



## Manhattan Hotel Market Overview

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

In 2004, the Manhattan lodging market experienced an impressive recovery, with a RevPAR increase of 22% compared to 2003. From March through December of 2004, the market recorded double-digit growth in RevPAR each month, ranging from a high of 41% in April to a low of roundly 17% in October. At 83.2%, overall occupancy reached close to the historical peak achieved in 2000 (at 83.7%) while marketwide average rate was less than 10% below the 2000 level. Occupancy and average rate in 2005 should surpass 2000 levels. Due to limited new supply and increased compression resulting from near-maximum-capacity occupancy levels, overall RevPAR will experience double-digit growth for the next few years.

Based on an overall improved economic climate, strong barriers to entry, limited new supply, and increased compression, we forecast the Manhattan lodging market to achieve a robust  $\pm 17\%$  RevPAR growth in 2005.

### HVS International

HVS International is a global consulting and services organization focused on the hotel, restaurant, timeshare, gaming, and leisure industries. Its clients rely on the firm's specialized industry knowledge and expertise for advice and services geared to enhance economic returns and asset value. Through a network of 23 offices staffed by more than 200 seasoned industry professionals, HVS offers a wide scope of services that track the development/ownership process.

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

Since 1980, HVS International has performed more than 15,000 assignments throughout the world for virtually every major industry participant. Its 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.

The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management at New York University is a dynamic and growing educational and research center located in the heart of Manhattan. The Tisch Center offers an extensive complement of hospitality and tourism academic programs of study, including two bachelor's degree programs and three master's degree programs. In concert with its location in the financial and hotel capital of the world, coursework is focused on the areas of hospitality investments, hotel operations, revenue management, and customer relationship management relative to the international hospitality and tourism industry. As entrepreneurial educators, administrators and faculty are experienced in the profession and bring the reality of the industry into the classroom. The Tisch Center's motto encapsulates its uniqueness - The City is our laboratory, the industry is our faculty, and our students are the future of the profession.

### New York University Annual International Hospitality Investment Conference

For 23 years, HVS International has played an integral role in New York University's Annual International Hospitality Industry Investment Conference. Once again, our team of professionals looks forward to welcoming you to this prestigious event, which is scheduled for Sunday - Tuesday, June 5 - 7, 2005, at New York City's Waldorf=Astoria Hotel.

### Acknowledgements

Randy Smith of Smith Travel Research has provided the Survey's comprehensive hotel statistics of

## Manhattan Operating History

Year	No. of Rooms	Percent Change	Occupied Rooms	Percent Change	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent 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	56,285	0.4	15,410,904	1.7	75.0	1.3	149.33	9.7	112.02	11.2
1996	56,552	0.5	16,654,408	8.1	80.7	7.6	160.72	7.6	129.68	15.8
1997	57,424	1.5	17,158,942	3.0	81.9	1.5	176.86	10.0	144.79	11.7
1998	57,943	0.9	17,415,191	1.5	82.3	0.6	198.25	12.1	163.24	12.7
1999	59,586	2.8	17,633,528	1.3	81.1	(1.5)	208.15	5.0	168.76	3.4
2000	61,026	2.4	18,635,765	5.7	83.7	3.2	222.60	6.9	186.23	10.4
2001	62,763	2.8	17,062,398	(8.4)	74.5	(11.0)	195.66	(12.1)	145.73	(21.7)
2002	63,296	0.8	17,337,034	1.6	75.0	0.8	185.88	(5.0)	139.49	(4.3)
2003	64,446	1.8	17,845,383	2.9	75.9	1.1	181.33	(2.4)	137.56	(1.4)
2004	64,229	(0.3)	19,495,746	9.2	83.2	9.6	201.76	11.3	167.78	22.0
Average Annual Compounded Change 1987-2004:		1.2%		1.7%		0.5%		3.5%		4.0%

Source: Smith Travel Research  
Some figures may be subject to small rounding errors

**Stephen Rushmore**  
**President & Founder**  
**HVS International**

HVS International is pleased to report on the relative strength of the New York City hotel and tourism markets. This incredible rebound after the events of 9/11 gives testimony to the reputation the City holds throughout the world as a commercial and cultural center of virtually unrivaled significance.

After three consecutive years of decline, hotel values in New York City increased substantially in 2004, ending the year slightly below 2000 levels. In 2004, New York City was among the top ten markets in the nation that registered the strongest percentage changes in value compared to the previous year. The typical hotel in New York City gained over \$100,000 per room in value, which represents more than a 50% increase from the previous year. Due to limited new supply and increased compression resulting from near-maximum-capacity occupancy levels, we predict that RevPAR should experience double-digit growth for the next few years.

Optimism permeates the hospitality industry, but is especially prevalent in New York City. HVS forecasts that the rise in hotel values in New York City will accelerate during the next several years, surpassing the 2000 level by 2005.

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, the 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. With the exception of 1999, which saw a substantial increase in supply, overall RevPAR registered double-digit growth each year from 1994 through 2000. A second significant downturn started in 2001, as a result of the slowdown in the national and regional economies, as well as the September 11 terrorist attacks; the result was even more dramatic than that of the previous recession, with a RevPAR decline of 21.7%. In 2002, marketwide occupancy rose slightly, as many hotels in the market 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 4.3% compared to 2001. Despite a RevPAR decline of 1.4%, composed of a 1.1% growth in occupancy and a 2.4% decline in average rate, 2003 ended on a very positive note for the Manhattan lodging market. In 2004, for the first time since 1994, supply declined in Manhattan as a result of the closing of several hotels for condominium conversion.

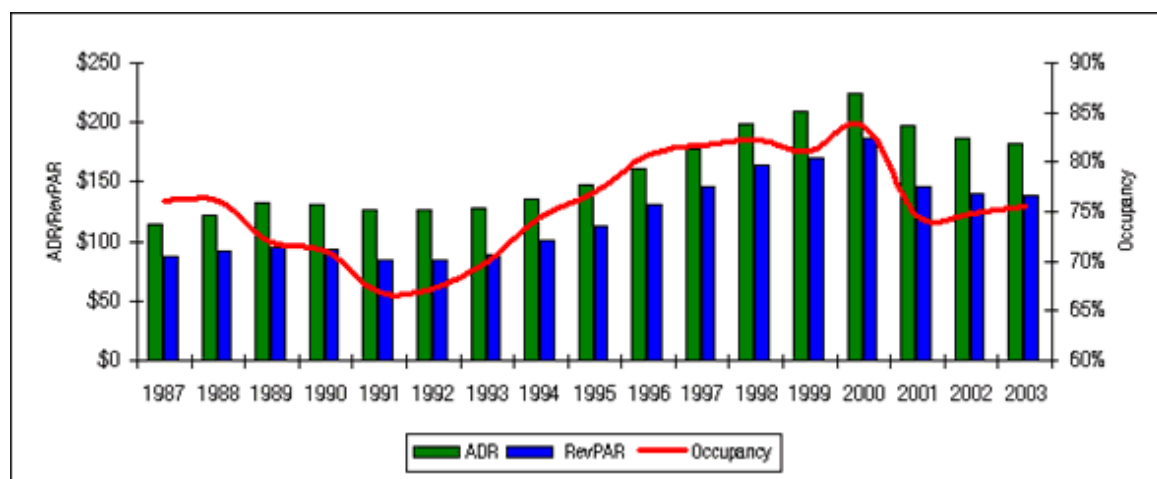
The following table sets forth monthly changes in occupancy, average rate, and RevPAR for 2003 and 2004.

