JUNE 2012

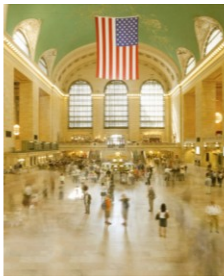
2012 MANHATTAN HOTEL MARKET OVERVIEW

34TH ANNUAL NYU INTERNATIONAL HOSPITALITY INDUSTRY INVESTMENT CONFERENCE
JUNE 3 TO JUNE 5, 2012 | NEW YORK MARRIOTT MARQUIS

Roland deMilleret, MAI
Managing Director







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HVS

2012 Manhattan Hotel Market Overview – Introduction

HVS Global Hospitality Services, in cooperation with New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management, is pleased to present the 15th annual Manhattan Hotel Market Overview.

HVS Global Hospitality Services

HVS (www.hvs.com) is the world's leading consulting and services organization focused on the hotel, mixed use, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company offers a comprehensive scope of services and specialized industry expertise to help you enhance the economic returns and value of your hospitality assets. Through a network of 30 offices worldwide staffed by 400 seasoned industry professionals, HVS offers a wide scope of services that track the development and ownership process.

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

Since the year 2000, HVS has performed approximately 25,000 assignments throughout the world for virtually every major industry participant. We coordinate several industry conferences and networking opportunities around the globe, and our research and publications provide current and credible data for professionals in our fields. HVS – your Trusted Hospitality Advisor.

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

The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management, a division of NYU's School of Continuing and Professional Studies (www.scps.nyu.edu), offers undergraduate, graduate, and continuing education programs that develop professionals with in-depth industry knowledge and the critical thinking skills necessary for leadership roles in the fields of hospitality, tourism, and sports management. The Center's full-time and adjunct faculty is composed of leading practitioners and researchers. Its board of advisors includes senior executives who advise on curricula development and help ensure that coursework reflects the latest industry trends and needs. The Tisch Center's location in the heart of New York City—one of the world's premier tourism and sports destinations—provides its students with multiple internship and networking opportunities.

The 34th Annual New York University International Hospitality Industry Investment Conference is Sunday, June 3, 2012, through Tuesday, June 5, 2012, at the New York Marriott Marquis. The Preston Robert Tisch Center is the host of the event, and HVS is a valuable partner and conference patron. Once again, our team of professionals looks forward to welcoming you to this prestigious event.

Acknowledgements

Randy Smith of STR Global (www.strglobal.com) provided the comprehensive hotel statistics for Manhattan. STR continues to be the leading source of hospitality industry operating statistics. We would also like to thank Joseph E. Spinnato and Richard J. Amato of the Hotel Association of New York City (HANYC), as well as Kathie Stapleton of the Greater New York Chapter of the Hospitality Sales and Marketing Association International (HSMAI) for their assistance. Additionally, in cooperation with New York University, the data-collection process was largely a contribution of five Tisch Center graduate students—Marissa Hou, Gautam Mahesh, Katie McDermott, Christopher Micheu, and Walter Peseski—through the coordination of Dr. Frederic Mayo. HVS is pleased to have been a part of this enriching educational process.

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

Steve Rushmore

President and Founder, HVS Global Hospitality Services

Demand fundamentals continue to be extremely strong in Manhattan. The significant supply influx over the last three years has been well absorbed. As a result, occupancy has maintained robust levels in the low-to-mid-80% range over the past two years. With construction financing remaining scarce during the previous four years, supply is anticipated to increase at a comparatively moderate pace through 2014. Occupancy is anticipated to remain in the low- to mid-80's in the next few years, while average rate gains will drive RevPAR growth. Overall, we forecast the market to return to its pre-recession peak RevPAR level by 2013.

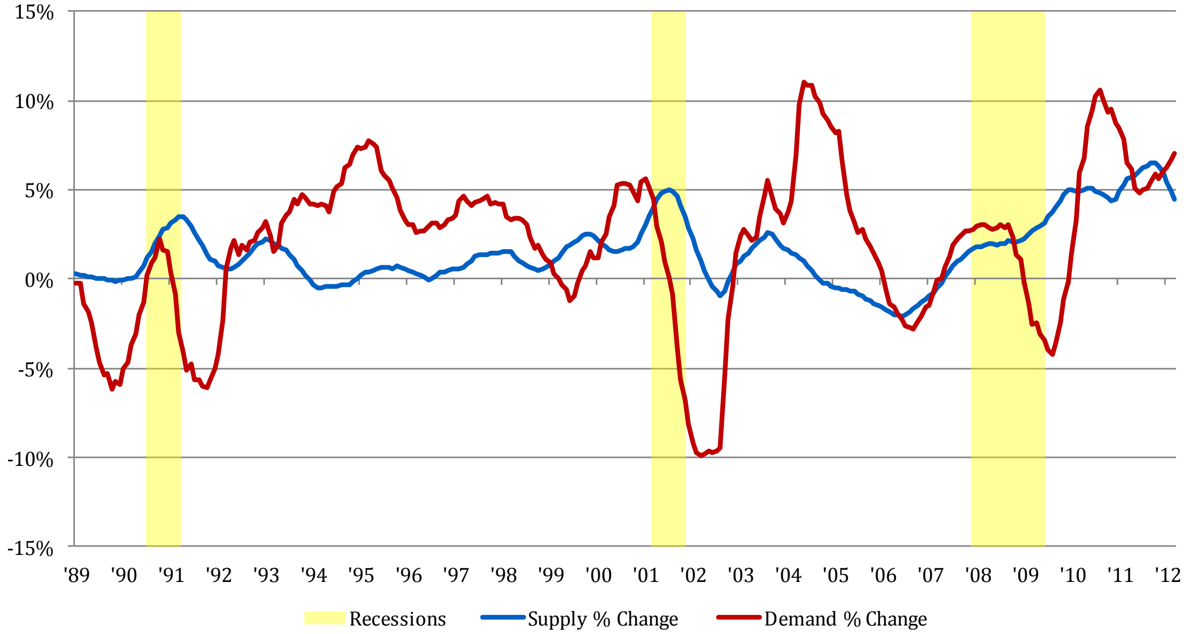
The Manhattan market remains one of the most attractive lodging markets for U.S. and foreign investors, and the market witnessed 16 transactions in 2011. Capitalization rates for these transactions ranged from 3.5% to 6.7%, with the majority ranging from 4.5% to 5.5%. As net operating income levels are anticipated to continue to trend upwards over the next couple of years, capitalization rates are expected to rise moderately – albeit, still remaining below national averages. Hotel values returned to their pre-recession peak levels in 2011. Further growth in value is predicted at a moderate pace.

Long-Term Historical Performance

This section provides an analysis of long-term historical performance for the Manhattan lodging market, from January 1987 to March 2012, and illustrates how the Manhattan lodging market has fluctuated with business cycles. This period covers the last three recessions. The contractions in the early 1990's and the one in 2001 each lasted eight months. The latest recession lasted 18 months, which makes it the longest of any recession since World War II.

The following graph provides the dynamics between supply and demand in Manhattan from January 1989 to March 2012. The graph illustrates percent changes in supply and demand (12-month moving average). Periods of recessions are indicated in yellow.

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



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

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

It is interesting to note that during the most recent recession, which was the longest recession since World War II, demand did not decrease as much as during the previous two recessions in spite of a large influx of new supply during this period. Percent change in demand bottomed out at -4.2 percent in August 2009 compared to -9.9 percent in March 2002 and -6.1 percent in October 1991. Following the latest recession, demand experienced the strongest rebound. In August of 2010, the Manhattan market registered the strongest year-over-year growth in demand over the last 24 years, at 11.1 percent.

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

Over the last 24 years, the Manhattan lodging market experienced minimal growth in supply, as a result of strong barriers to entry prevailing in that market. From 2004 through 2006, supply actually decreased due to the conversion of several hotels to condominiums. Since mid-2009, the market has consistently registered strong increases in supply each month.

Michael R. Bloomberg

Mayor of the City of New York

Dear Friends:

It is a great pleasure to welcome everyone to the New York Marriott Marquis for the 34th Annual NYU International Hospitality Industry Investment Conference.

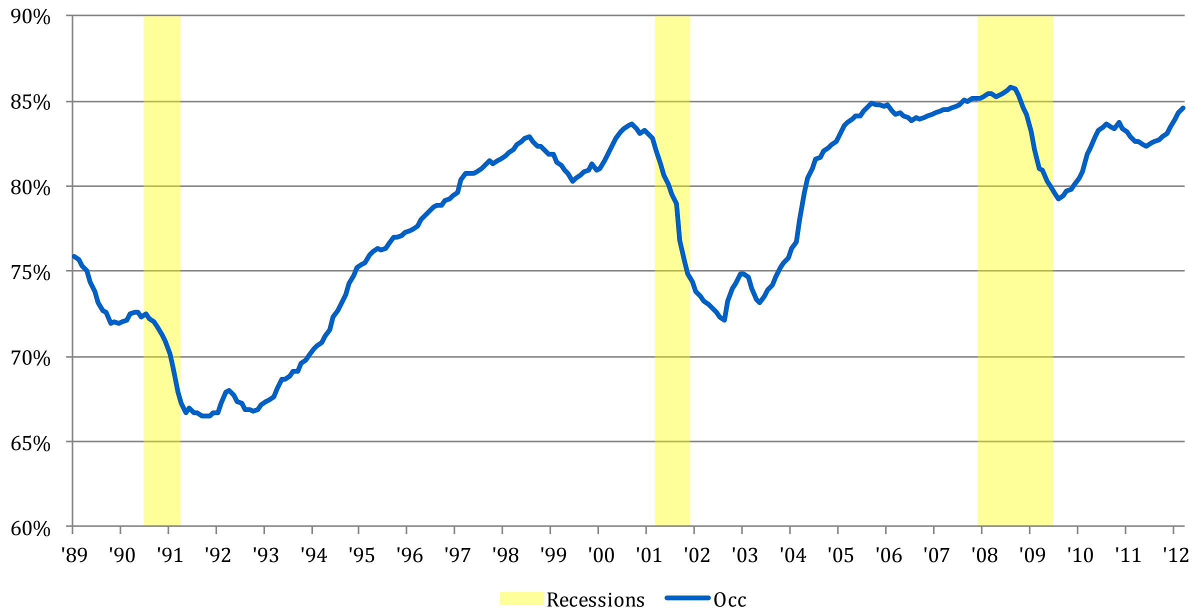
Last year was a record-setting year for tourism in New York, as more than 50 million people came to the Big Apple. This was tremendous news for all New Yorkers, as the travel and tourism industry supports 320,000 jobs and generates $32 billion of economic activity in our City every year. As we build on the gains we have made and work toward our goal of attracting 55 million visitors by 2015, we are grateful for the hard work and dedication of all the professionals at this outstanding annual conference.

