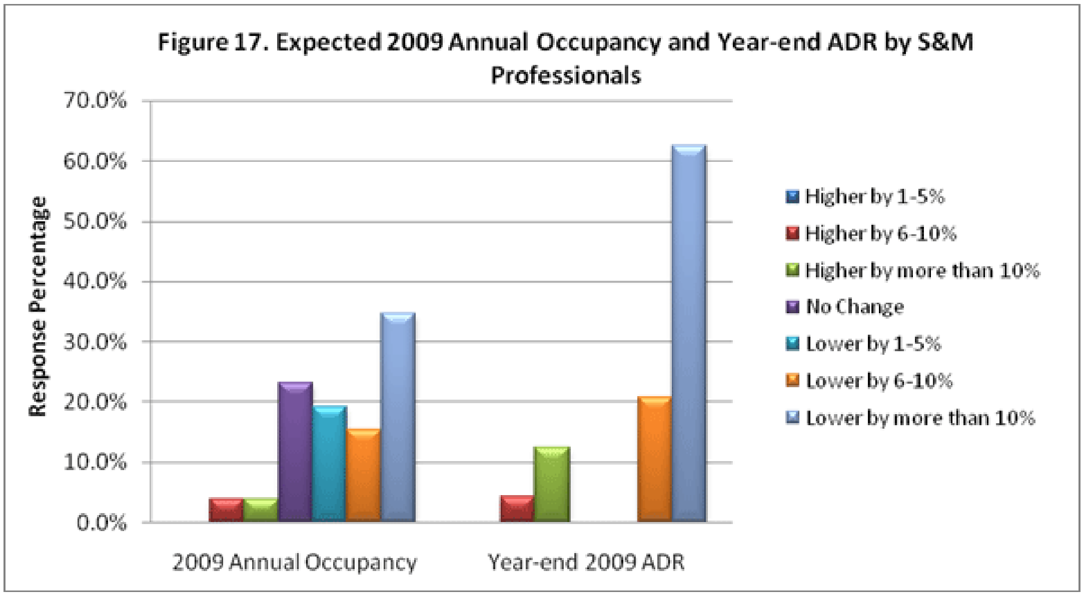
- For year-over-year (2008-2009) demand, 43.5% of those who responded anticipated that there would be a decrease in the leisure segment of more than 10%. 59.1% anticipated a decrease in the business segment of more than 10%. 35.0% anticipated a decrease of more than 10% in the meeting/group segment. See Figure 16 for more information.



- 59.1% of the Sales and Marketing respondents expected their hotel's 2009 annual marketing budget to decrease.

- 76.9% of the participants predicted 2009 annual occupancy to be lower than in 2008, and among these respondents, 45.0% expected a decrease of more than 10%.

- Most Sales and Marketing professionals (83.3%) anticipated their year-end 2009 ADR to decrease compared to that of last year. Three quarters of those who anticipated a decline expected a decrease of more than 10%.



- 94.7% of the Sales and Marketing professionals contemplated taking action to reduce operating expenses. Among the measures, laying off staff (85.0%) was ranked as the most commonly used (85.3%), followed by freezing salaries (80.0%) and reducing new hires (65.0%).

- Among the factors that have an impact on hotel operations, decreased demand for rooms was the greatest factor for 2009, with a rating of 4.21, followed by decreased operating cash flow, with a rating of 3.78 (5 has the greatest impact).

- 47.4% of the Sales and Marketing professionals anticipated RevPAR to experience positive growth by the Second Quarter of 2010. A further 42.1% anticipated that RevPAR would return to its 2nd half of 2008 level by the 2nd half of 2010.

- In terms of important strategies, maximizing occupancy ranked 1st (61.9%); maximizing room rate and maximizing operational efficiency ranked 2nd (38.1%).

- Due to the 12%-15% increase in room supply in New York within the next two years, 61.9% of participants anticipated that this addition of rooms will delay the City's recovery by more than 12 months.