Month	Occupancy		Average Rate		RevPAR	
	2003	2004	2003	2004	2003	2004
January	(0.6)%	11.3%	(3.8)%	(0.5)%	(4.3)%	10.8%
February	(3.5)	8.3	(5.0)	0.1	(8.4)	8.5
March	(10.2)	23.8	(5.2)	7.8	(14.8)	33.5
April	(10.7)	28.6	(8.3)	9.7	(18.1)	41.0
May	(2.2)	13.8	(6.4)	14.6	(8.5)	30.4
June	6.4	8.6	(6.2)	15.0	(0.2)	24.9
July	6.6	9.1	(4.0)	12.7	2.4	23.0
August	3.7	2.1	(3.5)	15.5	0.1	18.0
September	7.6	6.9	(0.5)	14.2	7.1	22.1
October	6.6	3.1	0.6	13.6	7.2	17.2
November	4.6	3.2	2.6	15.2	7.4	19.0
December	3.5	3.5	3.8	14.7	7.4	18.7
<b>Total</b>	<b>1.1%</b>	<b>9.6%</b>	<b>(2.4)%</b>	<b>11.3%</b>	<b>(1.4)%</b>	<b>22.0%</b>

Although the first half of 2003 was severely impacted by the adverse effects on travel caused by the war in Iraq and the SARS epidemic, demand levels in Manhattan started rising in June, with overall occupancy increasing from roundly 4.0% to 8.0% each month through the end of the year. With demand compression increasing, average rate showed positive growth in October through December. Overall, RevPAR registered strong increases in the last four months of the year, rising at rates of roundly 7.0% each month.

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 SARS epidemic, resulted in an exceptionally strong 22% RevPAR increase in 2004, compared to 2003. Monthly statistics indicate that year-over-year RevPAR increases accelerated from roughly 10% in January to 40% in April, then decelerated to roundly 18% in August, before once again accelerating to roundly 22% in September, followed by growth of roundly 17%, 19%, and 19%, in October, November, and December, respectively. While RevPAR growth during the first four months of 2004 was paced primarily by strong increases in occupancy, average rate growth exceeded the corresponding occupancy growth in May through December, suggesting that the heightened demand compression in the market enabled hoteliers to achieve robust year-over-year room rate increases.

The following chart illustrates the Manhattan lodging market performance from 1987 through 2004.



## New Supply

In 2004, three new hotels entered the Manhattan market: the 187-room Hotel Gansevoort, an upscale boutique hotel, opened in March 2004 in the Meatpacking District of Lower Manhattan; the 42-room Solita Hotel opened in August 2004; and the 110-room Hotel on Rivington opened in October 2004. We note that these properties are all boutique hotels. In addition, one hotel reopened in July 2004. This lodging facility had previously operated as the 188-room Doral Park Avenue and closed in November 2003 to undergo a \$19-million renovation and expansion program, including the addition of 17 guestrooms; the 205-room property reopened in mid-July 2004 as the 70 Park Avenue Hotel, an upscale boutique hotel affiliated with Kimpton Hotels. We note that the Regent Wall Street, the InterContinental Central Park South, and the Mayflower closed in January, March, and August of 2004, respectively; these three properties are expected to be converted to luxury condominiums. The following table lists the openings of several new hotels, as well as the reopening of hotels in Manhattan in recent years.

Name of Hotel	Location	Type	No. of Rooms	Opening Date	Developer/Comments
<b>Midtown West</b>					
Herald Hotel	34th St. & Broadway, SE corner	Extended-Stay	60	Jan-00	JEMB Realty
Red Roof Inn	6 West 32nd Street	Economy	171	Jun-00	Apple Core Hotels
Hilton Times Square	42nd St. (between 7th & 8th Aves.)	Upscale	455	Jun-00	Forest City Ratner
Sofitel	44th St. (between 5th & 6th Aves.)	Upscale	398	Jul-00	Accor
The Muse	130 West 46th Street	Boutique	200	Aug-00	Cornerstone

Hudson Hotel	57th St. (between 8th & 9th Aves.)	Mid-scale	810	Nov-00	Ian Schrager Hotels
Bryant Park Hotel	40th St. (between 5th & 6th Aves.)	Boutique	130	Feb-01	Pilevsky & McNally
The Chambers Hotel	56th St. (between 5th & 6th Aves.)	Boutique	77	Feb-01	Ira Drukier and Richard Born
Comfort Inn	442 W. 36th (between 9th & 10th Aves.)	Economy	56	Jun-01	Heena Hotel, LLC
W Times Square	47th St. & Broadway (SW corner)	Boutique	509	Dec-01	Intell Real Estate/Starwood
Best Western	522-24 W. 38th St. (bet. 10th & 11th Aves.)	Economy	83	Jan-02	Unigroup Hotel, LLC
City Club Hotel	55 West 44th Street	Boutique	65	Jan-02	Metropolitan Hotels, LLC
Ritz-Carlton	50 Central Park South	Luxury	277	May-02	Millennium Partners
Hotel 41	216 West 41st Street	Boutique	47	Aug-02	Private Investment Group
Westin Times Square	270 43rd St. & 8th Avenue	Upscale	863	Oct-02	Tishman Urban Development Corporation
La Quinta Inn Manhattan	17 West 32nd Street	Economy	182	May-03	Apple Core Hotels
Hampton Inn	W. 24th Street (between 6th & 7th Ave.)	Mid-scale	144	Aug-03	Hersha Hospitality
Mandarin Oriental	10 Columbus Circle	Luxury	251	Nov-03	Related Co./Mandarin Oriental Hotels
Sheraton Four Points	West 25th Street	Mid-scale	158	Dec-03	Unigroup Hotel, LLC
Dream Hotel (formerly Majestic)	210 West 55th Street	Boutique	220	Oct-04	Reopened following extensive renovation
<b>Midtown East</b>					
Thirty Thirty	East 29th St. (bet. Park & Lexington Aves.)	Mid-scale	251	Jul-00	PMG
Library Hotel	299 Madison Ave. at 41st St.	Boutique	60	Aug-00	Henry Kallan
Dylan Hotel	52 East 41st Street	Boutique	107	Oct-00	Morris Moinian/Allied Hospitality
Park South Hotel	122 East 28th Street	Boutique	143	Sep-01	Atlantic Stars
Le Marquis	12 East 31st Street	Boutique	123	Sep-01	Le Marquis Associates
The Alex	205 East 45th Street	Boutique	203	Sep-03	Izak Senbahar/Simon Elias
The San Carlos - Reopened	150 East 50th Street	Boutique	147	May-03	San Carlos Hotel, Inc.
70 Park Avenue Hotel	70 Park Avenue	Boutique	205	Jul-04	Kimpton Hotels

As illustrated in the following table, the majority of the new supply in Manhattan, since 2000, has been in the form of boutique properties. Overall, boutique hotels represent 20 out of the 42 hotels that opened/reopened in Manhattan between 2000 and 2004; however, the boutique hotels only represent roundly one-third of the guestrooms that entered the market during that period. This is mainly due to the nature of the boutique hotels, which, in general, contain fewer guestrooms than hotels in the other categories, with exception of the W branded properties. It is noteworthy that none of the boutique hotels opened or reopened in either Downtown or the Upper East Side.

Name of Hotel	Location	Type	No. of Rooms	Opening Date	Developer/Comments
<b>Upper East Side</b>					
The Melrose Hotel (formerly Barbizon)	140 East 63rd Street	Upscale	306	Jun-02	The Melrose Hotel Company
<b>SoHo/Lower Manhattan</b>					
Tribeca Grand	6th & White Streets	Boutique	203	May-00	Hartz Mountain Industries
W Hotel	Union Square, Park Ave. So. & 15th St.	Boutique	270	Nov-00	Starwood/Related Cos.
60 Thompson St.	60 Thompson Street	Boutique	101	Feb-01	Pomeranc Group
Howard Johnson	135 East Houston	Economy	46	Dec-01	Metro One Hotel, LLC
Maritime Hotel	Ninth Ave (between 16th and 17th St.)	Boutique	125	Jun-03	Private Developers
Hotel Gansevoort	Ninth Ave and 13th Street	Boutique	187	Mar-04	WSA Management, Ltd
Solita Hotel	159 Grand Street	Mid-scale	42	Aug-04	SoHo Grand Center, LLC
Hotel on Rivington	107 Rivington Street	Boutique	110	Oct-04	Paul Stallings
<b>Downtown</b>					
Embassy Suites	Battery Park City	All-Suite	463	Jun-00	Forest City Ratner
Ritz-Carlton Battery Park	2 West Street	Luxury	298	Jan-02	Millennium Partners
Marriott Financial Center - Reopened	85 West Street	Upscale	504	Jan-02	Host Marriott Corporation
Embassy Suites - Reopened	Battery Park City	All-Suite	463	May-02	Forest City Ratner
Millennium Hilton - Reopened	55 Church Street	Upscale	565	May-03	CDL Hotels

The following table illustrates hotels that have closed in Manhattan in recent years.