Together, we look forward to our investments in our cultural attractions, restaurants, and hotels ensuring an even stronger future for the hospitality industry throughout the metropolitan area. On behalf of New York City, thank you for supporting this terrific event, and best wishes for a productive dialogue and continued success.

As a result of the supply and demand dynamics, the market has been historically undersupplied. Over the last 24 years, average annual demand growth, at 2.1 percent, has outpaced corresponding growth in supply, at 1.7 percent. The Manhattan lodging market represents one of only five major markets among the top 25 in the U.S. to have maintained such a positive differential between supply and demand over the same period.

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

LONG-TERM OCCUPANCY LEVELS – 12-MONTH MOVING AVERAGE

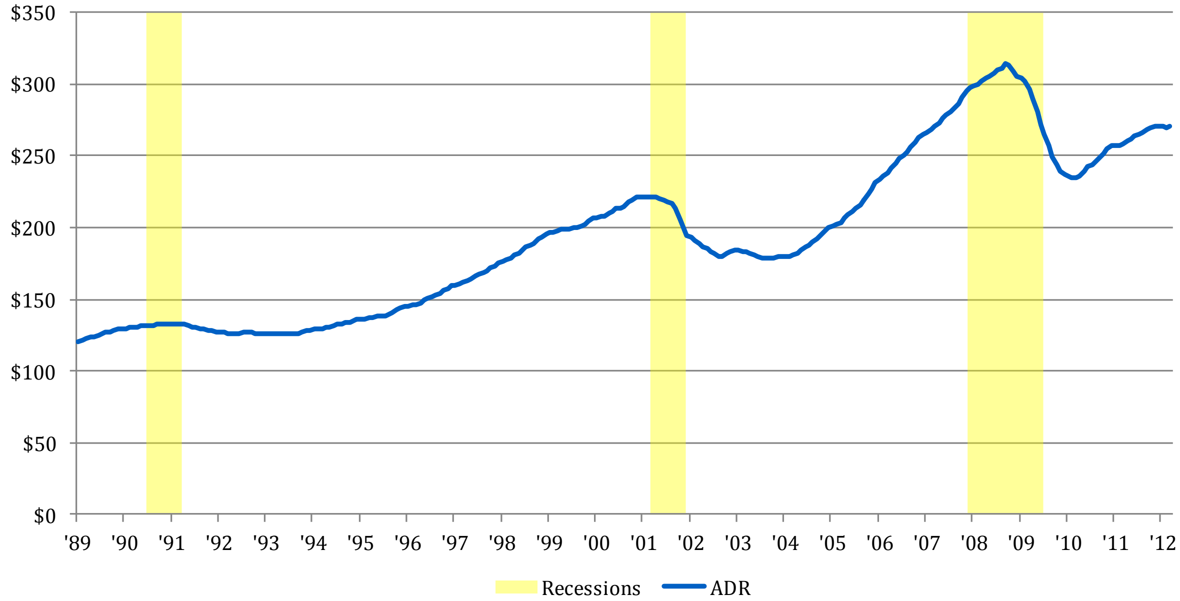


Source: HVS, STR Global, and National Bureau of Economic Research

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

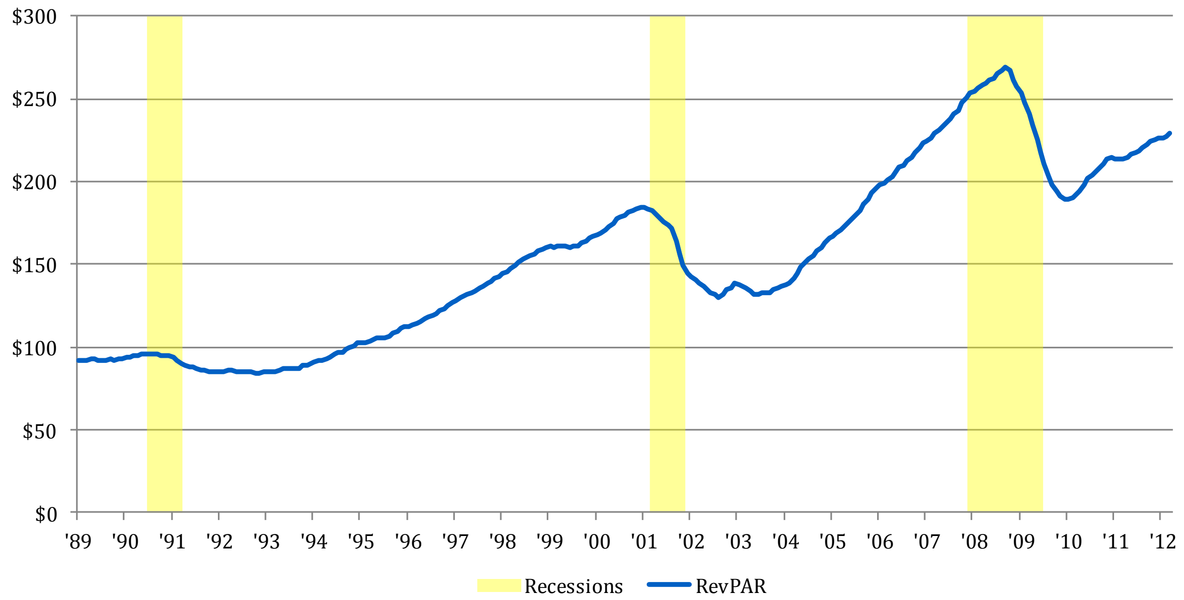
The supply and demand dynamics have also translated into strong historical ADR and RevPAR levels, as indicated by the following two graphs.

LONG-TERM ADR LEVELS – 12-MONTH MOVING AVERAGE



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

LONG-TERM REVPAR LEVELS – 12-MONTH MOVING AVERAGE

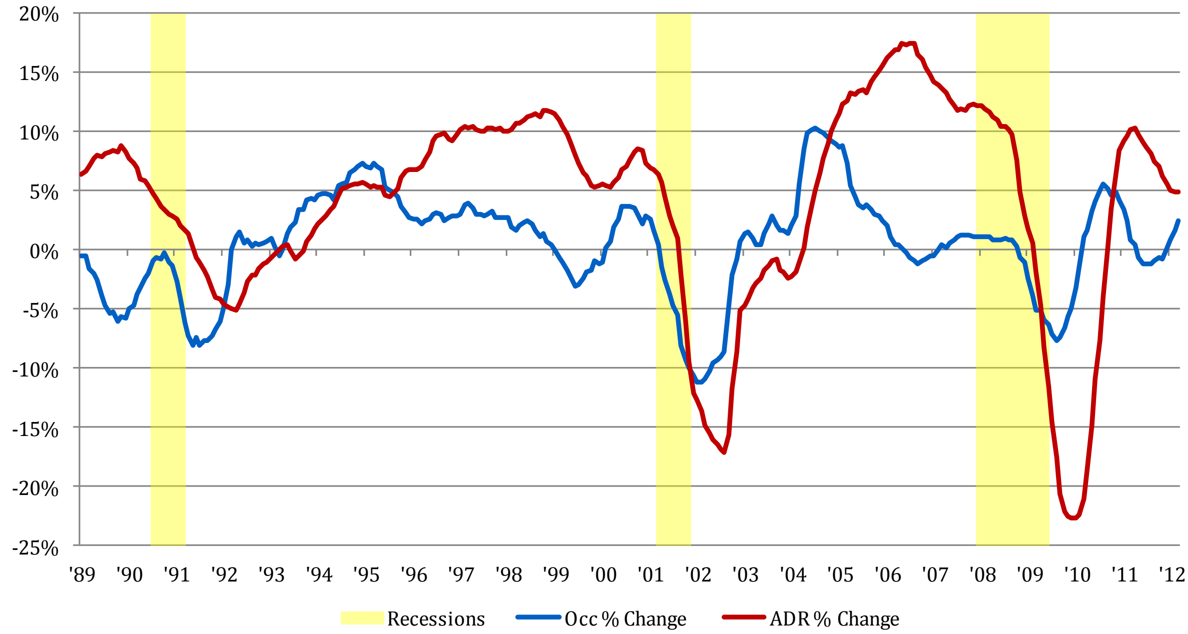


Source: HVS, STR Global, and National Bureau of Economic Research

ADR and RevPAR have increased significantly since 1989, particularly during the expansion period following the 2001 recession. Each trough is at a higher level than that of the previous recession; the same applies to each peak.

The following graph illustrates percent changes in occupancy and ADR (12-month moving average) from January 1989 to March 2012.

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



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

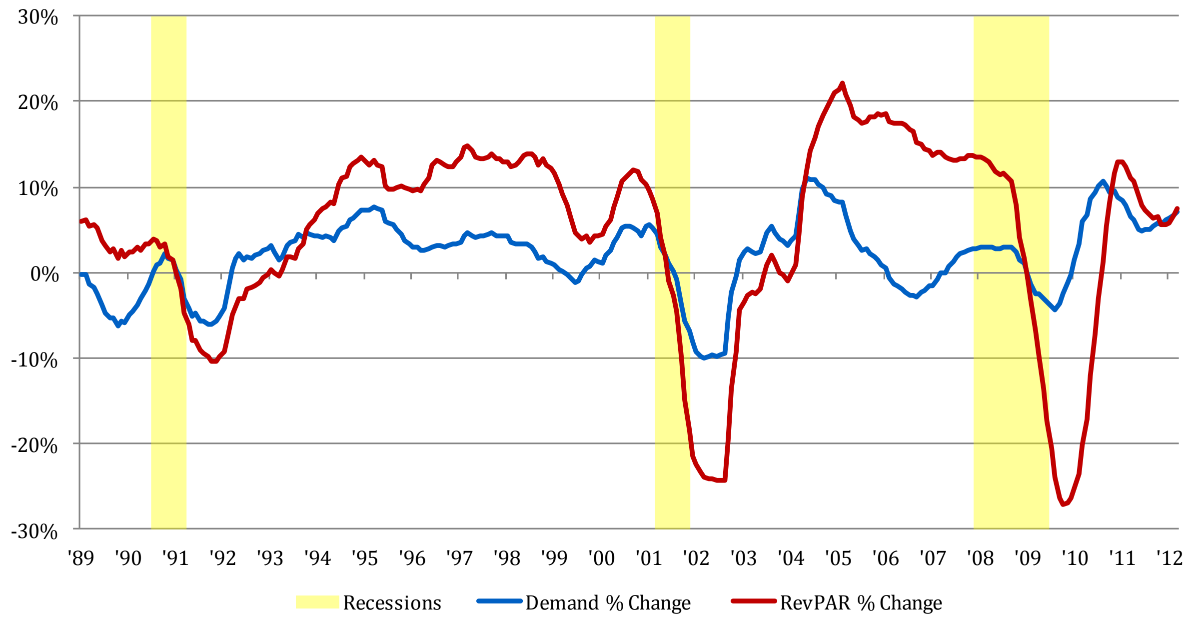
The preceding graph highlights the high volatility of the Manhattan lodging market, particularly that of the ADR. It is interesting to note that ADR volatility has increased greatly over time, which can most likely by the growing use of services offered by STR Global or third-party websites such as Expedia.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

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

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

The following graph illustrates the dynamics between demand and RevPAR from January 1989 to March 2012. The graph provides percent changes in demand and RevPAR (12-month moving average).