SUMMARY

This survey research has indicated that hoteliers are less optimistic about the NYC hotel market given the current economic condition. The general expectation from the respondents was that the NYC hotel industry would experience a decrease in demand in all segments: leisure, business, meeting/group. Most respondents from the Manhattan hotel market expressed their concern that business would continue to be challenging in 2009, even early 2010. Industry indices such as RevPAR, ADR, and annual occupancy were anticipated to decrease.

A hotel's success relies tremendously on market demand. Therefore, this survey has determined that initiatives driving demand are the priority for hotels desiring to develop their business in the near future. To generate more profit in this tough economic time, increasing revenue and reducing expenses are the most effective strategies. Almost all hotels have contemplated taking or have taken actions to reduce operating expenses.

This project will contribute to the NYC hotel industry by providing a comprehensive understanding of how the economy impacts the hotel industry – specifically, what potential challenges its professionals may encounter and what operational strategies they may adopt. It is also significant in identifying future trends and how these trends will affect the NYC market specifically. In addition, the project has provided valuable information on the NYC hotel market in 2009 and can serve as a reference for future research.

Manhattan Forecast

Joseph Spinnato
President & CEO, Hotel Association of NYC

The final months of 2008 and the first 3 months of 2009 have shown that there is a definite negative impact on the hotel industry in New York City due to the poor economy. As the economic challenges are global, we are seeing a fall-off in visitors that we had come to count on. The Hotel Association and NYC & Company are meeting these challenges by increasing our marketing efforts and broadcasting to the world that New York City is now affordable while still being a major and vibrant attraction. As a result of these efforts, we expect by the start of the third quarter to see a return of these visitors from both the domestic and international markets.

Based on an analysis of the historical data and a review of proposed hotels, we have prepared the following forecast for the Manhattan lodging market. We note that the increases in supply from 2009 through 2011 are based on hotels under construction as of April 2009.

Year	No. of Rooms	% Change	Occupied Rooms	% Change	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
2007	65,010	1.9	20,280,476	3.0	85.5	1.1	298.16	12.8	254.83	14.0
2008	66,438	2.2	20,517,880	1.2	84.6	(1.0)	305.50	2.5	258.48	1.4
Forecast*										
2009	72,287	8.8	20,087,005	(2.1)	76.1	(10.0)	$271.90	(11.0)	$207.00	(19.9)
2010	75,909	5.0	20,549,006	2.3	74.2	(2.6)	261.02	(4.0)	193.59	(6.5)
2011	76,736	1.1	20,775,045	1.1	74.2	0.0	259.72	(0.5)	192.64	(0.5)
2012	77,120	0.5	22,063,097	6.2	78.4	5.7	280.49	8.0	219.85	14.1
2013	77,506	0.5	23,188,315	5.1	82.0	4.6	308.54	10.0	252.91	15.0
2014	78,281	1.0	23,883,965	3.0	83.6	2.0	339.40	10.0	283.70	12.2
2015	79,455	1.5	24,481,064	2.5	84.4	1.0	359.76	6.0	303.69	7.0
*Forecast prepared in March 2009										

Sources: Smith Travel Research (historical); HVS (forecast)

As a result of a significant increase in supply, and in light of the current economic recession, we forecast overall RevPAR to decline by roundly 20.0% in 2009. We anticipate that the market will start turning around by 2012, recording a strong RevPAR increase of 14.1%. With the continued anticipated economic recovery, we forecast another double-digit RevPAR increase in 2013 (15.0%), bringing RevPAR to slightly below the 2008 level.

Overview of Sales Transactions in Manhattan

The following table sets forth an overview of major hotel sales transactions (defined as those with a purchase price in excess of $10 million) in Manhattan during the past nine years.