Name of Hotel	Location	Type	No. of Rooms	Opening Date	Developer/Comments
<b>Midtown West</b>					
The Helmsley Windsor Hotel - Closed	100 West 58th Street	Upscale	(240)	Nov-03	Conversion to residential use
Inter-Continental CPS - Closed	112 Central Park South	Luxury	(211)	Apr-04	Conversion to residential use
The Plaza - Closed	Fifth Avenue at Central Park South	Luxury	(457)	Apr-05	Partial conversion to residential use
<b>Upper West Side</b>					
Empire Hotel - Closed	44 West 63rd Street	Boutique	(381)	Dec-03	Conversion to residential use
Mayflower - Closed	15 Central Park West	Mid-scale	(365)	Aug-04	Conversion to residential use
<b>Upper East Side</b>					
Hotel Delmonico - Closed	Park Ave. and 59th Street	All-Suite	(152)	Apr-02	Conversion to residential use
Stanhope Park Hyatt - Closed	995 Fifth Avenue	Luxury	(185)	Jan-05	Conversion to residential use
<b>Downtown</b>					
Regent Hotel - Closed	55 Wall Street	Luxury	(144)	Jan-04	Conversion to residential use
<b>Total</b>					
<b>(2,135)</b>					



**Joseph Spinnato**  
**President & CEO**  
**Hotel Association of NYC**

It is evident from the occupancy figures for the year 2004, and from the numbers which are coming in now for the first quarter of 2005, that the hotel industry is enjoying a positive and strong rebound. The city's hotel professionals are continuing to express optimism for the balance of this year and also for going forward. As we look toward the rest of 2005, we know that New York's Olympics chances received a major boost with the MTA's approval of the New York Jets stadium bid. On July 6, the International Olympic Committee will announce its final selection for the 2012 summer games and,, hopefully, New York will be selected.

Also, recently New York City was selected by the National Football League to host the 2010 Championship Super Bowl game. This is contingent, however, on the completion of the Jets stadium, and a Super Bowl in New York City could not only generate additional jobs but more than \$300 million in economic activity.

Finally, the now approved expansion of the Jacob K. Javits Convention Center is very exciting for all of us in New York City. The \$1.50 fee per occupied unit became effective on April 1, 2005 and there is no question that the Javits Center is well on its way to the long awaited expansion.

Eight hotels closed for full or partial condominium conversions from April 2002 through April 2005, accounting for a total of 2,135 guestrooms, or slightly over 3.0% of the 2004 room inventory. These conversions reflect the strength of the Manhattan condominium market. We note that these conversions were primarily limited to upscale residential neighborhoods mainly around Central Park where land and buildings are in short supply, and condominium prices are high. These properties were all upscale or luxury in nature. Due to the limited number of upscale/luxury lodging facilities available for condominium conversion, as well as the strength of the Manhattan lodging market, fewer conversions should occur in the next few years.

It is worth noting that Elad Properties acquired the 805-room Plaza in October 2004, and, at the time of this survey, the plans were to convert the Plaza into a mixed-use development containing  $\pm 150$  luxury condominium units,  $\pm 165,000$  square feet of high-end retail space, three food and beverage outlets, and a 348-unit luxury hotel. These plans were a result of negotiations between the 900 union workers at the property and Elad Properties; originally, the plans were to reduce the guestroom inventory to 150 units. The tentative agreement also called for the preservation of The Plaza's Palm Court, Oak Bar, and the Ball Room. In addition, the 185-unit The Stanhope Park Hyatt closed in January 2005 in connection with its sale for condominium conversion.

### **Proposed Hotels**

As illustrated in the following table, as many as 2,337 rooms (not reflecting the unknown room count of the proposed Allen Street property), or 18 properties, may enter the Manhattan market through 2007; we note that we have not factored in the Courtyard by Marriott that is expected to be located at 54th Street and Broadway, as it was on hold as of the time of our survey. It is important to mention that even though three properties closed in 2004, and with the expected closure of the Plaza Hotel in 2005, the Manhattan lodging supply is expected to continue to grow over the next three years, albeit at a slow pace.

We also note that the 357-room Residence Inn, which is under construction at 39th Street and Sixth Avenue, will be the first branded extended-stay product in Manhattan. Most of the anticipated new supply represents limited-service hotels, while six of these properties can be classified as boutique hotels. It is interesting to note that no new lodging facilities have been proposed for the luxury segment before the reopening of the significantly smaller Plaza Hotel in 2007. We further note that 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. Thus, only the most financially feasible projects are likely to reach fruition. The following table sets forth the number of new rooms that are anticipated to become available through 2007.

\* Thirty-two of the 112 units will be hotel condominiums



## Manhattan Operating Statistics (Class)

HVS International compiled 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 tables compare the performance of all reporting hotels in Manhattan for year-end figures from 1999 through 2004; results are broken down by market segment: luxury, first-class, boutique, and other.

### Luxury

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	3,020,189	-	2,369,316	-	78.4%	-	\$347.08	-	\$272.28	-
2000	3,084,811	2.1%	2,496,404	5.4%	80.9	3.2%	370.64	6.8%	299.94	10.2%
2001	3,048,115	(1.2)	2,144,969	(14.1)	70.4	(13.0)	328.99	(11.2)	231.51	(22.8)
2002	3,236,795	6.2	2,342,779	9.2	72.4	2.9	315.50	(4.1)	228.36	(1.4)
2003	3,277,816	1.3	2,419,786	3.3	73.8	2.0	308.27	(2.3)	227.58	(0.3)
2004	3,268,400	(0.3)	2,609,505	7.8	79.8	8.2	340.49	10.5	271.85	19.5
Average Annual Compounded Change: 1999-2004		1.9%		1.6%		0.4%		(0.4)%		(0.0)%
Source: Smith Travel Research <i>Some figures may be subject to small rounding errors</i> <i>Statistics based on selected hotels from a large database</i>										

### First-Class

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	7,331,416	-	5,931,082	-	80.9%	-	\$217.51	-	\$175.96	-
2000	7,649,236	4.3%	6,441,712	8.6%	84.2	4.1%	230.56	6.0%	194.16	10.3%
2001	7,660,327	0.1	5,883,843	(8.7)	76.8	(8.8)	202.78	(12.0)	155.75	(19.8)
2002	7,675,516	0.2	5,957,577	1.3	77.6	1.1	192.43	(5.1)	149.36	(4.1)
2003	8,072,874	5.2	6,267,167	5.2	77.6	0.0	184.99	(3.9)	143.61	(3.9)
2004	7,823,955	(3.1)	6,581,291	5.0	84.1	8.4	207.53	12.2	174.57	21.6
Average Annual Compounded Change: 1999-2004		2.1%		1.3%		0.8%		(0.9)%		(0.2)%
Source: Smith Travel Research <i>Some figures may be subject to small rounding errors</i> <i>Statistics based on selected hotels from a large database</i>										