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

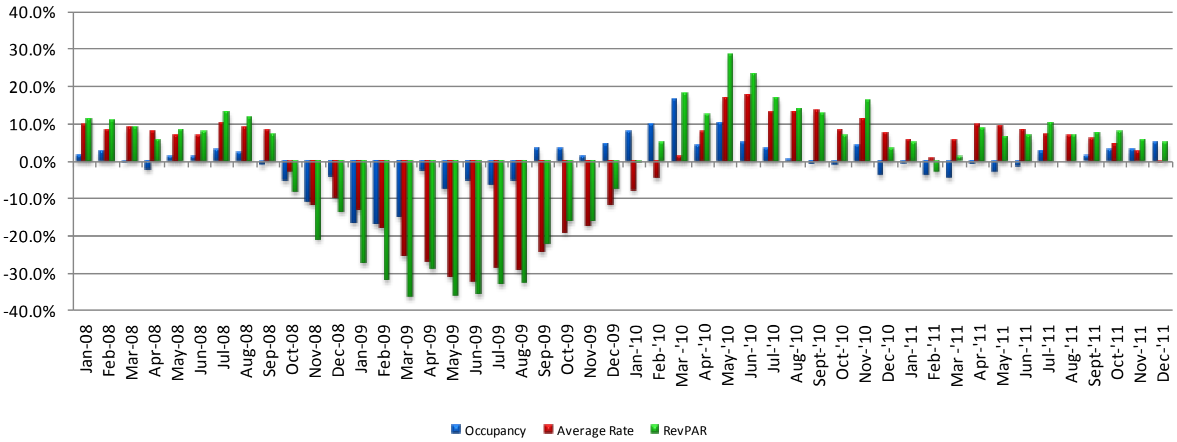


Source: HVS, STR Global, and National Bureau of Economic Research

The preceding graph highlights the high RevPAR volatility of the Manhattan lodging market. However, since 1987, RevPAR has increased at a healthy average annual rate of 4.8 percent. Periods of economic expansion are characterized by strong RevPAR growth. The Manhattan market experienced 57 consecutive months of double-digit increases in RevPAR from June 1994 to February 1999, and 53 consecutive months from May 2004 to September 2008. RevPAR percent change peaked in February 2005 at 22.2 percent. Percent change in RevPAR bottomed out at -27.3 percent in October 2009 as opposed to -24.4 percent in July 2002. However, RevPAR rebounded faster and stronger following the most recent recession than after the previous two contractions, primarily fueled by ADR gains.

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

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



Due to the effect of the latest recession, all three key indicators (Occupancy, ADR, and RevPAR) commenced their downward trend in the fall of 2008. The declining trend persisted through most of 2009, with particularly hefty declines witnessed in the spring and summer of 2009. However, by the fall of 2009 signs of a strong recovery were apparent. Marketwide occupancy generally illustrated growth on a year-over-year basis from September 2009 through December 2010, with the exception of marginal declines in September, October, and December of 2010 as occupancy levels were unusually high during the same months in 2009. Occupancy incurred minor declines through the first six months of 2011; however, the period between July and December 2011 experienced moderate growth.

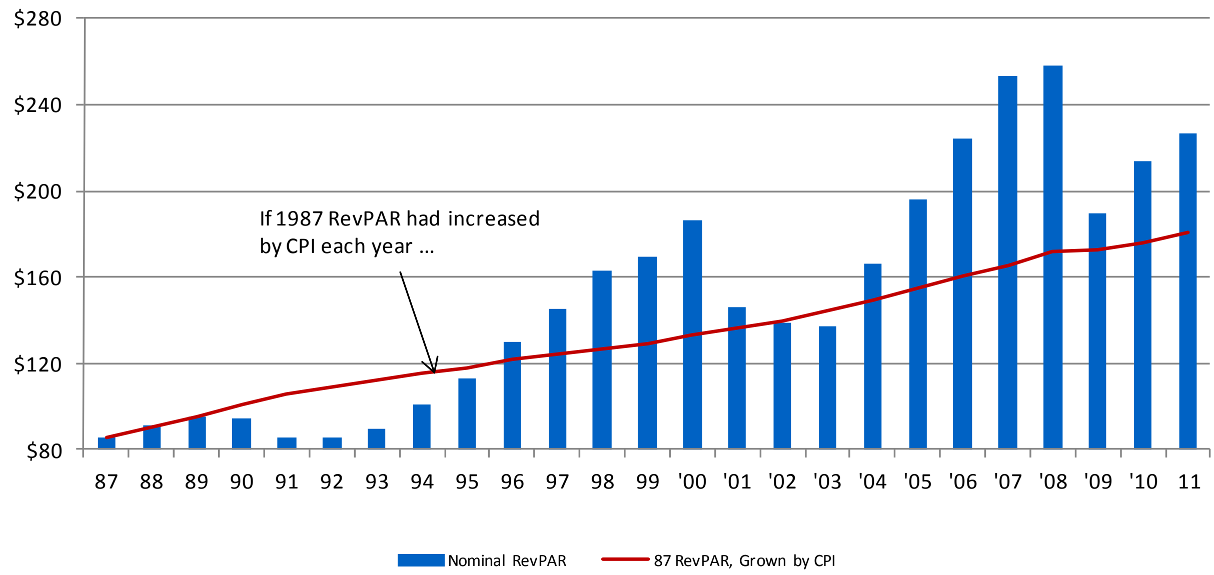
Moreover, after incurring heavy declines in the high-20-percent- to low-30-percent-range through most of spring and summer 2009, the pace of declines in average rate progressively subsided from October 2009 through February 2010. For the first time since September 2008, marketwide average rate illustrated growth in March 2010. Since this month, average rate has consistently illustrated an upward trend through December 2011, with 6 of these 22 months illustrating strong double-digit growth over the same month in the previous year, ranging from 11.3 percent to 17.4 percent.

Such trends translated into double-digit year-over-year RevPAR growth by year-end 2010 compared to 2009, (at 12.9 percent). In 2011, RevPAR increased by 5.7% compared to 2010, fueled by average rate growth.

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

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

1987 REVPAR INCREASED BY CPI ANNUALLY



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

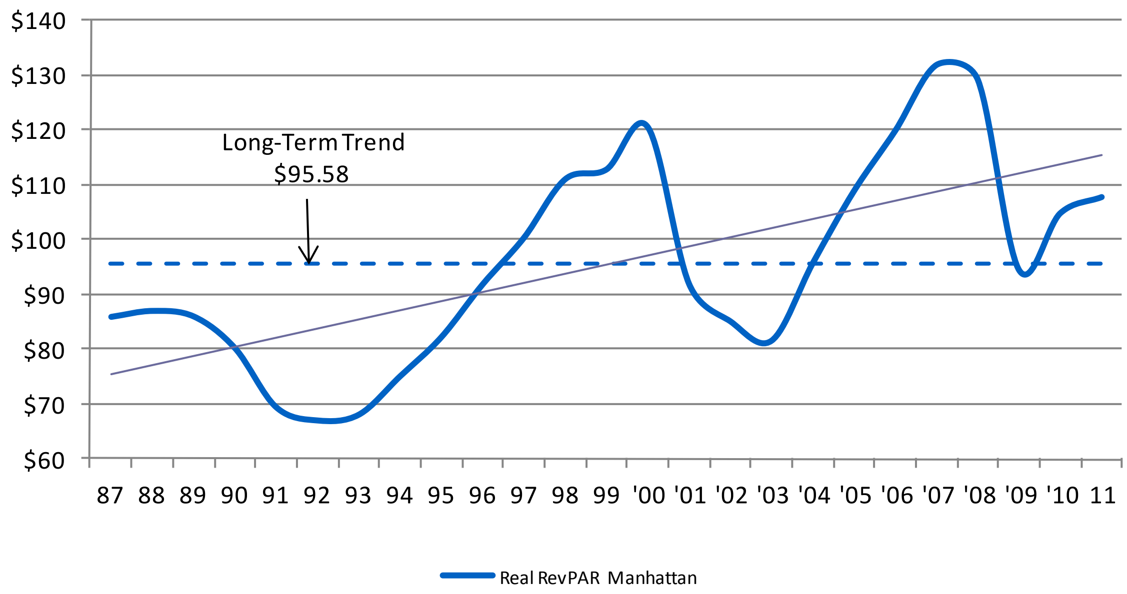
During the recession of the early 1990s, nominal RevPAR collapsed below the CPI-adjusted 1987 RevPAR for six consecutive years. Thereafter, nominal RevPAR registered strong growth until the 2001 recession arrived. Nominal RevPAR was consistent with CPI-adjusted 1987 RevPAR in 2002, and fell below it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

Jonathan M. Tisch
Chairman & CEO, Loews Hotels

New York City added 18,000 new hotel rooms, remained at 82% occupancy, and welcomed a record breaking 50 million visitors last year. If our city is a key indicator, we will hopefully see an increase in both occupancy and rates in other markets and widespread industry recovery.

The following graph illustrates the trend for real RevPAR from 1987 through 2011.