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Hilton Garden Inn 35th Street**	Feb-09	63 West 35th Street	298	Brack Capital Real Estate	RLJ Development	$121,200,000	$407,000
Fairfield Inn at Times Square **	Feb-09	330 West 40th Street	244	Fashion Times Square LLC (The Lam Group)	Gehr Development	99,500,000	408,000
Best Western President*	Feb-09	234 West 48th Street	334	Bridgewater Realty, LLC	Investcorp International Inc.	150,000,000	449,000
Wyndham Garden Hotel Chelsea**	Nov-08	37 West 24th Street	124	McSam Hotel Group	Gemini Real Estate Advisors	39,060,000	315,000
Hampton Inn 35th Street, Empire State Building**	Oct-08	59 West 35th Street	146	McSam Hotel Group	Magna Hospitality Group	46,340,000	317,000
Quality Hotel Times Square (now Stay)	Apr-08	157 West 47th Street	202	Hampshire Hotels and Resorts	Rockefeller Group Development Corp.	75,000,000	371,000
Hotel QT	Apr-08	125 West 45th Street	139	André Balazs Properties / Greenfield Partners	Room Mate Hotels	82,000,000	590,000
Comfort Inn New York 36th Street	Jan-08	442 West 36th Street	56	McSam Hotel Group	Gemini Real Estate Advisors	25,000,000	446,000
Hotel Riverview (now The Jane)	Jan-08	113 Jane Street	211	Hotel Associates, Inc.	BD Hotels/Sean MacPherson, Eric Goode	27,000,000	128,000
Hotel 57	Jan-08	130 East 57th Street	200	Rockpoint Fund II Acquisitions LLC	Apple Eight Hospitality Ownership, Inc.	99,000,000	495,000
Hilton Garden Inn Times Square	Nov-07	790 Eighth Avenue	369	Highgate Holdings/Rockpoint Group	Michigan Retirement	261,990,000	710,000
Hampton Inn Times Square	Nov-07	851 Eighth Avenue	300	Highgate Holdings/Rockpoint Group	Michigan Retirement	213,000,000	710,000
Comfort Inn Times Square	Nov-07	305 West 39th Street	78	M&R Hotel Times Square, LLC	Gemini Real Estate Advisors	31,700,000	406,000
Tudor Hotel *	Sep-07	304 East 42nd Street	300	Highgate Holdings	The Procaccianti Group	114,000,000	380,000
Holiday Inn Soho	Sep-07	138 Lafayette Street	227	Highgate Holdings	The Procaccianti Group	130,000,000	573,000
On The Ave Hotel	Jul-07	2178 Broadway at 77th Street	267	Rockpoint Group	Highgate Holdings	204,000,000	764,000
				(as renovated, assuming a $8.0-million infusion)		212,000,000	794,000
Dylan Hotel	Jun-07	52 East 41st Street	107	Fortuna Realty Group (Moinan)	Hotusa Group/Losan Hotel Group	78,000,000	729,000
Mandarin Oriental	Feb-07	80 Columbus Circle	248	Mandarin Oriental Hotels/Apollo Real Estate Advisors/The Related Companies	Istithmar Hotels FZE (acquired 75% of the interest)	340,000,000	1,371,000
Doubletree Guest Suites Times Square*	Dec-06	1568 Broadway	460	GE Pension Trust	Whitehall/Highgate Holdings/Sunstone Hotel Investors	300,000,000	652,000
W Hotel Union Square	Oct-06	201 Park Avenue South	270	Related Urban Development	Istithmar Hotels FZE	285,000,000	1,056,000