### Boutique

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	1,566,870	-	1,242,858	-	79.3%	-	\$235.14	-	\$186.51	-
2000	1,769,841	13.0%	1,446,833	16.4%	81.7	3.1%	258.34	9.9%	211.19	13.2%
2001	2,341,632	30.8	1,623,955	12.2	70.2	(14.2)	217.83	(15.7)	152.83	(27.6)
2002	2,488,825	7.5	1,829,550	12.7	73.5	4.8	210.92	(3.2)	155.05	1.5
2003	2,496,776	0.3	1,866,954	2.0	74.8	1.7	212.37	0.7	158.80	2.4
2004	2,524,732	1.1	1,978,797	6.0	78.4	4.8	240.92	13.4	188.83	18.9
Average Annual		9.7%		10.0%		(0.2)%		0.5%		(0.2)%

Compounded Change: 1999- 2004									
Source: Smith Travel Research <i>Some figures may be subject to small rounding errors</i> <i>Statistics based on selected hotels from a large database</i>									

## Other

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	4,668,759	-	3,841,939	-	82.3%	-	\$143.63	-	\$118.19	-
2000	4,769,184	2.2%	4,038,898	5.1%	84.7	2.9%	155.43	8.2%	131.63	11.4%
2001	4,825,452	1.2	3,599,054	(10.9)	74.6	(11.9)	138.26	(11.0)	103.12	(21.7)
2002	4,873,845	1.0	3,624,637	0.7	74.4	(0.3)	123.51	(10.7)	91.85	(10.9)
2003	4,887,721	0.3	3,677,003	1.4	75.2	1.2	121.57	(1.6)	91.46	(0.4)
2004	4,934,656	1.0	4,203,356	14.3	85.2	13.2	136.16	12.0	115.98	26.8
Average Annual Compounded Change: 1999- 2004		1.8%		1.1%		0.7%		(1.1)%		(0.4)%
Source: Smith Travel Research Some figures may be subject to small rounding errors Statistics based on selected hotels from a large database										

### Jonathan M. Tisch

**Chairman,  
NYC & Company**

Last year was an historic year for New York City's travel and tourism industry. We welcomed nearly 40 million people - an all time record that included new highs in domestic and leisure travel numbers, and after a three year decline, a double-digit surge in overseas visitor volume. Hotel occupancy was at its highest level in four years with a record 21 million room nights sold and today there is exciting hotel development taking place throughout the city. And there is more good news for the future, with construction of an expanded Javits Convention Center scheduled to begin later this year. Tourism clearly remains a vital and growing force for New York City's future.

A review of the previous tables reveals the following:

- The boutique segment registered the strongest growth in supply from 1999 through 2004, increasing at an average annual compounded rate of roundly 10%. All remaining segments exhibited supply increases below 2.0%, on an average annual compounded basis.
- Despite significant increases in supply, the boutique segment was the only category to show a positive average annual compounded growth in terms of both average rate and RevPAR, during the historical period reviewed.
- The boutique segment has shown stronger and earlier signs of recovery than the other segments, as evidenced by the positive RevPAR growth in both 2002 and 2003.
- All of the segments achieved close to 2000 occupancy levels in 2004, except the boutique segment, which recorded occupancy levels slightly lower than what was attained in 2000.
- In terms of average rate, the boutique segment is the only segment to register a positive average annual compounded change between 1999 and 2004.
- All of the segments rebounded in 2004, and recorded significant growth in terms of both occupancy and average rate, resulting in RevPAR growth ranging from a low of roundly 19% in the boutique segment to a high of roundly 27% in the other segment. The tremendous recovery recorded in 2004 was more extensive than most industry experts anticipated, and indicates the strength of the Manhattan lodging market.

## Operating Statistics by Neighborhood

The following tables compare the performance of all reporting hotels in Manhattan from 1999 through 2004; results are broken down by neighborhood, including Midtown West, Midtown East, and Downtown.

### Midtown West

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	9,362,278	-	7,656,330	-	81.8%	-	\$202.03	-	\$165.21	-
2000	9,802,114	4.7%	8,279,281	8.1%	84.5	3.3%	214.82	6.3%	181.44	9.8%
2001	10,282,160	4.9	7,835,726	(5.4)	76.2	(9.8)	189.31	(11.9)	144.27	(20.5)
2002	10,662,986	3.7	8,097,400	3.3	75.9	(0.4)	182.75	(3.5)	138.78	(3.8)
2003	10,948,292	2.7	8,378,468	3.5	76.5	0.8	180.06	(1.5)	137.80	(0.7)
2004	10,950,471	0.0	9,212,645	10.0	84.1	9.9	199.88	11.0	168.16	22.0
Average Annual Compounded Change: 1999-2004		3.8%		3.2%		0.6%		(0.2)%		0.4%
Source: Smith Travel Research Some figures may be subject to small rounding errors Statistics based on selected hotels from a large database										

### Midtown East

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	6,535,055	-	5,132,536	-	78.5%	-	\$246.58	-	\$193.66	-
2000	6,546,836	0.2%	5,388,139	5.0%	82.3	4.8%	265.53	7.7%	218.53	12.8%
2001	6,611,327	1.0	4,695,219	(12.9)	71.0	(13.7)	232.87	(12.3)	165.38	(24.3)
2002	6,609,055	(0.0)	4,896,416	4.3	74.1	4.3	217.52	(6.6)	161.15	(2.6)
2003	6,589,970	(0.3)	4,941,344	0.9	75.0	1.2	208.59	(4.1)	156.41	(2.9)
2004	6,378,217	(3.2)	5,161,786	4.5	80.9	7.9	234.64	12.5	189.89	21.4
Average Annual Compounded Change: 1999-2004		0.1%		(0.5)%		0.6%		(1.0)%		(0.4)%
Source: Smith Travel Research Some figures may be subject to small rounding errors Statistics based on selected hotels from a large database										

### Downtown

Year	Supply	Change	Demand	Change	Occupancy	Change	Average Rate	Change	RevPAR	Change
1999	689,901	-	5,132,536	-	86.4%	-	\$241.64	-	\$208.86	-
2000	924,122	33.9%	5,388,139	5.0%	81.9	(5.3)%	268.05	10.9%	219.41	5.0%
2001	955,039	3.3	4,695,219	(12.9)	75.5	(7.8)	240.52	(10.3)	181.55	(17.3)
2002	1,002,940	5.0	4,896,416	4.3	75.8	0.5	229.06	(4.8)	173.74	(4.3)
2003	1,196,925	19.3	4,941,344	0.9	76.1	0.4	229.85	0.3	174.97	0.7
2004	1,223,055	2.2	5,161,786	4.5	81.6	7.3	251.20	9.3	205.08	17.2
Average Annual Compounded Change: 1999-2004		10.9%		12.1%		(1.1)%		0.8%		(0.4)%

Source: Smith Travel Research  
*Some figures may be subject to small rounding errors*  
*Statistics based on selected hotels from a large database*

### **Lalia Rach**

**Ed.D, Associate Dean**

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

The New York City hotel industry has again established itself as the forerunner of industrywide success and change. On a grand scale, NYC hotel executives are redefining expectations for occupancy, rate, and profitability while at the same time revisioning products, services, and structures. Perhaps the song lyrics should be rewritten to read "when it happens here, it is expected everywhere!"

A review of the previous tables reveals the following:

- The Downtown neighborhood experienced the most rapid supply growth between 1999 and 2004 at roundly 11%, while the Midtown West neighborhood experienced moderate growth and the Midtown East neighborhood remained stable during the same period.
- All of the neighborhoods were negatively affected by the events of the 9/11 as well as the adverse economic climate in 2001. Nevertheless, all neighborhoods have shown resilience in 2002 and 2003, recording slight to moderate increases in occupancies, with the exception of the Midtown West neighborhood, which recorded a slight decrease in occupancy in 2002.
- In 2004, all of the neighborhoods recorded significant growth in their respective occupancies, with all neighborhoods reaching close to their 2000 occupancy level. The strong growth in occupancy was coupled with significant growth in average rates in all of the neighborhoods, which resulted in double-digit RevPAR growth in all neighborhoods, ranging from a low of roundly 17% in the Downtown neighborhood to a high of roundly 22% in the Midtown West neighborhood. The faster pace of growth in the two Midtown neighborhoods can be attributed to existence of a strong commercial base coupled with numerous leisure attractions.