LONG-TERM REAL REVPAR TREND

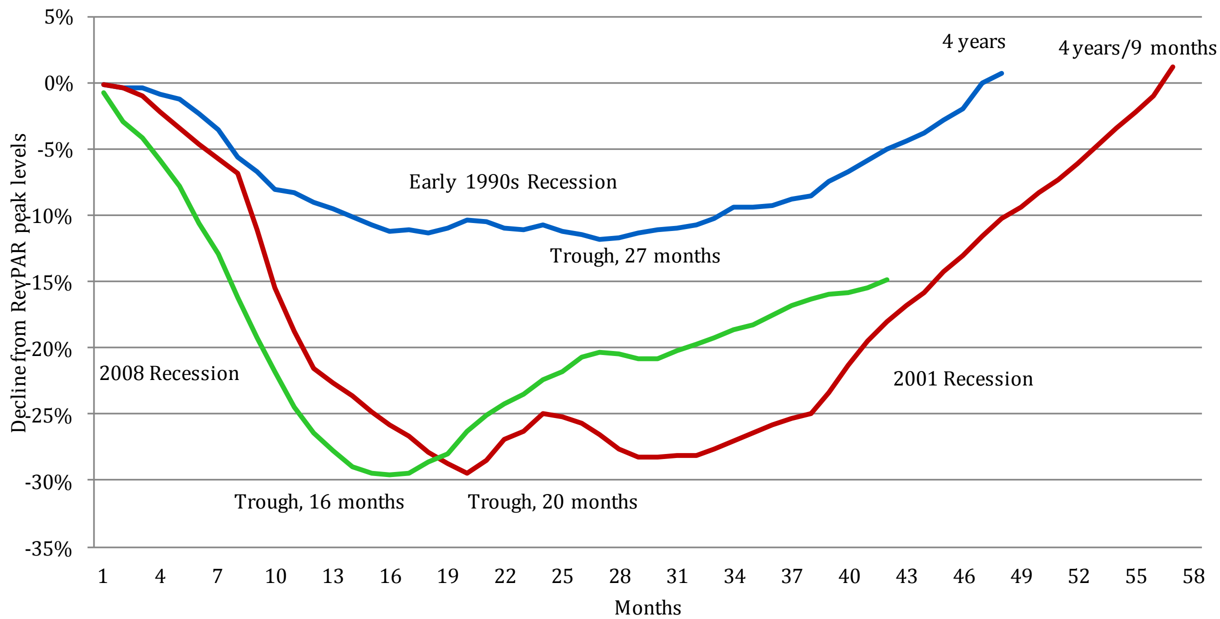


Source: HVS, STR Global, and National Bureau of Labor Statistics

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

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

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



Source: HVS and STR Global

As a result of the early 1990's recession, RevPAR declined to its trough within 27 months and returned to its peak within four years. Compared to the following two recessions, RevPAR did not decrease as much; however, the recovery was slow and prolonged. As a result of the 2001 recession, RevPAR dropped dramatically to its trough within 20 months, and returned to its peak within four years and nine months. Subsequent to the onset of the latest recession, RevPAR plunged to its trough within 16 months. The trough was similar to that of the 2001 recession (roundly 30.0 percent decline); however, the fall was more rapid. The rebound was strong through the end of 2010; however, primarily due to bad weather conditions and the effect of new supply, RevPAR remained somewhat flat in the first three months of 2011. As of April of 2011, RevPAR resumed its growth.

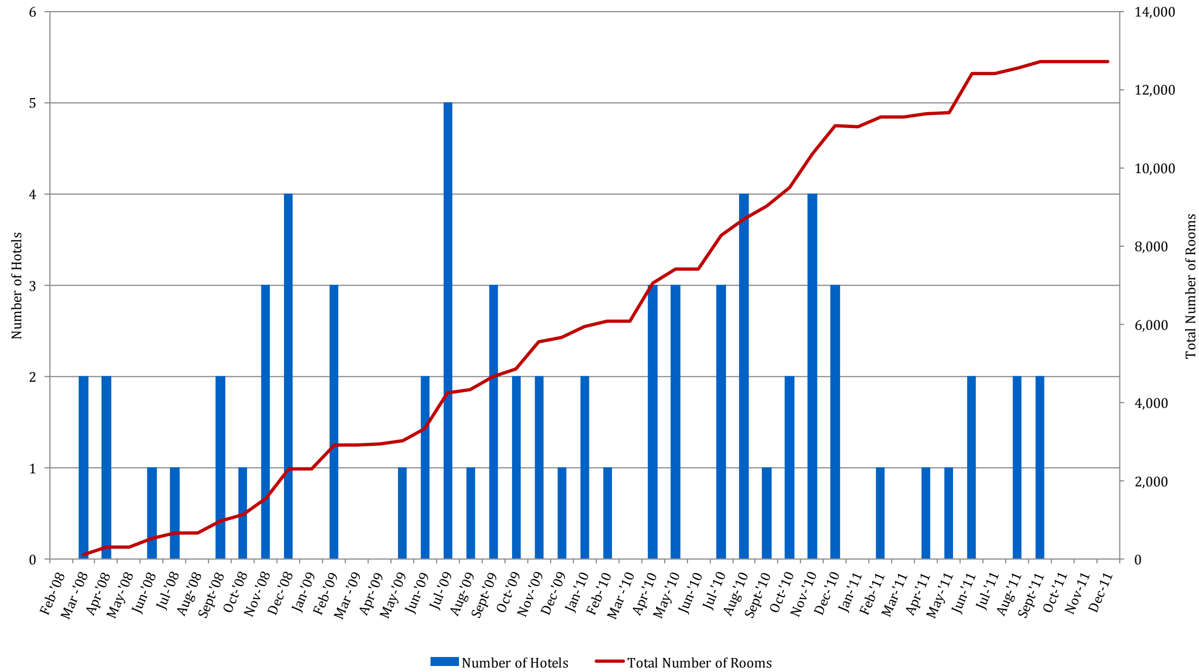
New Supply

George Fertitta
CEO, NYC & Company

Last year, New York City reached a record 90,000 hotel rooms, representing a 24 percent increase since 2006. 30 percent of openings last year took place in boroughs other than Manhattan, which is good news for repeat visitors seeking a more authentic and more affordable NYC experience. More than 6,200 rooms are in the pipeline for future development through the end of 2014, representing another 7 percent increase in inventory. The trend of expanded hotel development mirrors a trend of record-breaking travel to the City. Last year, NYC reached 50.5 million visitors, achieving Mayor Bloomberg's goal of attracting 50 million visitors one year ahead of schedule. New York City also has a 33 percent market share of all overseas travel to the US, and remains the country's number one port of entry and the most popular city destination for travel in the US. Tourism is the City's fifth largest industry, employing more than 320,000 people.

A total of 70 new hotels opened in Manhattan between March 2008 and September 2011, adding 12,720 rooms to the market and representing growth of 19.2 percent over the February 2008 level. This addition is the largest increase in supply over the last 24 years. The following chart illustrates the timing of these openings, as well as the total number of new rooms.

NEW SUPPLY – JANUARY 2008 TO DECEMBER 2011



Source: HVS and STR Global

The timing of the opening of the new supply coincided with the latest recession and the start of the recovery. Nevertheless, this large influx of new hotels had a minimal effect on the occupancy of the existing properties, as evidenced by the data shown in the table below.

OCCUPANCY

	2008	2009	2010	2011
Existing Hotels	84.3%	80.3%	83.9%	83.6%
New Hotels	N/A	76.6%	79.2%	83.3%
Index	N/A	95%	94%	100%

Source: HVS and STR Global

New hotels achieved an occupancy of 76.6 percent in their first calendar year of operation (2009), increasing to 79.2 percent by 2010. During these first two years of operation, the overall occupancy of the new supply was only 4.6 percent to 5.6 percent below that of the existing hotels. In 2011, new supply further penetrated the market, with an index of roundly 100.0 percent.

The combined effect of the latest recession and the new supply on the overall occupancy of the existing hotels contributed to a decrease of only 4.7 percent in 2009, which was followed by 4.5 percent growth in 2010. In 2011, the overall occupancy of the existing hotels remained somewhat stable.

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

ADR

	2008	2009	2010	2011
Existing Hotels	$305.90	$238.34	$257.91	$271.30
New Hotels	N/A	206.48	245.26	268.84
Index	N/A	87%	95%	99%

Source: HVS and STR Global

The latest recession and the new supply had a greater effect on ADR, as evidenced by 22.1 percent decrease in the overall ADR of the existing hotels in 2009 compared to 2008. However, the ADR of the existing properties increased by 8.2 percent in 2010 and 5.2 percent in 2011, despite the considerable influx of new supply.

New hotels lowered their rates in their first calendar year of operation, with an index of 87.0 percent in 2009, in order to boost their occupancy and better penetrate the market. In 2010, the new hotels pushed their ADR, resulting in an 18.8 percent increase compared to 2009, and an index of 95.0 percent. In 2011, the ADR index increased further, to roundly 99.0 percent.

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

REVPAR

	2008	2009	2010	2011
Existing Hotels	$257.84	$191.43	$216.41	$226.68
New Hotels	N/A	158.11	194.14	224.05
Index	N/A	83%	90%	99%

Source: HVS and STR Global

The RevPAR index of the new hotels increased from a level of 83.0 percent in 2009 to roundly 99.0 percent in 2011.

The following table lists all the hotels that opened in 2011 and the first quarter of 2012.

NEW SUPPLY – 2011 THROUGH FIRST QUARTER 2012

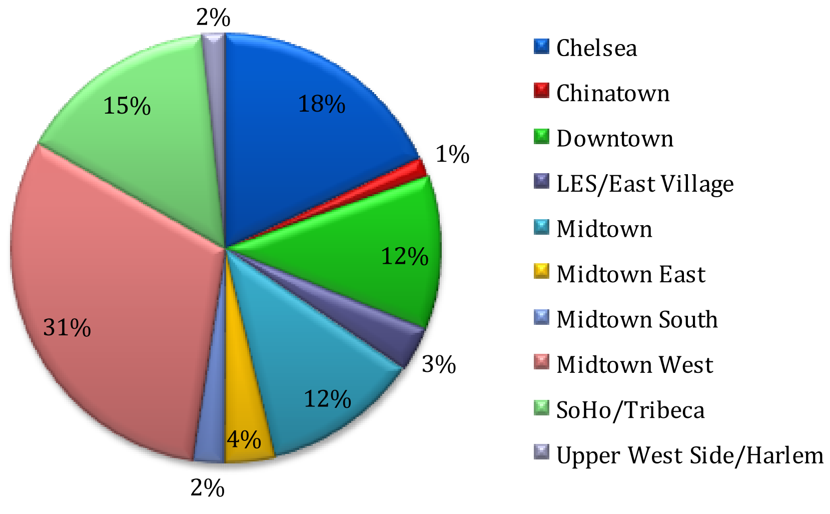
Name of the hotel	Room Count	Opening Date
Mondrian Hotel SoHo	263	Feb-11
Hotel Verite	21	Apr-11
Dream Hotel Downtown	316	Jun-11
Yotel New York @ Times Square	669	Jun-11
Flatiron Hotel Toshi	64	Aug-11
The Nolitan	55	Aug-11
Hotel Americano	56	Sep-11
Hyatt 48 LEX	116	Sep-11
Holiday Inn New York City Midtown 31st Street	122	Jan-12
Tryp by Wyndham New York City Times Square South	173	Feb-12
The OUT NYC	20	Mar-12
Total	1,875	

Source: HVS

A total of 8 new hotels opened in 2011, encompassing 1,560 rooms. In addition, three new hotels opened in the first quarter of 2012, adding 315 rooms.

A total of 73 hotels opened from March 2008 through March 2012, representing 13,093 new rooms. The following chart illustrates the new supply by sub-markets.