Embassy Suites *	Sep-06		463		Goldman Sachs	225,000,000	486,000
				Additional $10 million to convert property to a franchise		235,000,000	508,000
Swissotel The Drake	Apr-06	440 Park Avenue	495	Host Marriott Corporation	Macklowe Properties	440,000,000	889,000
To be demolished for the development of a mixed-use residential condominium							
Hilton Times Square *	Mar-06	234 West 42nd Street	444	Forest City Ratner Co. JV Hilton Hotels Corp.	Sunstone Hotel Investors	242,500,000	546,000
				Additional $15 million to convert property to a franchise		257,500,000	580,000
The Mark Hotel *	Jan-06	25 East 77th Street	176	Mandarin Oriental Hotels	Izak Senbahar and Simon Elias	150,000,000	852,000
Sold for Condo Conversion							
Marriott East Side	Nov-05	525 Lexingtion Avenue	646	Strategic Hotel Capital, Inc.	Prime Property Fund (Morgan Stanley)	287,000,000	444,000
Holiday Inn Express	Sep-05	15 West 45th Street	125	McSam Hotel Group	MG-45, LLC	36,500,000	292,000
Westin Essex House	Sep-05	160 Central Park South	605	Strategic Hotel Capital, Inc.	Dubai Investment Group	400,000,000	661,000
Assuming Partial Condo Conversion				(as renovated, assuming a $50-million infusion)		450,000,000	744,000
Portland Square	Sep-05	128-134 W 47th Street	140	David & Lina Putchall	47th Hotel Associates LLC	19,300,000	138,000
Howard Johnson Express	Sep-05	135 East Houston Street	45	Houston Lodging, LLC	Gemini Real Estate Advisors, LLC	13,750,000	306,000
Algonquin Hotel	Sep-05	59 West 44th Street	174	Miller Global	HEI Hospitality	74,100,000	426,000
				(as renovated, assuming a $3.5-million infusion)		77,600,000	446,000
Avalon Hotel	Aug-05	16 East 32nd Street	100	Hotel Stanford LLC	Ferrado US LLC	35,700,000	357,000
Holiday Inn SoHo	Aug-05	138 Lafayette Street	227	Great Canal Plaza Inc.	Highgate Holdings	42,500,000	187,000
				(as renovated, assuming a $4.5-million infusion)		47,000,000	207,000
Clarion Park Avenue	May-05	429 Park Avenue South	60	Palace International Properties, Ltd.	Park Avenue Hotels New York LLC	11,350,000	189,000
Crowne Plaza UN (35 years remaining)*	May-05	304 East 42nd Street	300	InterContinental Hotels Group	Highgate Holdings	34,000,000	113,000
				(as renovated, assuming a $10-million PIP)		44,000,000	147,000
The Sutton	Apr-05	330 East 56th Street	85	Glenwood Management	Alchemy Properties	52,400,000	616,000
Rihga Royal*	Mar-05	151 West 54th Street	506	Lehman Brothers	Blackstone Real Estate Group	193,000,000	381,000
Best Western Convention Center	Feb-05	522-524 W 38th Street	83	Unigroup Hotel LLC	522 W 38th St NY LLC	15,785,000	190,000