## **Survey of Members of the Hotel Association of New York City**

An online survey of members of the Hotel Association of New York City was conducted by the graduate students of New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management. The purpose of the survey is to gain perspective relative to the hotel market in New York City. Over three-quarters of the HANYC members who responded to the survey are General Managers or Managing Directors. A summary of the findings follows:

- Ninety-eight percent of the survey respondents believe that New York City's year-end occupancy rates for 2005 will be higher than those of 2004.
- Similarly, ninety-six percent of the respondents expect year-end ADR and RevPAR levels to be higher than 2004 levels.
- Thirty-five percent of respondents believe that the New York City hotel market recovered at a faster pace than anticipated in 2004 due to the renewed growth of domestic corporate travel.
- Other respondents attribute the accelerated growth to the favorable exchange rate (22%), fading security fears (11%), pent-up demand for U.S. leisure travel (9.0%), and an increase in meeting and group business (4.0%), while almost 20% of respondents believe that the accelerated growth in New York City is the result of a combination of all five of these factors.
- By year-end 2005, roughly 42% of the survey respondents intend to decrease their use of third-party Internet distributors, while almost 38% intend to increase their use. The remaining 20% of respondents anticipate no change in their utilization of this distribution channel.
- In regard to third-party Internet distribution websites, roundly 48% of the respondents believe Expedia.com has had the most positive effect on their bottom line, followed by Hotels.com, at about 21%.
- Approximately 54% of the respondents note that Priceline.com, as the third-party Internet distributor, has had the least positive effect on their hotel's bottom line.
- According to respondents, the distribution channel driving the most rooms revenue to New York City hotels is on-property reservations. Roughly 22% of respondents chose this option while about 17% believe call centers to be the most effective. Direct sales, a hotel's own individual website, and third-party Internet distributors each account for nearly 15% of the responses.

- The distribution channel deemed most cost effective by New York City hotels is a hotel's own individual website, as stated by slightly more than 54% of survey respondents.
- Approximately 27% of the respondents indicate Public Relations is the most effective marketing channel for New York City hotels, followed by paid advertising at 25%, and trade shows at almost 16%. Other respondents mention Internet advertising such as key word search advertising and direct email, in addition to guest referral and frequent guest programs, as also being effective communication channels, albeit at insignificant percentages.
- According to the survey respondents, the three most important issues and challenges facing New York City's hotel market within the next two to three years will be economic conditions (82%), labor costs (74%), and terrorism (48%).
- Employee turnover (53%), acceleration of new construction (48%), and war (36%) are the three least important issues and challenges facing New York City hotels, according to respondents.
- The two most important factors that will influence the sustained growth of New York City's hotel market within the next year are an improving national economy (80%) and the continued growth of corporate travel (74%). Exchange rates (65%), an increase in meeting & group business (58%), and fading security fears (48%) are also important factors that will influence sustained growth.
- Sixty-two percent of the survey respondents expect that commercial travel will increase by growth rates greater than 10% in 2005, compared to 2004, while leisure (51%) and meeting & group (49%) travel will experience growth at a slower pace. None of the respondents surveyed are under the impression that any of the hotel categories are expected to experience decreases greater than 10% in 2005.
- Almost 59% of the respondents indicate that the Upscale segment will be the most successful in terms of RevPAR in the New York City market for the next three years, followed by Luxury (17%), and Mid-Scale with and without F&B (11%).
- Seventy-one percent of the respondents indicate that the domestic commercial travel segment has experienced relatively strong growth increases when comparing this year to last, while 52% of respondents noted slower increases in international commercial travel.
- The reverse was true for the leisure market, with 71% of the respondents reporting increases greater than 10% in international leisure travel and 47% reporting slower growth increases in domestic leisure travel.
- For the meeting and group segment respondents report no significant change in either international or domestic travel.
- Respondents overwhelmingly report (80%) that Europe is the strongest generator of international travelers to New York City hotels. The only other significant percentage is that of Asia/Pacific (13%).
- Slightly more than 91% of respondents report that their hotels are not adding cultural amenities in response to the increased demand of international travelers responding to the favorable exchange rate.
- More than half of the respondents (56%) indicate that they have neither reintroduced nor added any new amenities to their hotels since the economic downturn.
- Approximately 37% of the respondents who have reintroduced or added amenities since the economic downturn are charging guests for these services. However, the large majority of respondents (63%) are not charging guests for these amenities.
- The presence of loyalty programs is equally split among the respondents, with 50% indicating that they had a loyalty program at their properties and 50% indicating that they had no loyalty program.
- Among the 50% who responded in the affirmative, the average percentage of room nights generated by the loyalty program is between 38-39%.
- Fifty-five percent of those same respondents indicate that the room nights generated by the loyalty programs has resulted in relatively small increases in their property's ADR, while 27% indicate increases greater than 10%, and 14% indicate no change in their property's ADR.
- Forty-five percent of the respondents also note relatively small increases in their property's RevPAR resulting from room nights generated by their loyalty program, while 41% indicate increases of more than 10%, and 9.0% indicate no change in their property's RevPAR.
- When asked their impression of the expansion of the Javits Center, roundly 78% of the respondents feel that the impact would be positive and almost 22% feel there would be no impact.
- Although 54% of the respondents indicated that their properties had no changes planned in light of Javits expansion, roughly 24% will renovate, 15% will target convention business, and 13% will reposition their properties.

**Cristyne L. Nicholas**  
**President & CEO,**  
**NYC & Company**

Travel and tourism continue to thrive in New York City. This dynamic destination remains popular among domestic and international visitors, who are drawn to our world-class cultural attractions, restaurants, shopping, entertainment, and special events. In fact, New York City holds the position of being the number one U.S. destination for overseas visitors. Credit the remarkable resurgence of tourism to a combination of smart destination marketing, favorable currency exchanges, and a number of notable infrastructure improvements citywide.

At NYC & Company, we are confident in the growth of the city's \$24 billion tourism industry, which continues to be a vital contributor to the local economy, generating more than \$1 billion in city tax revenues and supporting more than 290,000 jobs in all five boroughs.

Recent forecasts give us reason to be optimistic. Overall, air flights and passenger volume are up as a result of competitive fares and new routes in and out of the New York City area. While the 2004 figures have yet to be released, the latest projections reflect a new high of 39.6 million visitors, which includes a 4.0% increase in the domestic market over the previous year to 34.3 million. Estimates for international visitors indicate double-digit growth with a 10.2 percent increase to 5.3 million visitors, marking a first time rise since September 11.

Hotel occupancy for the first quarter of 2005 is on track to reach levels almost 5.0% above the same time last year. Projections include a 6.0% increase in January to an occupancy level of 72%, while February shows a potential increase of as much as 10% with an extra 85,000 room nights generated by "The Gates." This moves the occupancy rate well above 80 percent, according to PricewaterhouseCoopers.

In 2004, hotel occupancy levels averaged 83%, with a current average daily rate of \$216.00, representing a 6.7% increase and \$18.00 more than 2003. New York City's hotel portfolio continues to grow, reflecting a strong demand for our quality travel product. Notable new hotels and renovations include the Affinia 50, the Doubletree Metropolitan Hotel, the Hotel QT, the Solita Soho Clarion Hotel, the Dream, and the Hotel on Rivington. Properties under development include the Blue Moon Hotel, the Downtown Hotel, and The Paramount New York, which will be re-branded as the Hard Rock Hotel New York.

A number of exciting developments are underway. The creation of a modern cruise ship terminal on the Brooklyn waterfront and improvements to the Passenger Ship Terminal on the West Side of Manhattan will meet the demand for New York City's growing cruise industry, while the expansion of the Jacob K. Javits Convention Center will further strengthen our appeal as a meeting and convention destination.