NEW SUPPLY BY SUB-MARKETS (# OF ROOMS)

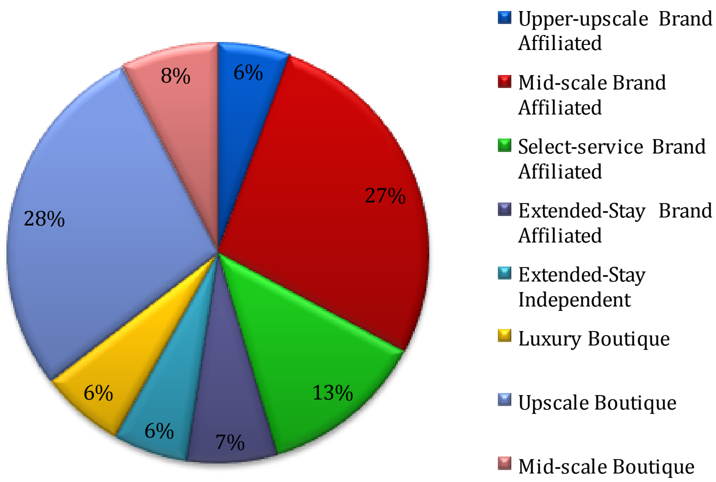


Source: HVS

About half of the new supply opened in the greater Midtown area, while 32 percent was built in the greater Downtown area, and 18 percent in Chelsea.

The following chart shows the new supply by segment.

NEW SUPPLY BY SEGMENT (# OF ROOMS)

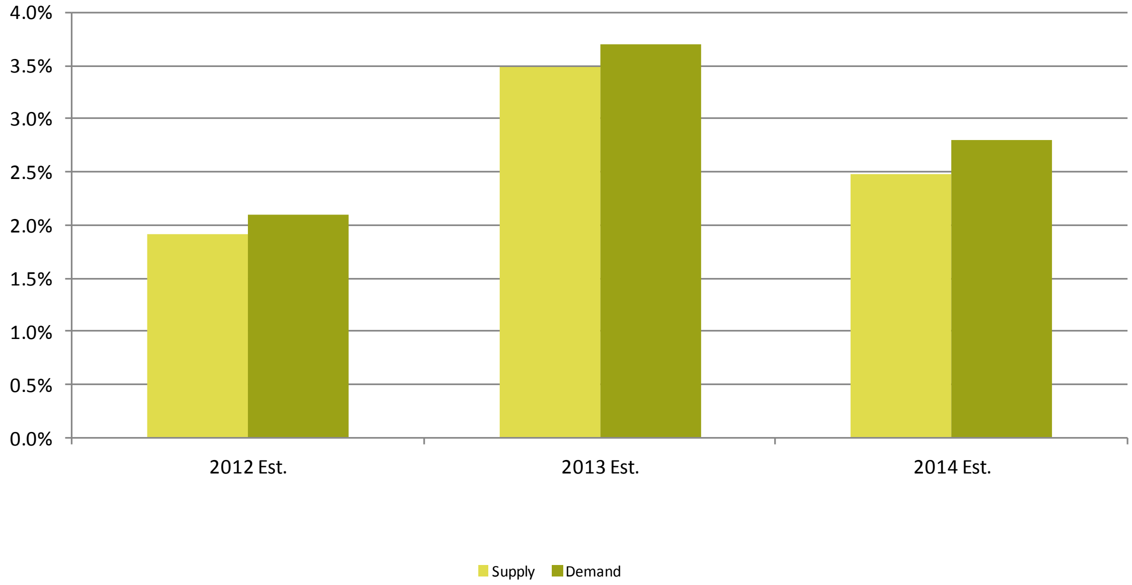


Source: HVS

The upscale boutique and mid-scale brand affiliated were the two largest segments, at 28 percent and 27 percent, respectively. The select-service brand affiliated followed, at 13 percent. Overall, 52 percent of the new rooms were boutique/independent, while 48 percent were affiliated with major brands.

An increase in supply of approximately 1.9 percent over the 2011 level is expected by the end of 2012, followed by a modest increase of 3.5 percent in 2013 and a more moderate growth of 2.5 percent in 2014. This supply forecast reflects only projects that are currently under construction and have secured the necessary financing. Thus, our forecast excludes consideration of any projects that are in the planning stages or are delayed because of financing or other reasons.

FORECAST OF SUPPLY AND DEMAND – 2012 TO 2014



Source: HVS

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

New York University Survey Results Analysis

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

Analysis prepared by Marissa Hou, Gautam Mahesh, Katie McDermott, Christopher Micheu, and Walter Peseski.

Introduction

New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management graduate students conducted a survey in collaboration with HVS Global Hospitality Services to study the state of the 2012 Manhattan hotel market. This report presents the 2012 Manhattan Hotel Market Overview survey results and summarizes respondents' answers about 2011 performance and outlook for 2012.

The online survey was distributed to 772 members of the Greater New York Chapter of HSMAI and of HANYC. The survey was limited to 18 questions. Forty eight executives provided responses.

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

Survey Findings

The survey findings showed cautious optimism as the industry continues to recover from the economic recession. Although a majority of respondents expect high year-over-year RevPAR growth, the consensus is that RevPAR and NOI may not return to pre-recession levels until 2013/2014. Additionally, a majority of respondents, 56 percent, estimated that the increase in costs that will result from the new collective bargaining agreement will not be offset by price and revenue increases. Led by the United Kingdom, Europe continues to be the key international demand generator while demand from China and India remains low.

Bjorn Hanson, Ph.D.

Divisional Dean, Clinical Professor, HVS Chair

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

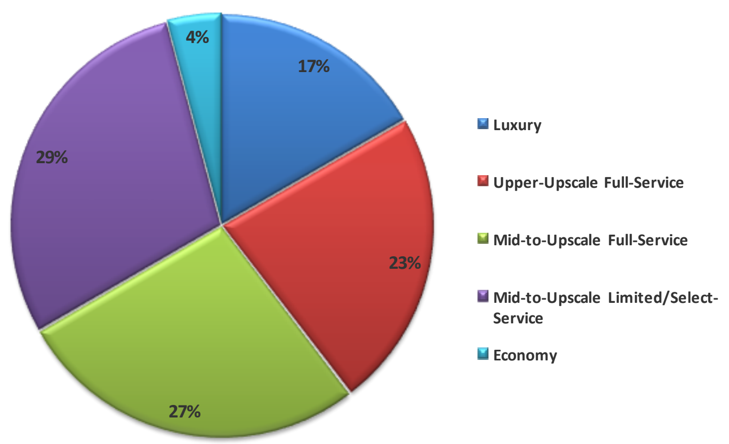
New York University

Thank you and congratulations to HVS for this, the 15th joint HVS-NYU Manhattan Hotel Overview. I am especially grateful to Steve Rushmore, Dorothy Jennings, and Roland deMilleret for the opportunity and experience for our students to conduct research and participate in this project with HVS professionals.

New York is possibly the most complex of any major U.S. urban market with its diversity of hotels, number and complement of demand segments, development and acquisition costs, labor and other expenses, and recent record supply increases.

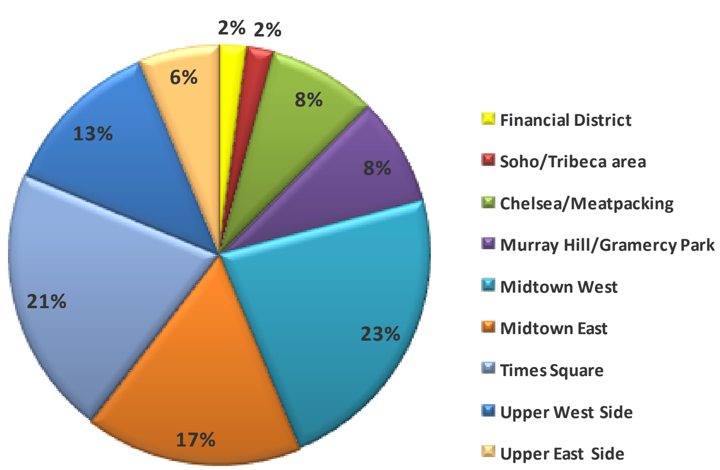
I anticipate you will find the data useful and the survey responses especially interesting.

RESPONSES BY SUPPLY SEGMENTATION



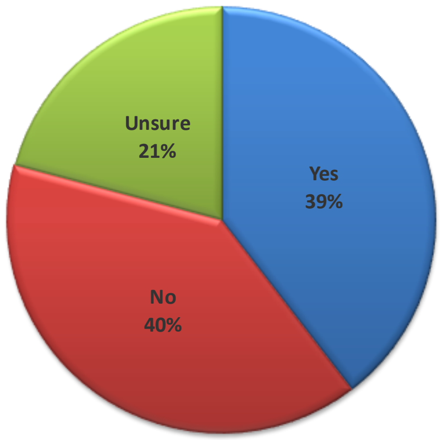
Hotel executives with mid-to-upscale limited/select-service hotels accounted for the majority of the survey participants at 29 percent, followed closely by representatives with mid-to-upscale full-service hotels (27 percent), and upper-upscale full-service properties (23 percent).

RESPONSES BY NEIGHBORHOOD



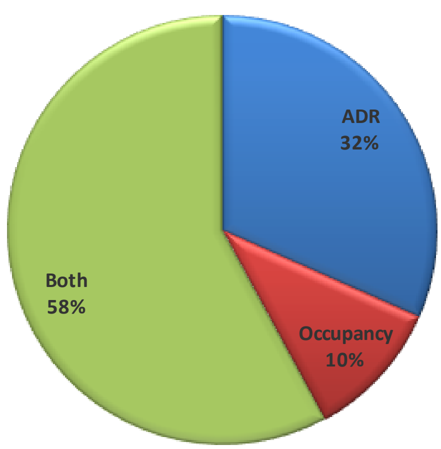
There was a distribution of respondents in Manhattan. The majority of respondents were from the midtown areas in Manhattan (Midtown East, Midtown West, and Times Square), with a total of 61 percent of respondents. The Upper West Side followed with 13 percent.

DID NEW SUPPLY NEGATIVELY IMPACT YOUR PERFORMANCE IN 2011?