Manhattan Seaport Suites	Jan-05	129-31 Front Street	57	Target Two Associates	129 Front Realty LLC/Heng Sang Realty	11,750,000	206,000
The Stanhope Park Hyatt*	Jan-05	995 Fifth Avenue	169	Hyatt Hotels	Intell Management	70,000,000	414,000
Sold for Condo Conversion							
Sheraton Russell	Dec-04	45 Park Avenue at 37th St.	146	Starwood Hotels & Resorts	SJP Residential Properties	40,250,000	276,000
Sold for Condo Conversion							
Clarion Fifth Avenue*	Dec-04	3-5 East 40th Street	189	ING Realty Partners	DiamondRock Hospitality	34,375,000	182,000
Park Central	Dec-04	870 Seventh Avenue	935	H. Park Central, LLC	Highgate Hotels	215,000,000	230,000
Courtyard Midtown East	Dec-04	866 Third Avenue	307	866 3rd Next Generation Hotel L.L.C.	DiamondRock Hospitality	75,000,000	244,000
The Plaza	Oct-04	768 Fifth Avenue	805	Plaza Operating Partners, Ltd.	Elad Properties	675,000,000	839,000
Sold for Condo Conversion (except for 150 rooms)							
Days Hotel	Aug-04	790 8th Avenue	368	Hampshire Hotels & Resorts	Highgate Hotels	58,000,000	158,000
Howard Johnson Plaza	Aug-04	851 8th Avenue	300	Hampshire Hotels & Resorts	Highgate Hotels	47,200,000	157,000
Paramount Hotel	Jun-04	235 West 46th Street	593	Ian Schrager Hotels	Becker Ventures, LLC	126,500,000	213,000
				(as renovated, assuming a $50-million infusion)		176,500,000	298,000
Quality Inn Times Square	May-04	157 West 47th Street	160	Hampshire Hotels & Resorts	Cushlin Limited	20,200,000	126,000
Mayflower Hotel	May-04	15 Central Park West	365	Goulandris Family	William Lie Zeckendrof JV Whitehall RE Fund	401,000,000	1,099,000
To be demolished for the development of a mixed-use residential condominium							
The Mansfield*	May-04	12 West 44th Street	127	Credit Suisse First Boston	Ark Investment Partners, LP	12,500,000	98,000
InterContinental Central Park South*	Apr-04	112 Central Park S.	211	InterContinental Hotels Group	Anbau Enterprises	63,500,000	301,000
Sold for Condo Conversion							
The Shoreham*	Jan-04	33 West 55th Street	177	Credit Suisse First Boston	Ark Investment Partners, LP	14,500,000	82,000
Empire Hotel	Dec-03	44 West 63rd Street	381	Ian Schrager Hotels/NorthStar Capital	Joseph and Jack Chetrit	80,000,000	210,000
Sold for Condo Conversion							
Helmsley Hotel Windsor	Sep-03	100 West 58th Street	244	Leona Helmsley	Joseph and Jack Chetrit	55,000,000	225,000
Sold for Condo Conversion							
Gorham Hotel	Sep-03	136 West 55th Street	117	Private Investors	Richard Born and Ira Krukier	23,100,000	197,000
Roger Williams*	Sep-03	131 Madison Avenue	187	PTG Madison 31 Trust	JRK New York Hotel Partners	26,500,000	142,000
Hampton Inn Chelsea	Aug-03	108 West 24th Street	144	Chelsea Grand East, LLC	CNL Hospitality/Hersha Hospitality	28,000,000	194,000
Loews Metropolitan	Jul-03	Lexington Ave at 51st St.	722	Loews Hotels	Whitehall Street Real Estate Fund	110,250,000	153,000

				(as renovated, assuming a $20-million infusion)		130,250,000	180,000
Doral Park Avenue (now Kimpton Hotel)	Jul-03	70 Park Avenue	188	Hayman Company	Kennedy Associates	38,240,000	203,000
			205	(as renovated and expanded, assuming a $19-million infusion)		57,240,000	279,000
Hotel Wales	Nov-02	1295 Madison Ave.	87	PTG Wales Trust	DLJ Real Estate Capital Partners II LP	24,000,000	276,000
Fitzpatrick Hotel	Aug-02	127 East 55th Street	130	British Airways	Hotel Properties Ltd, Singapore	30,690,000	236,000
Algonquin Hotel	Jun-02	59 West 44th St.	174	Camberley Hotel Co./Olympus RE	Miller Global Properties	41,400,000	238,000
Delmonico Hotel	Nov-01	502 Park Avenue	152	N/A	Donald Trump	115,000,000	757,000
Sold for Condo Conversion							
The Barbizon	May-01	140E 63rd St.	300	Ian Schrager Hotels	Berwind Property Group	96,000,000	320,000
Rihga Royal*	Feb-01	151 W 54th St.	500	Royal Hotels Ltd.	Thayer Lodging Group, Inc.	193,000,000	386,000
The Carlyle	Jan-01	35 E 76th St	194	Mr. Norman Peck (et al)	Maritz Wolff & Co	127,500,000	657,000
Downtown Athletic Club Hotel	Oct-00	19 West St.	116	CBA Real Estate Partners 19 West Hotel (LLC)	Upper West St LLC	20,000,000	172,000
The Sutton	Jun-00	330 East 56th St.	84	Hong Kong & Shanghai Hotels	Glenwood Management	35,000,000	417,000