Overall, the respondents believe that occupancy, ADR, and RevPAR are expected to be higher in 2005 than in 2004. Most attribute the fast pace of New York City's recovery to the renewed growth in corporate travel, and accordingly, anticipate stronger growth increases in commercial travel than in leisure and meeting and group travel when comparing this year to last. This past year has shown a tremendous acceleration in international leisure travel, due primarily to the favorable exchange rate of the strong Euro compared to the weaker dollar, and Europe continues to be the strongest demand generator in comparison to other international regions. Views on third-party Internet distributors are still mixed, although more respondents plan to decrease their participation in this distribution channel, as the cost effectiveness of a property's own website becomes more and more apparent. Economic conditions, labor costs, and terrorism are considered the greatest issues to be addressed by NYC hotels in the next few years, while growth in corporate travel and the national economy are perceived to have the greatest effect on the health of NYC's hotel market in the short term. Although half of



the respondents properties do have loyalty programs, the majority stated that the room nights the programs generate do not result in substantial increases in ADR and RevPAR. Most respondents feel the Javits expansion will have a positive impact on their hotel, and the majority will not make changes in light of the expansion.

In summary, the mood of the respondents can be characterized as sound optimism, as 2005 is proving to be better than 2004 with New York City's hotel market having substantially outpaced the rest of the country, predominantly as a result of the renewed growth of domestic corporate travel. New York City's hotel market should be mindful that sustained growth will depend upon a continued growth in corporate travel and an improving national economy.

## Manhattan Operating History & Forecast

As mentioned previously, the uncertainties of the war in Iraq and the negative impact of the SARS epidemic on international travel greatly hampered the Manhattan lodging market's performance in the first four months of 2003. However, market fundamentals started improving in the second half of the year, and strong RevPAR increases were attained in October through December 2003. The combination of an improved economic climate in 2004 and the market's poor performance during the first four months of 2003 resulted in exceptionally strong RevPAR gains in 2004. In view of these historical trends, the continued recovery of the regional and national economies, a favorable exchange rate of the euro against the U.S. dollar, the recent closing of several hotels for condominium conversions and only moderate supply growth, we project that marketwide RevPAR will grow by roundly 17% in 2005, attributable to a 1.6% increase in occupancy and a 15% gain in average rate. As the national economy continues to recover, we project that in 2005, Manhattan's occupancy and average rate will exceed the 2000 levels.

### **Mark Lomanno**

#### **President**

#### **Smith Travel Research**

The New York City hotel market has enjoyed a stellar 2004 and all signs point to another excellent performance in 2005. RevPAR in 2004 was \$150.43, up an incredible 19.3% over 2003. The tremendous growth was fueled by an increase in rate of 10.6% and an increase in occupancy of 7.9%. We recorded the rate for the full year 2004 at \$185.76, which, despite being the highest in the Top 25 largest lodging markets, was still \$20.00 below the peak of the year 2000 when citywide ADR reached \$205.04.

In 2004, New York City hoteliers sold more rooms than ever before, some 23.6 million, generating \$4.3 billion in rooms revenue. It is worth noting that although the number of rooms sold was only 2.3% of the one billion rooms sold in the U.S. last year, New York City generates 5.0% of the nation's rooms revenue.

Tuesday and Wednesday nights keep outperforming the other days of the week with achieved rates of over \$190.00. Occupancy on those nights rose to over 85%. In addition, Saturday night's occupancy over the last 12 months was recorded at over 85%, but the rate charged was only \$183.74. While the Saturday night ADR climbed some \$20.00 over the last three years, there is still some upward potential given the rates that were achieved prior to 9/11.

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.

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	56,285	0.4	15,410,904	1.7	75.0	1.3	149.33	9.7	112.02	11.2
1996	56,552	0.5	16,654,408	8.1	80.7	7.6	160.72	7.6	129.68	15.8
1997	57,424	1.5	17,158,942	3.0	81.9	1.5	176.86	10.0	144.79	11.7
1998	57,943	0.9	17,415,191	1.5	82.3	0.6	198.25	12.1	163.24	12.7
1999	59,586	2.8	17,633,528	1.3	81.1	(1.5)	208.15	5.0	168.76	3.4
2000	61,026	2.4	18,635,765	5.7	<b>83.7</b>	3.2	<b>222.60</b>	6.9	186.23	10.4
2001	62,763	2.8	17,062,398	(8.4)	74.5	(11.0)	195.66	(12.1)	145.73	(21.7)
2002	63,296	0.8	17,337,034	1.6	75.0	0.8	185.88	(5.0)	139.49	(4.3)
2003	64,446	1.8	17,845,383	2.9	75.9	1.1	181.33	(2.4)	137.56	(1.4)
2004	64,229	(0.3)	19,495,746	9.2	83.2	9.6	201.76	11.3	167.78	22.0
<b>Forecast</b>										
2005	64,470	0.4%	19,885,661	2.0%	<b>84.5</b>	1.6%	<b>\$232.02</b>	15.0%	\$196.07	16.9%
2006	65,687	1.9	20,084,518	1.0	83.8	(0.9)	259.87	12.0	217.69	11.0
2007	66,035	0.5	20,486,208	2.0	85.0	1.5	285.85	10.0	242.96	11.6
Source: Smith Travel Research Some figures may be subject to small rounding errors										

## Overview of Sales Transactions in Manhattan

The table on the following pages sets forth an overview of Manhattan hotel sales from 1992 through March of 2005.

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Clarion Park Avenue	Pending	429 Park Avenue South	60	Palace International Properties, Ltd.	Park Avenue Hotels New York LLC	\$11,350,000	\$189,167
Rihga Royal*	Mar-05	151 W 54th St.	506	Lehman Brothers	Blackstone Real Estate Group	183,000,000	361,660
The Stanhope Park Hyatt*	Jan-05	995 Fifth Avenue	185	Hyatt Hotels	Intell Management	70,000,000	378,378
<i>Sold for Condo Conversion</i>							
Sheraton Russell	Dec-04	45 Park Avenue at 37th Ave	146	Starwood Hotels & Resorts	SJP Residential Properties	40,250,000	275,685
Clarion Fifth Avenue*	Dec-04	3-5 East 40th Street	189	ING Realty Partners	DiamondRock Hospitality	34,375,000	181,878
Park Central	Dec-04	870 Seventh Avenue	933	H. Park Central, LLC	Highgate Hotels	215,000,000	230,439
Courtyard Midtown East	Dec-04	866 Third Avenue	307	866 3rd Next Generation Hotel L.L.C.	DiamondRock Hospitality	75,000,000	244,300