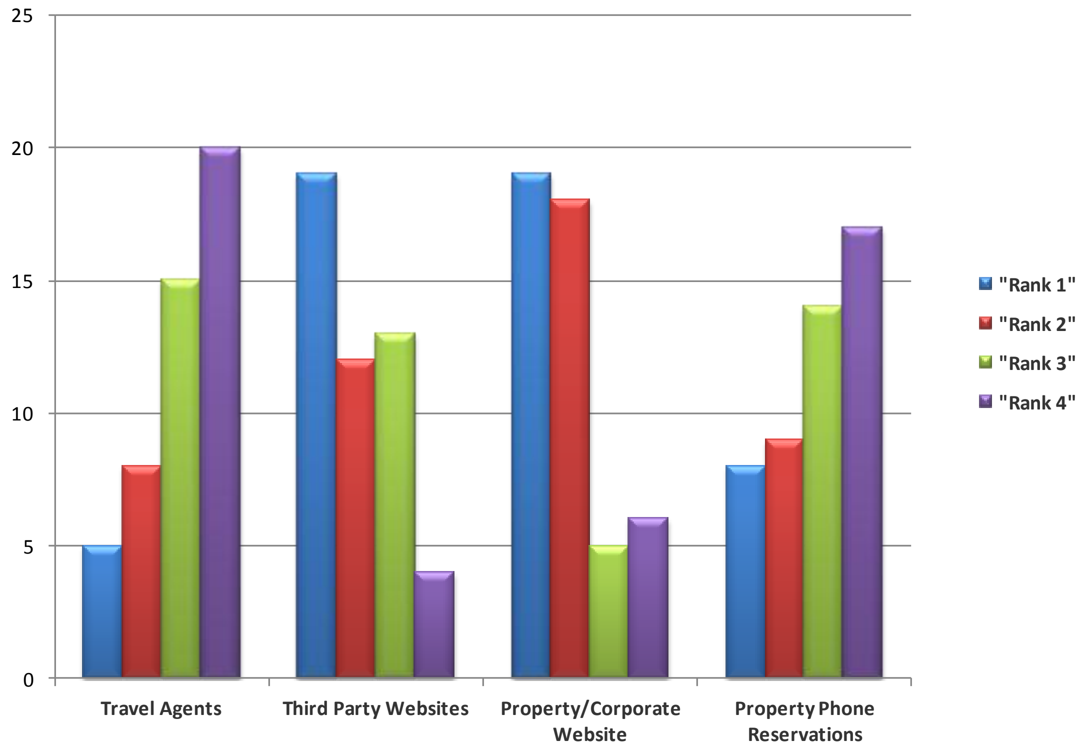
Respondents were split on the effect of new supply on performance in 2011. All respondents with economy properties indicated that supply did not have a negative effect on performance. All representatives with hotels in the Financial District noted that supply did adversely affect performance. Approximately 86 percent of respondents with hotels in the Upper West Side were confident that new supply did not negatively affect performance.

WHAT COMPONENT OF THE HOTEL WAS AFFECTED THE MOST BY NEW SUPPLY IN 2011?



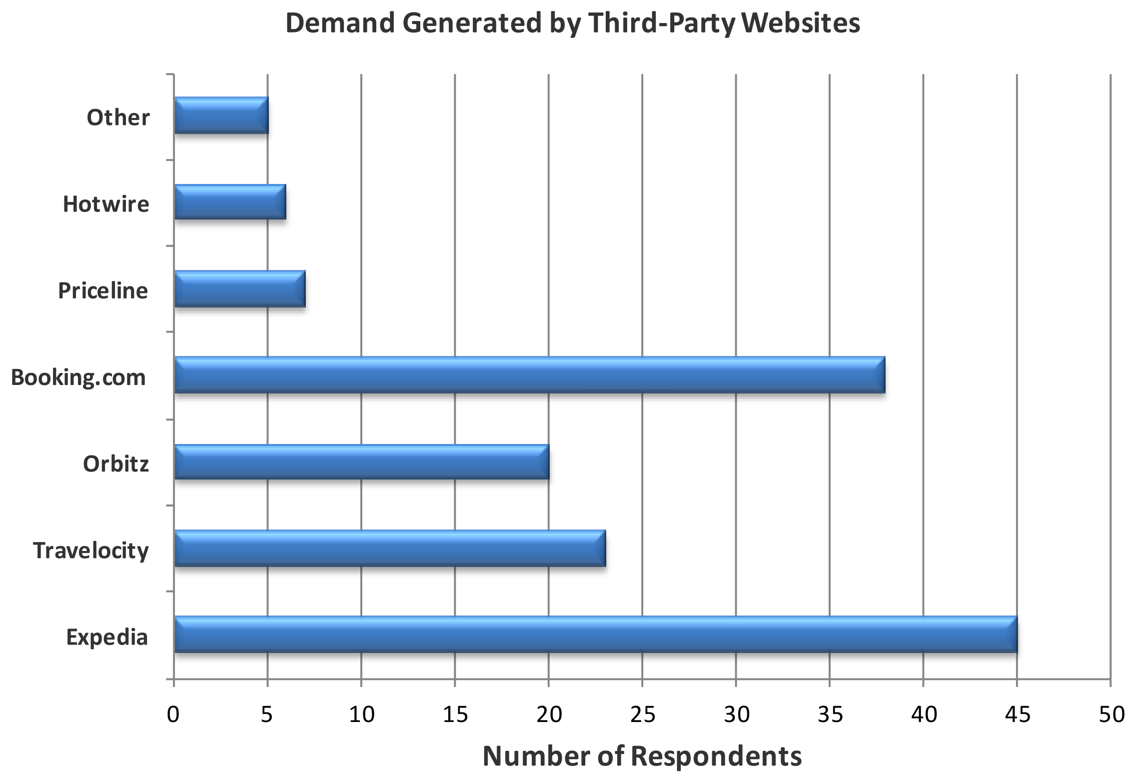
According to the majority of respondents, both ADR and occupancy were affected by new supply in 2011. Only respondents from properties in Times Square and Midtown West indicated that occupancy was affected more than ADR. Only mid-to-upscale full service and mid-to-upscale select/limited service hotels responses noted occupancy as the component that was most affected.

WHICH DISTRIBUTION CHANNEL GENERATED THE MOST REVENUE IN 2011? PLEASE RANK THE FOLLOWING FROM 1 (THE GREATEST REVENUE GENERATOR) TO 4 (THE WEAKEST REVENUE GENERATOR).



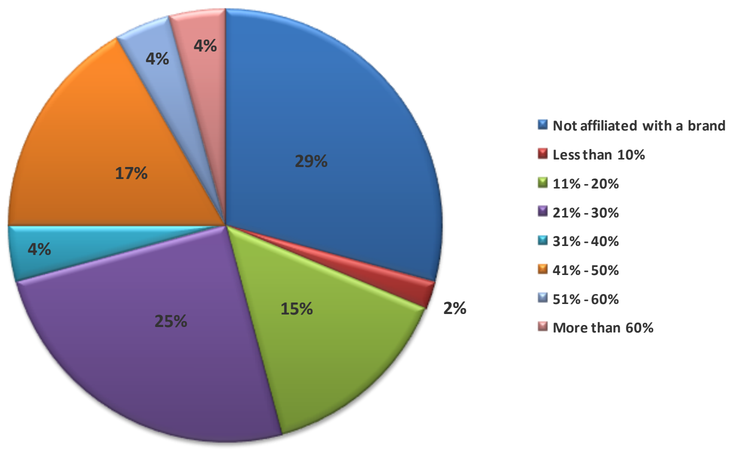
The responses indicate that Third Party Websites and Property/Corporate Websites continue to be the key distribution channels while traditional sources such as Travel Agents and Phone Reservations continue to decline in popularity. Approximately 79 percent of respondents indicated either Third Party Websites or Property/Corporate Websites as the primary revenue generators in 2011.

WHICH THIRD PARTY WEBSITE GENERATED THE MOST REVENUE IN 2011? PLEASE INDICATE AND RANK THE TOP THREE FROM 1 (MOST RESERVATIONS CONTRIBUTED) TO 3 (LEAST RESERVATIONS CONTRIBUTED).



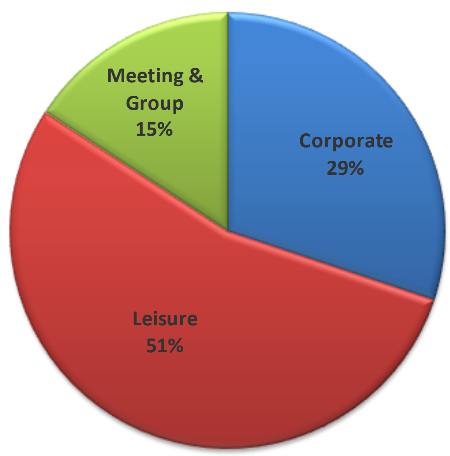
The responses indicate that Expedia continues to be the leading third-party website in terms of reservation contribution with approximately 94 percent of respondents classifying Expedia as a top-three contributor. Booking.com has surpassed other third-party websites including Travelocity and Orbitz in reservation contribution with approximately 79 percent of respondents classifying it as a top-three contributor.

WHAT PERCENTAGE OF YOUR ROOMS REVENUE WAS GENERATED BY THE BRAND RESERVATIONS SYSTEM IN 2011?



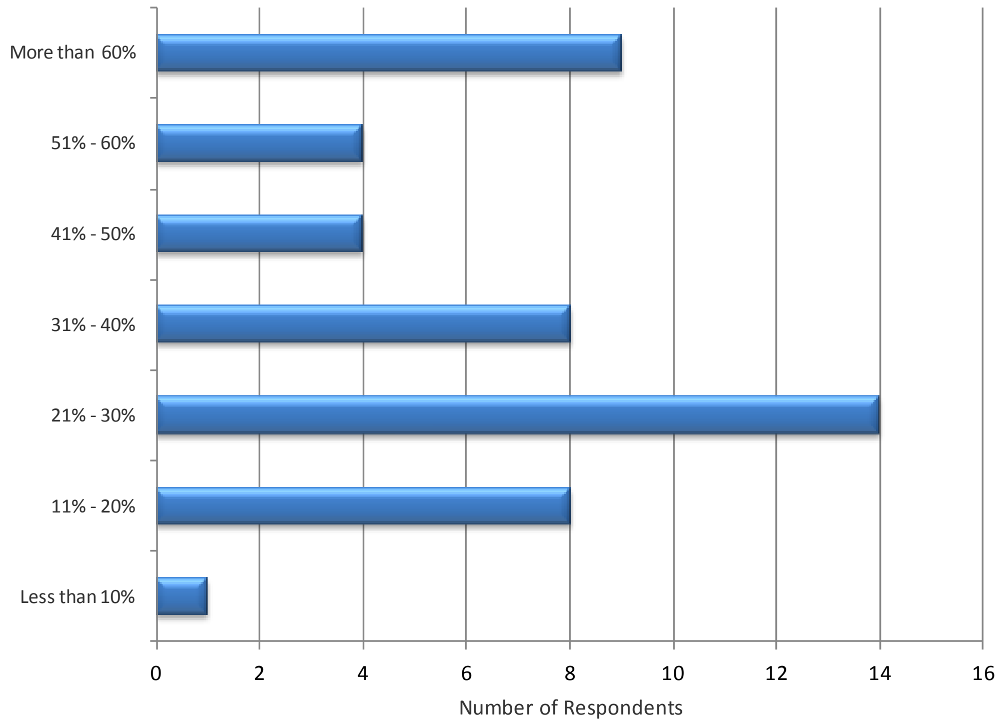
The majority of respondents were representatives of properties not affiliated with brands. Of those that were brand affiliated, approximately 34 percent indicated that the brand reservation system generated between 21 and 30 percent of rooms revenue. Less than 12 percent of brand-affiliated respondents indicated brand reservation systems contributed more than 51 percent of rooms revenue. The responses indicate the continued strength of third-party channels.