**Leasehold Interest*

Note: Price for the Rihga Royal includes termination fees paid to Marriott

***Property under contract before pre-recession period. Sold as turnkey.*

Following the events of September 11, 2001, hotel transaction activity declined due to the uncertainty regarding hotel operating performance and stricter underwriting by lenders. Well-capitalized owners generally held on to their assets until market conditions normalized. Those owners facing debt-service shortfalls modified loan payment terms with their lenders or brought in new equity to the investment. Few owners were forced to sell their assets.

During this period, numerous buyers raised capital to purchase hotels at levels below replacement cost. Declining hotel performance in 2002, followed by the war in Iraq and the SARS epidemic in the first half of 2003, caused many transactions to stall due to a gap between seller and buyer expectations.

As 2003 unfolded, hotel investors started to perceive the hotel industry in Manhattan as very attractive, with expectations of increases in occupancy as well as average rate; buyers started to meet seller expectations. We note that all seven sales that occurred in 2003 took place during the second half of the year, as the Manhattan lodging market was starting to turn around.

Sales activity intensified in 2004 as the market rebounded at a tremendous pace. In total, 13 hotels were sold during the year.

Fifteen hotels were sold in 2005, exceeding the previous peak in transactions achieved in 2004. Hotel investors continued to have an upbeat perspective of the Manhattan lodging market, as average rate was expected to experience significant growth over the next few years. In addition, financing continued to be readily available in 2005, as lenders also seemed to be optimistic about the Manhattan lodging market.

During 2006 and 2007, Manhattan registered 14 hotel transactions, two of which exceeded the $1 million mark per key. In October 2006, Istithmar acquired the W Union Square for roundly $1.1 million per room. This record was broken a few months later, in February 2007, as the same buyer, Istithmar, acquired an interest in the Mandarin Oriental for the highest per-room price ever recorded in Manhattan, at roundly $1,371,000 per room. In 2007, the volume of hotel sales in Manhattan soared to over $1.4 billion, excluding the sale of the Hilton New York and the Waldorf=Astoria as part of the Hilton acquisition by Blackstone.

In 2008, seven transactions were identified; the following is a synopsis of each of these sales.

- On January 4, 2008, Apple Eight Hospitality Ownership, Inc. closed on the purchase of the *200-room **Hotel 57** for $99,000,000, or $495,000* per room.

- The 211-room ***Hotel Riverview*** (now The Jane), was sold in January 2008 for $27,000,000, or roundly $128,000 per room. Following the acquisition, the property was renovated by hoteliers Sean MacPherson and Eric Goode, the team behind the Bowery Hotel and the Maritime Hotel.

- The 56-room ***Comfort Inn on 36th Street*** was also sold in January 2008 for $25,000,000, or roundly $446,000 per room.

- The 139-room ***QT Hotel*** in Times Square was sold for $82,000,000, or roundly $590,000 per room, as part of a portfolio transaction that also included the two Standard Hotels in Los Angeles and the Standard in Miami.
  The QT Hotel is now the Room Mate Grace hotel.

- The 202-room ***Quality Inn Times Square*** was sold in April 2008 for $75,000,000, or roundly $371,000 per room. The property traded in May 2004 for roundly $20,000,000.

- Two additional hotels were sold in the last quarter of 2008. The 146-room ***Hampton Inn on 35th Street*** and the 124-room ***Wyndham Garden in Chelsea*** had sales prices negotiated approximately two years prior to the recession and were traded as turnkey properties by local developer McSam Hotel Group.