The Plaza	Oct-04	768 Fifth Avenue	805	Plaza Operating Partners, Ltd.	Elad Properties	675,000,000	838,509
<i>Sold for Condo Conversion (except for 150 rooms, as originally conceived)</i>							
Days Hotel	Aug-04	790 8th Avenue	368	Hampshire Hotels & Resorts	Highgate Hotels	58,000,000	157,609
Howard Johnson Plaza	Aug-04	851 8th Avenue	300	Hampshire Hotels & Resorts	Highgate Hotels	47,200,000	157,333
Paramount Hotel	Jun-04	235 West 46th Street	593	Ian Schrager Hotels	Becker Ventures, LLC	126,500,000	213,322
				(as renovated assuming a \$50-million infusion)		176,500,000	297,639
Quality Inn Times Square	May-04	157 West 47th Street	160	Hampshire Hotels & Resorts	Cushlin Limited	20,200,000	126,250
The Mansfield*	May-04	12 West 44th Street	127	Credit Suisse First Boston	Ark Investment Partners, LP	12,500,000	98,425
InterContinental Central Park South*	Apr-04	112 Central Park S.	211	InterContinental Hotels Group	Anbau Enterprises	63,500,000	300,948
<i>Sold for Condo Conversion</i>							
The Shoreham*	Jan-04	33 West 55th Street	177	Credit Suisse First Boston	Ark Investment Partners, LP	14,500,000	81,921
Empire Hotel	Dec-03	44 West 63rd Street	381	Ian Schrager Hotels/NorthStar Capital	Joseph and Jack Chetrit	80,000,000	209,974
<i>Sold for Condo Conversion</i>							
Helmsley Hotel Windsor	Sep-03	100 West 58th Street	244	Leona Helmsley	Joseph and Jack Chetrit	55,000,000	225,410
<i>Sold for Condo Conversion</i>							
Gorham Hotel	Sep-03	136 West 55th Street	117	Private Investors	Richard Born and Ira Krukier	23,100,000	197,436
Roger Williams*	Sep-03	131 Madison Avenue	187	PTG Madison 31 Trust	JRK New York Hotel Partners	26,500,000	141,711
Hampton Inn Chelsea	Aug-03	108 West 24th Street	144	Chelsea Grand East, LLC	CNL Hospitality/Hersha Hospitality	28,000,000	194,444
Loews Metropolitan	Jul-03	Lexington Ave at 51st St.	722	Loews Hotels	Whitehall Street Real Estate Fund	110,250,000	152,701
				(as renovated assuming a \$20-million infusion)		130,250,000	180,402
Doral Park Avenue (now Kimpton Hotel)	Jul-03	70 Park Avenue	188	Hayman Company	Kennedy Associates	38,240,000	203,404
			205	(as renovated and expanded assuming a \$19-million infusion)		57,240,000	279,220
Hotel Wales	Nov-02	1295 Madison Ave.	87	PTG Wales Trust	DLJ Real Estate Capital Partners II LP	24,000,000	275,862
Fitzpatrick Hotel	Aug-02	127 East 55th Street	130	British Airways	Hotel Properties Ltd, Singapore	30,690,000	236,077
Algonquin Hotel	Jun-02	59 West 44th St.	174	Camberley Hotel Co./Olympus RE	Miller Global Properties	41,400,000	237,931
Delmonico Hotel	Nov-01	502 Park	152	N/A	Donald Trump	115,000,000	756,579

Avenue <i>Sold for Condo Conversion</i>							
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	657,216
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	172,414
The Sutton	Jun-00	330 East 56th St.	84	Hong Kong & Shanghai Hotels	Glenwood Management	35,000,000	416,667
Westpark Hotel	May-00	308 W 58th St.	99	The Leo Rosner Foundation, Inc.	Berit Reality	11,500,000	116,162
Sofitel New York	Mar-00	45 W 44th St.	398	Accor North America Corporation	Finova Capital, Pitney Bowes	77,177,000	193,912
Fulton Plaza Apartment Hotel	Jan-00	106-108 Fulton St.	85	Fulton/Max International	Pace University	20,000,000	235,294
Days Inn Midtown Manhattan	Dec-99	790 8th Avenue	368	Loews Corp.	Hampshire Hotels & Resorts, LLC	53,877,844	146,407
Howard Johnson Plaza	Dec-99	851 8th Avenue	300	Loews Corp.	Hampshire Hotels & Resorts, LLC	43,922,156	146,407
The Stanhope Hotel*	Dec-99	995 Fifth Avenue	150	Colony Stanhope Partners	Hyatt Partnership Interests	58,000,000	386,667
Hotel Lexington	Sep-99	511-515 Lexington Ave.	710	Lex Taj Corporation	Highgate Hotels	105,000,000	147,887
				(as renovated assuming a \$13-million infusion)		118,000,000	166,197
Westin (now InterContinental)	Jul-99	112 Central Park S.	214	Starwood Hotels & Resorts	Bass Hotels International	62,500,000	292,056
Essex House	Mar-99	160 Central Park S.	597	Essex Associates	Strategic Hotel Capital	260,000,000	435,511
Four Seasons Hotel*	Feb-99	West 57th St.	370	A Hong Kong Consortium (50.1%), Lai Sun Hotels (49.9%)	57 BB Property, LLC	275,000,000	743,243
Doral Park Avenue	Jan-99	49th St. & Lexington	188	John Hancock Mutual Life	Hayman Company	43,000,000	228,723
* Known leasehold and/or partial interest sold							

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price	Price per Room
Swissotel New York	Dec-98	56th St. & Madison	495	Blackstone Group	Host Marriott	\$179,123,000	\$361,865
Five Gotham Hotels**	Jul-98	Manhattan	531	Gotham Hospitality Group	CS First Boston	132,000,000	248,588
				(price adjusted to fee simple equivalent)		156,862,710	295,410
Radisson Empire & Barbizon	May-98	Manhattan	675	Affiliates of Metro Media Corp.	Ian Schrager Hotels and NorthStar	169,000,000	250,370
St. Moritz on Central	May-	50 Central	681	FAI Insurance	Ian Schrager	87,000,000	127,753

Park*	98	Park S.		Limited	Hotels and NorthStar		
				(price adjusted to reflect a \$93,000,000 renovation)		180,000,000	264,317
Marriott East Side	Feb-98	525 Lexington Ave.	643	Marriott Corporation	Strategic Hotel Capital	191,300,000	297,512
Luxury Collection Hotel New York	Jan-98	112 Central Park So.	214	Sheik Abdul Aziz bin Ibrahim al-Ibrahim	Starwood Lodging	78,030,606	364,629
Hotel Beverly	Nov-97	125 E. 50th St.	188	Highgate Corporation	Manhattan East Suite Hotels	41,000,000	218,085
Hotel Pennsylvania	Aug-97	401 Seventh Ave.	1,705	Ascot Associates & 15 Penn Plaza	Leisure Venture Holdings, Ltd.	160,000,000	93,842
UN Plaza Hotel	Jun-97	First Ave. & 44th St.	427	United Nations Development Corp.	Regal Hotels International	102,000,000	238,876
Quality Inn - Fifth Avenue*	May-97	11 E. 40th St.	186	Journey's End Corporation	Westmont Hotels	24,000,000	129,032
				(price adjusted to fee simple equivalent)		33,412,000	179,634
Plaza Athénée	Apr-97	37 E. 64th St.	153	Forte Hotels PLC	Plaza Athénée Hotel Corp., Ltd.	68,800,000	449,673
Algonquin Hotel	Mar-97	59 W. 44th St.	165	Caesar Park Hotels	Camberley Hotel Co./Olympus RE	30,000,000	181,818
Consulate Hotel*	Nov-96	224 W. 49th St.	200	B.S.D. & J., Inc.	Consulate Hotel Associates, LLC	13,000,000	65,000
				(price adjusted to fee simple equivalent)		21,143,000	105,715
Marriott Financial Center	Dec-96	85 West St.	504	Swiss Bank	Host Marriott	101,000,000	200,397
Doral Tuscany/Doral Court	Sep-96	120 & 130 E. 39th St.	121/199	Carol Management Corp.	Starwood Lodging	42,000,000	131,250
Mayfair Hotel	Aug-96	610 Park Avenue	201	Teachers Insurance	Colony Capital	61,000,000	303,483
Four Seasons Hotel*	Aug-96	57 E. 57th St.	367	Hotel Investment Group	Hotel 57, led by Lai Sun Group	195,000,000	531,335
				(price adjusted to fee simple equivalent)		239,000,000	651,226
Dorset Hotel	Feb-96	30 W. 54th St.	319	Unknown	Museum of Modern Art	50,000,000	156,740
Vista International*	Dec-95	3 World Trade Center	820	Port Authority of NY & NJ	Host Marriott	141,500,000	172,561
				(price adjusted to fee simple equivalent)		153,000,000	186,585
Doral Inn (now The W Hotel)	Sep-95	555 Lexington Ave.	652	Carol Management Corp.	Starwood Lodging	71,000,000	108,896
Park Central Hotel	Sep-95	870 Seventh Ave.	1,270	Park Centre Associates	H. Park Central LLC, et al.	60,000,000	47,244