WHAT PERCENTAGE OF TOTAL DEMAND WAS GENERATED FROM EACH OF THE FOLLOWING SEGMENTS IN 2011?



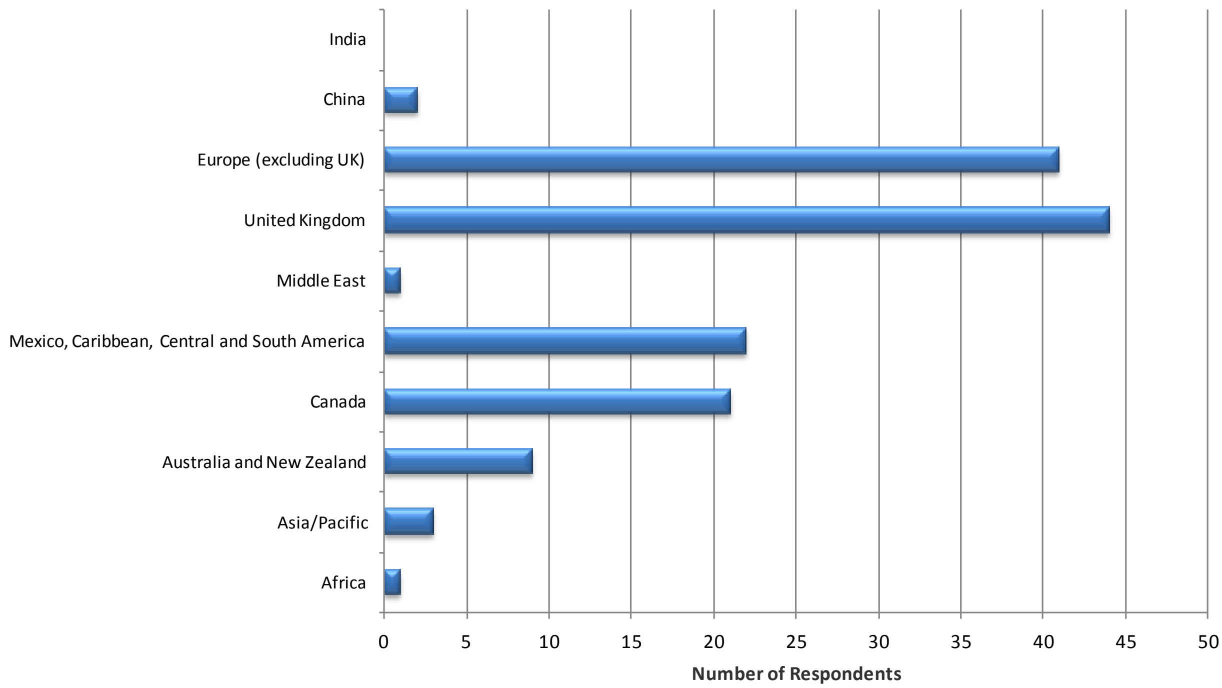
On average, Manhattan hotel demand is comprised of 51 percent leisure guests, 29 percent corporate guests, and 15 percent meeting and group guests. These responses varied by chain scale. While the luxury and upper-upscale segments were similar to the total averages, the average percentage of leisure business in mid-to-upscale full service hotels was higher at 60 percent and mid-to-upscale limited/select service was 58 percent. Economy hotels reported five percent corporate, 55 percent leisure, and 40 percent meetings and groups. The leisure responses had the largest range of responses.

WHAT PERCENTAGE OF DEMAND WAS GENERATED BY INTERNATIONAL TRAVELERS IN 2011?



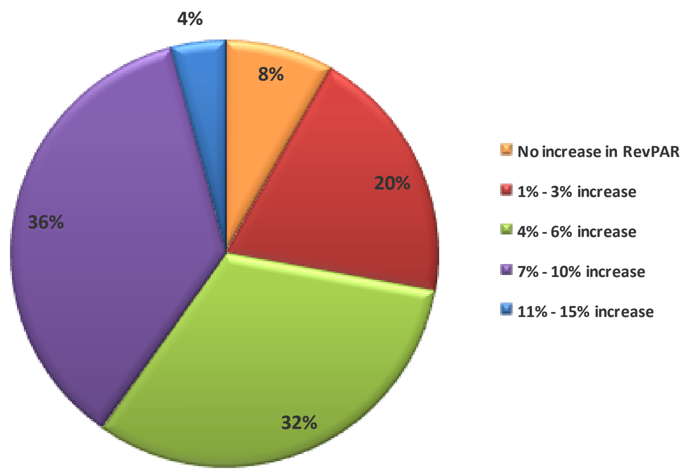
Most respondents (29 percent) answered that international demand represented 21 to 30 percent of occupied room nights in 2011. Second, 19 percent of respondents, answered that international demand represented more than 60 percent of occupied room nights. Approximately 19 percent of respondents answered that international travelers generated less than 20 percent.

WHAT ARE THE THREE COUNTRIES/REGIONS THAT GENERATED THE MOST INTERNATIONAL TRAVELER DEMAND FOR YOUR HOTEL IN 2011?



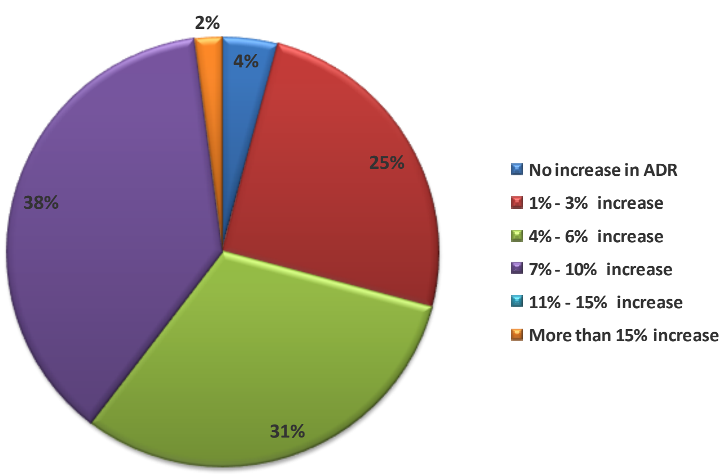
Survey results indicate that the majority of international travelers originated from Europe, with most of these visitors from the United Kingdom, while the remaining European countries followed in the ranking. Mexico, Caribbean, Central and South America were also one of the top-three demand contributors for Manhattan, closely followed by Canada.

HOW MUCH DO YOU ANTICIPATE REVPAR TO INCREASE IN 2012, COMPARED TO 2011 REVPAR?



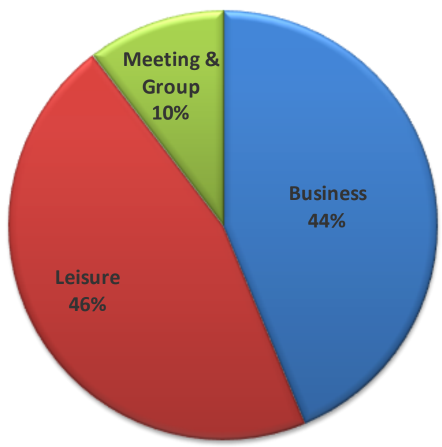
The majority of the respondents noted that RevPAR would increase in 2012 compared to 2011 indicating that hoteliers are optimistic about the industry's continued recovery. Approximately 36 percent of the respondents indicated that RevPAR would increase by seven to 10 percent, while 32 percent of the respondents stated that the increase would be in the four to six percent range.

HOW MUCH DO YOU ANTICIPATE ADR TO INCREASE IN 2012, COMPARED TO 2011 ADR?



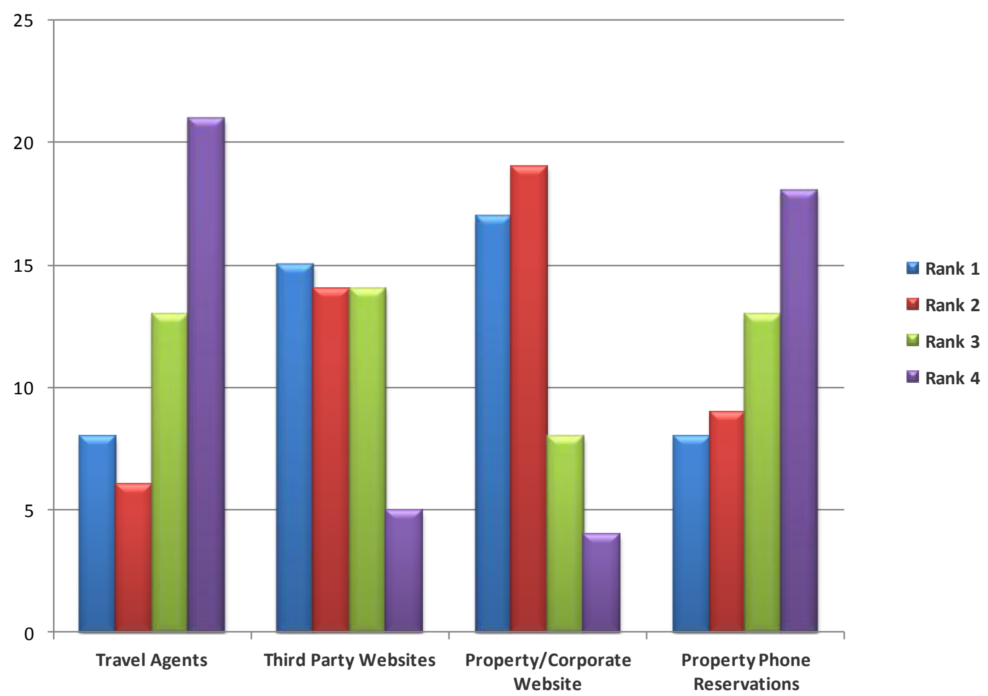
Similar to the increase in RevPAR, survey respondents were optimistic about an increase in ADR in 2012 compared to 2011. The majority of the survey takers (38 percent) foresee a seven to 10 percent increase in ADR, and 31 percent estimate an increase of between four to six percent.

WHICH SEGMENT WILL EXPERIENCE THE MOST GROWTH IN 2012?



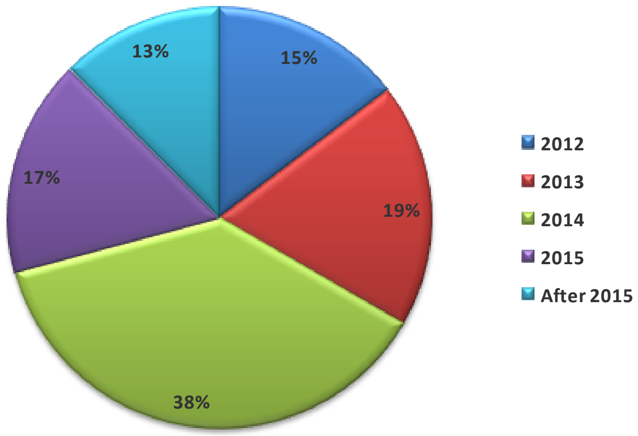
Participants are split on whether the business or leisure group will experience the most growth in 2012 with Manhattan hoteliers optimistic about growth in both segments. Compared to the business and leisure segments, few respondents anticipate growth in the meeting and group segment for 2012.

WHICH DISTRIBUTION CHANNEL DO YOU ANTICIPATE WILL GENERATE THE MOST REVENUE IN 2012?



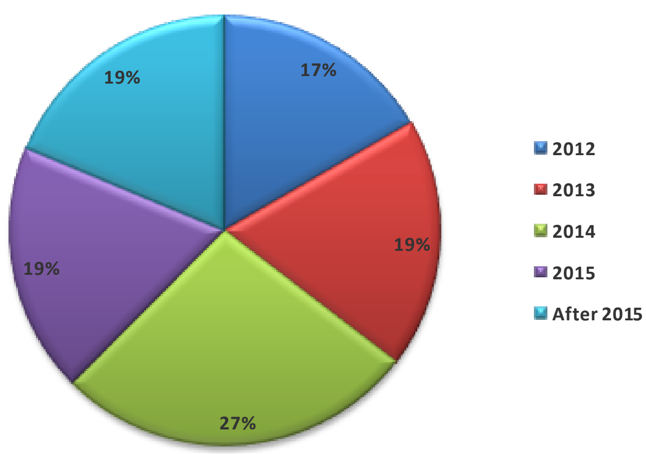
Most survey respondents answered that property/corporate websites will generate the most revenue, closely followed by third-party websites. The majority of participants ranked travel agents as the least likely to contribute the most revenue in 2012.

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



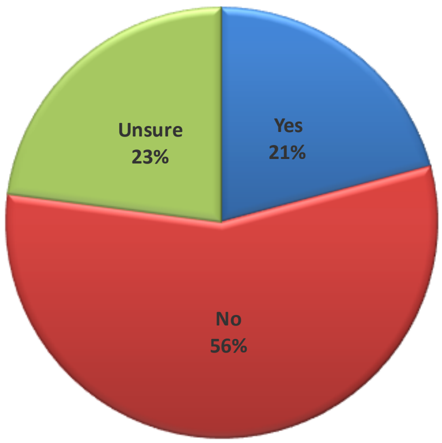
A majority of the respondents (57 percent) expected RevPAR to return to pre-recession levels between 2013 and 2014. At 38 percent, 2014 was the most common answer.

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



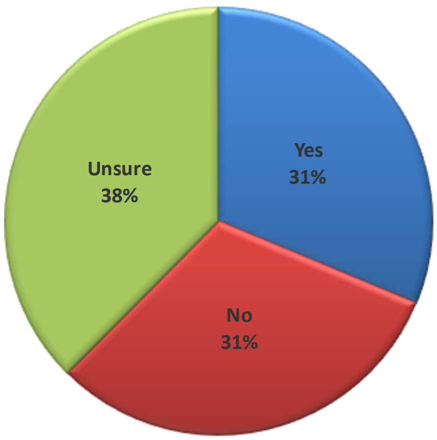
Approximately 46 percent of the respondents expected NOI to return to pre-recession levels between 2013 and 2014. At 27 percent, 2014 was the most common answer. We note that a significant number of respondents, or 17 percent, did not anticipate NOI recovery until after 2015.

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



A majority of the respondents, 56 percent, estimated that the increase in costs that will result from the new collective bargaining agreement will not be offset by price and revenue increases.

DO YOU SEE INCREMENTAL DEMAND INCREASING DUE TO THE NEW FEDERAL TOURISM PROMOTION FUNDING AND INITIATIVE?



When hoteliers were asked if they were expecting an increase in incremental demand being generated in Manhattan due to the new federal tourism promotion funding initiative, responses were almost equally distributed between yes, no, and unsure. The relatively high percentage of unsure responses can be attributed to not knowing what exact measures will be taken by the federal government to promote tourism, and also the timeframe within which these initiatives will be implemented.

Manhattan Forecast

Based on an analysis of the historical data and a review of the new supply, we have prepared the following forecast for the Manhattan lodging market through 2014.

HVS FORECAST THROUGH 2014

Year	No. of Rooms	Percent Change	Occupied Rooms	Percent Change	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2007	65,856		20,487,786		85.2 %		$297.52		$253.58	
2008	67,214	2.1 %	20,679,132	0.9 %	84.3	(1.1) %	305.95	2.8 %	257.89	1.7 %
2009	70,570	5.0	20,631,533	(0.2)	80.1	(5.0)	236.70	(22.6)	189.59	(26.5)
2010	73,812	4.6	22,466,161	8.9	83.4	4.1	256.60	8.4	213.97	12.9
2011	78,214	6.0	23,843,125	6.1	83.5	0.2	270.92	5.6	226.27	5.7
Forecast										
2012	79,704	1.9 %	24,343,831	2.1 %	83.7 %	0.2 %	$289.61	6.9 %	$242.35	7.1 %
2013	82,484	3.5	25,244,552	3.7	83.9	0.2	319.15	10.2	267.61	10.4
2014	84,528	2.5	25,951,400	2.8	84.1	0.3	355.22	11.3	298.79	11.6

STR Global (Historical), HVS (Forecast)

Marketwide occupancy is expected to remain in the low- to mid-80 percent range through 2014. Average rate achieved a strong rebound in 2010, followed by a more moderate growth in 2011. Average rate is expected to increase further in the following years as the national economic recovery continues, and overall occupancy remains close to maximum-level capacity. Overall, average rate is forecast to appropriately recover and surpass its pre-recession (2008) in 2013. From 2012 to 2014, we forecast strong increases in RevPAR, primarily driven by ADR growth. Given this forecast, RevPAR is also anticipated to illustrate a five-year recovery period from the latest recession, similar to the five-year recovery periods in each of the previous two recessions. Increases in supply are expected to be readily absorbed and thus are not anticipated to significantly affect the recovery.

Joseph E. Spinnato

President & CEO, Hotel Association of NYC

The projections made for the year 2011 with regard to occupancy have proven to be accurate. The year's figures demonstrate that the hotel industry in New York City has rebounded, and the projections for the balance of the year 2012 also appear to be favorable. We continue to work along with our partners in the industry to urge domestic as well as foreign visitors to come to New York City. We look forward to a good year.

Overview of Sales Transactions in Manhattan

Randy Smith

CEO, STR

The New York City hotel market is showing steady improvement so far this year. Occupancy is up 6.6 percent year-to-date which is a fairly remarkable achievement considering the tremendous increase in room supply during the past year. With room supply coming down (it was up 7.3 percent February YTD last year and up only 2.0 percent through February YTD this year), occupancy should continue to show steady improvement as room demand has remained strong. There continues to be some weakness in room rates, down 1.0 percent YTD, but RevPAR has improved by 5.5 perent on the strong occupancy improvement. We continue to be optimistic about the New York City market since all the key variables are heading in the right direction and it remains one of the most vibrant and resilient lodging markets in the US.

The following table sets forth an overview of hotel sales in Manhattan in 2011 and early 2012.

MANHATTAN HOTEL SALES – 2011 THROUGH FEBRUARY 2012

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Novotel Times Square	Feb-12	226 West 52nd Street	480	Accor	Chartres Lodging Group and Apollo Global Real Estate Management	$212,000,000	$442,000
Park Central	Jan-12	870 Seventh Avenue	934	Hihgate Holdings	LaSalle Hotel Properties	396,200,000	424,000
Hampton Inn 35th Street	Dec -11	59 West 35th Street	146	Magna Hospitality Group	59 West 35th Street, LLC	68,241,607	467,000
Holiday Inn 31st Street	Dec -11	30-32 West 31st Street	122	Henna Hotel, LLC	Chesapeake Lodging Trust	52,200,000	428,000
Cooper Square Hotel*	Nov-11	25 Cooper Square	145	Westport Capital Partners LLC	Andrew Balasz/Ironstate Development Company	90,500,000	624,000
The Carlyle	Jul-11	35 East 76th Street	187	Maritz, Wolf & Co	New World Hospitality	319,400,000	1,700,000
Algonquin	Jun-11	59 West 44th Street	174	HEI Hotels & Resorts	Cornerstone Real Estate Advisers	85,500,000	491,000
Paramount Hotel	40695	235 West 46th Street	597	Highgate Holdings and Walton Street Capital	RFR Hotel Group	275,000,000	461,000
Four Points Times Square	Jun-11	326 West 40th Street	244	The Lam Group	Gehr Development	112,000,000	459,000
Radisson Lexington	May-11	511 Lexington Avenue	712	Whitehall Street Real Estate/Highgate Holdings	DiamondRock Hospitality Co.	335,000,000	471,000
New York Palace*	May-11	455 Madison Avenue	899	Royal Family of Brunei	Northwood Investors LLC	400,000,000	445,000
Royalton	Apr-11	44 West 44th Street	168	Morgans Hotel Group	Felcor Lodging Trust	88,200,000	525,000
Morgans	Apr-11	237 Madison Avenue	114	Morgans Hotel Group	Felcor Lodging Trust	51,800,000	454,000
Holiday Inn Express	Apr-11	126 Water Street	112	Metro Six Hotel LLC	Hersha Hospitality Trust	36,700,000	328,000
Cassa Hotel	Apr-11	70 West 45th Street	165	Waterscape Resort LLC	Not Available	130,000,000	788,000
Holiday Inn Express Fifth Avenue	Feb-11	15 West 45th Street	125	Magna Hospitality Group	Walnut Hill Group	43,870,000	351,000
Helmsley New York	Jan-11	212 East 42nd street	775	Estate of Leona Helmsley	Host Hotels	313,500,000	405,000
Doubletree Metropolitan	Jan-11	569 Lexington Avenue	759	Highgate Holdings, Whitehall, and Rockwood Capital	RLJ Development	335,000,000	441,000
*Leasehold Interest							

Source: HVS

About HVS

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

About the Author

Roland deMilleret, MAI, is a Managing Director of the New York Office. Since joining HVS in January 1999, he has provided hotel investment advice and conducted valuations, feasibility studies, strategic advisories, and other consultancy assignments to over 1,700 hotels and resorts in the United States, Mexico, and the Caribbean. His industry expertise also includes the selection of management companies and the negotiation of management agreements.

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

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

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