The Plaza	Aug-95	768 Fifth Avenue	808	Plaza Operating Partners	CDL Hotels/Prince Alwaleed	325,000,000	402,228
Hotel Macklowe/Millennium	Dec-94	145 W. 44th St.	629	Chemical Bank	CDL Hotels International	97,500,000	155,008
Barbizon Hotel	Nov-94	140 E. 63rd St.	345	Bank of Tokyo, et. al.	Metromedia Company	31,500,000	91,304
Marriott East Side	Oct-94	525 Lexington Ave.	664	Mitsubishi Trust and Banking	Morris Bailey and Host Marriott	55,000,000	82,831
Morgans Hotel	Aug-94	237 Madison Ave.	113	237 Holding Corp./Bank of Tokyo	Morgans Hotel Group	12,000,000	106,195
Hotel Millenium	Jun-94	Fulton at Church St.	561	Kalikow Fulton Church Realty	CDL Hotels International	75,000,000	133,690
The Palace*	Oct-93	Madison Avenue	965	Helmsley Hotels	Amadeo Hotels (Brunei)	202,000,000	209,326
Parc 51/Michelangelo	Jun-92	152 W. 51st St.	178	Park Lane Hotels	Starhotels	38,900,000	218,539
Omni Berkshire	Mar-92	22 E. 52nd St.	420	Aer Lingus	Wharf Holding, Ltd.	83,500,000	198,810

\* Known leasehold and/or partial interest sold

\*\* Per-room price, based on a per-room allocation of a package price

### Michael R. Bloomberg

#### Mayor of the City of New York

As the "WORLD'S SECOND HOME," New York appeals to business and leisure travelers from every corner of the globe. In fact, we welcome more international visitors than any other destination in the United States with more than 5.3 million international visitors to our great city in 2004, an increase of more than 10 percent. The readers of *Travel + Leisure* confirmed our popularity by naming New York as the top city in the United States and Canada once again at the 2004 *World's Best Awards*.

Millions of people are discovering the rich diversity of our cosmopolitan city. New York City's accommodations, attractions, dining, entertainment, shopping, sporting events, theater, and performing arts are the best in the world. With 70,523 hotel rooms, New York offers visitors an unparalleled choice and new hotels are always being built, with new properties planned in Harlem and a major expansion in Brooklyn.

The thriving arts community welcomed the redesigned Museum of Modern Art, the Alvin Ailey American Dance Theater, and the Rubin Museum; while the forward momentum on the creation of a full Convention Corridor further secures New York's position as a top tier city for meetings, conferences, and trade shows. Successes such as the Republican National Convention, "The Gates, Project for Central Park," International Pow Wow, the 2010 Super Bowl, and the distinction of being the U.S. candidate for the 2012 Olympic Bid also demonstrate that New York is the premier destination for hosting world-class events.

There has never been a better time to visit the greatest city on earth. New York remains the safest large city in the United States and forecasts indicate that more than 40 million visitors will come to New York in 2005. Expect those visitor numbers to increase as more people experience the best of the Big Apple.



As a result of the previous recession in the early 1990s, limited transactions occurred in 1992 and 1993, followed by moderate increases in sales activity in 1994 and 1995. The hotel industry in Manhattan experienced significant sales transaction activity from 1996 through the first half of 2000, due to the upswing in hotel operating profits as well as the increased availability of debt financing. Hotel REITs and operating companies were in a strong acquisition mode during this period, which, coupled with the relatively low cost of debt and equity, helped to enhance hotel values. The downturn in lodging REIT and C-Corp. stock prices, as well as the uncertainty of the capital markets, contributed to a slowdown in sales activity as of the second half of 2000.

Following the events of September 11, 2001, hotel transaction activity further declined due to the uncertainty regarding hotel operating performance and stricter underwriting by lenders. Well-capitalized owners were generally holding onto 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 have been forced to sell their assets.

Since the end of 2001, numerous buyers have 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.

In the last quarter of 2003, 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 five sales that occurred in 2003 took place during the second half of the year, as the Manhattan lodging market was starting to turn around.

In 2004, the sales activity intensified as the market rebounded at a tremendous pace, and in total 12 hotels were sold during 2004, the highest number in the historical period reviewed. Hotel investors currently have an upbeat perspective of the Manhattan lodging market, as occupancy and average rate are expected to experience significant growth over the next few years. In addition, financing appeared more readily available in 2004, as lenders also seemed to be optimistic about the Manhattan lodging market.

Two hotels sold in the first three months of 2005, while a third sale was pending as of the end of the first quarter of 2005, and several hotels are anticipated to change ownership in 2005 and beyond. We expect significant sales transaction activity in the next few years, similar to the activity that followed the previous recession of the early 1990s.

We note that from 1992 through March 2005, the highest per-room price was achieved by The Plaza, at roundly \$839,000, in October of 2004 for condominium conversion of the majority of the existing guestrooms.

Twelve transactions were identified in 2004; the following is a synopsis of each of these sales.

- The 177-room **Shoreham** was sold in January 2004, with 42 years remaining on the two ground leases that the property is subject to, for \$14,500,000 or roundly \$82,000 per room.
- The 211-room **InterContinental Central Park South** sold for \$63,500,000 or roundly \$301,000 per room in April 2004. The hotel was the first of three properties that sold in 2004 for condominium conversion.
- The 127-room **Mansfield** was sold in May 2004, for \$12,500,000 or roundly \$98,425 per room. The hotel is subject to a ground lease with Mansfield Associates, L.P. with less than 30 years remaining.
- The 160-room **Quality Inn Times Square** was also sold in May 2004, for \$20,200,000 or roundly \$126,000 per room.
- The 593-room **Paramount Hotel** was sold in June 2004, for \$126,500,000 or roundly \$213,000 per room. Upon the completion of a renovation and conversion program, the hotel will be affiliated with the Hard Rock Hotels brand, and will be subject to a long-term management agreement with Lifestar Hotels LLC, a joint venture between Rank and Sol Melia Hotels. The planned ±\$50,000,000 renovation and conversion program would also include a reduction of the room count to 540 units.
- In August 2004 the 368-room **Days Hotel** and the 300-room **Howard Johnson Plaza** were sold for \$58,000,000 and \$47,200,000 or roundly \$158,000 and \$157,000 per room, respectively. The buyer plans to convert the hotels to a Hampton Inn and a Hilton Garden Inn.
- The 805-room **The Plaza** was sold in October 2004, for \$675,000,000 or roundly \$839,000 per room, the highest per-room value during the historical period reviewed. Elad Properties is expected to convert the Plaza into a mixed-use development containing ±150 luxury condominium units, ±165,000 square feet of high-end retail space, three food and beverage outlets, and a 348-unit luxury hotel. These plans were a result of negotiations between the 900 union workers at the property and Elad Properties; originally the plans were to reduce the guestroom inventory to 150 units. The tentative agreement also called for the preservation of The Plaza's Palm Court, Oak Bar, and the Ball Room. The spa component will be upgraded and will continue to be operated by the hotel. The hotel operation will also contain approximately 2,500 square feet of meeting space. The Plaza is expected to close on

or about April 30, 2005, and reopen on or about April 1, 2007, as a 348-unit luxury hotel.

- The 307-room **Courtyard Midtown East** sold in December 2004, for \$75,000,000 or roundly \$244,000 per room. At the time of the acquisition, the buyer was planning a ±\$4.3-million soft and case goods renovation.
- The 933-room **Park Central** also sold in December 2004, for \$215,000,000 or roundly \$230,000 per room. At the time of the acquisition, the buyer was planning a ±\$12,600,0000 renovation of the property.
- The 189-room **Clarion Fifth Avenue** sold in December 2004, for \$34,375,000 or roundly \$182,000 per room. The property became an independent lodging facility on August 23, 2004. The buyer has initiated a ±\$4,000,0000 renovation of the hotel and repositioned it as a Courtyard by Marriott in January 2005.
- Also in December 2004, the 146-room **Sheraton Russell** was sold, for \$40,250,000 or roundly \$276,000 per room.