

FALL HOSPITALITY REPORT

MANHATTAN 2015

EXECUTIVE SUMMARY

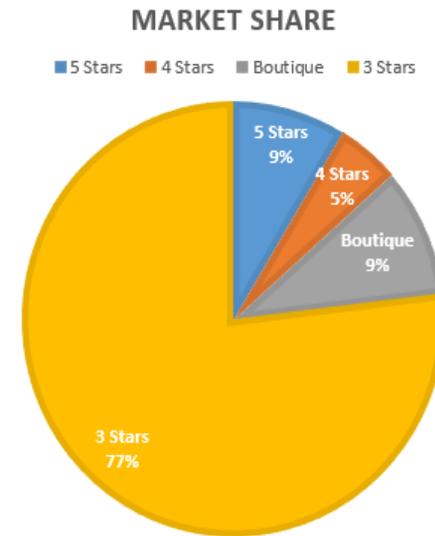
According to the Starr report, Manhattan’s hotel sector has been growing by over 4.0 % since 2010 both by ADR and number of rooms. The demand still far exceeds supply especially for 5 star brands. Early in the hotel recovery in 2011, three star brands grew in number of rooms and ADR initially. As the recovery went into full swing by late 2013, four and five star hotel development continued to outpace three star hotel growth. Global investors are seeking five star hotel product in Manhattan and at \$1.0 million up to \$2.0 million per key. For instance, Chinese investors bought the Waldorf Astoria and the Baccarat Hotels both at substantially above \$1.0 million per key.

Manhattan is one of the best hotel markets in the world between growing tourism and inexpensive accommodations compared to other global gateway cities like London, Paris, Moscow, Hong Kong, etc. Any established global hotel brand also requires a presence in Manhattan.

In 2014 alone, 4,348 keys were added to Manhattan’s existing 108,592 rooms. Currently, another 14,272 rooms are under construction in the city and about 4000 keys (1/3) are for boutique hotels.

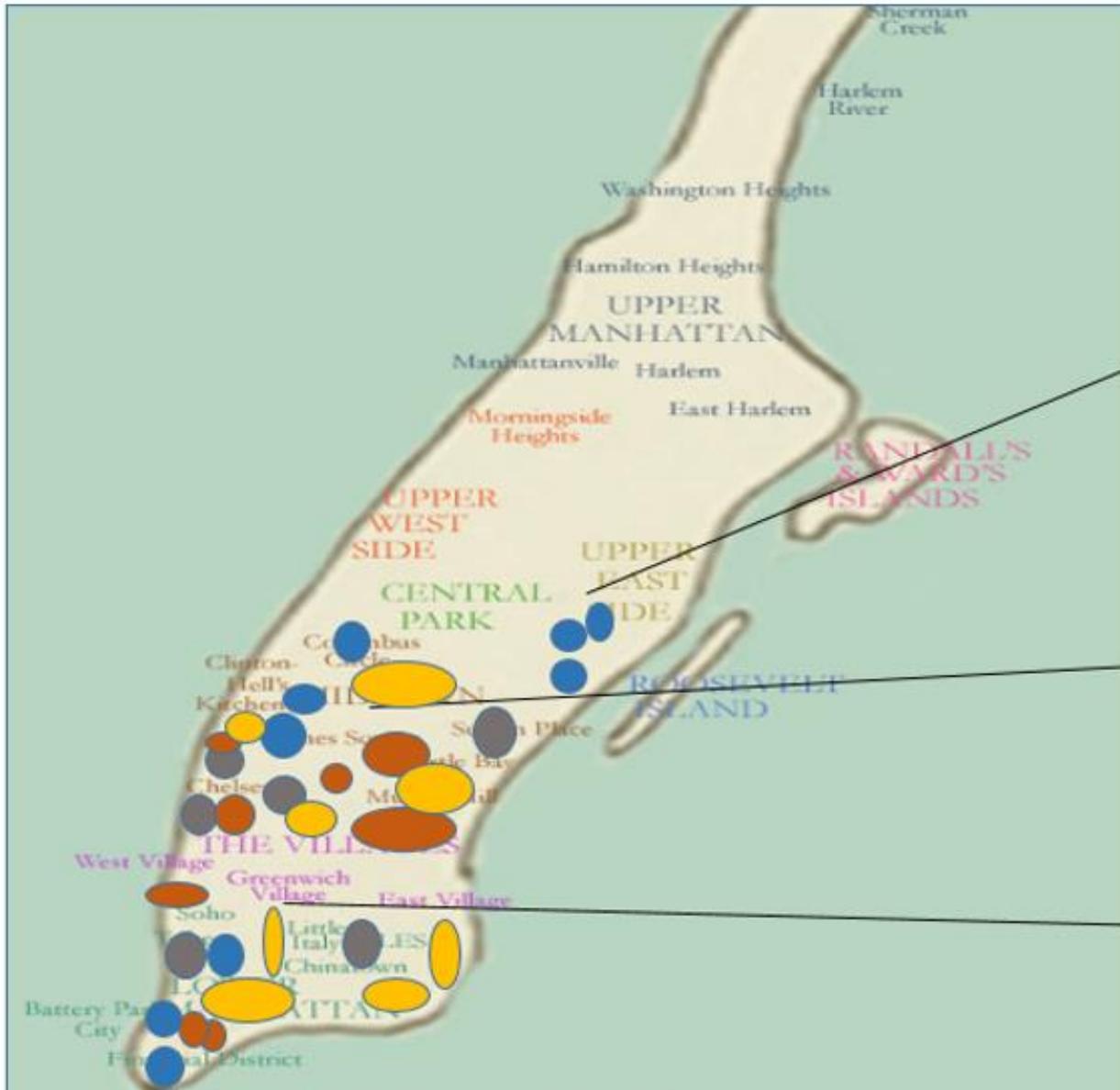
As of July 2015, the Manhattan market has approximately 118,000 keys. They are segmented as follows:

Type	Number	Average Daily Rate(ADR)
3 Stars	48,000	\$244
4 Stars	3,010	\$330
5 Stars	5,400	\$479
Boutique	6,000	\$425



Currently, there is a 4.0% annual compounded growth rate. Despite this growth, demand for hotel rooms from tourism, conventions, cultural events, and corporate use continues to grow as Manhattan is one of the most desirable locations for all of the above uses especially tourism from Asia and Europe.

Accordingly, real estate land prices from residential and hotel development has grown from \$200 PSF in 2009 during the recession to over \$1,000 PSF for residential use and over \$800 PSF for hotel use. Though the cost of land is high, the demand still drives a high valuation on the completed hotel projects and also the low cost of debt and equity capital globally continues to push up all real estate values in Manhattan.



Representative:
The Mark
The Carlyle, a Rosewood Hotel

Representative:
Baccarat Hotel
The Quin
The Ritz-Carlton

Representative:
The Bowery Hotel
Crosby Street Hotel
SoHo House

MANHATTAN MARKET AREA.

Manhattan is loosely divided into Downtown (Lower Manhattan), Midtown (Midtown Manhattan), and Uptown (Upper Manhattan), with Fifth Avenue dividing Manhattan's east and west sides. Manhattan Island is bounded by the Hudson River to the west and the East River to the east. To the north, the Harlem River divides Manhattan Island from The Bronx and the mainland United States. Several small islands are also part of the borough of Manhattan.

New York County is the most densely populated in the United States, and is denser than any individual American city. It is one of the most densely populated areas in the world, with a Census-estimated 2014 population of 1,636,268 living in a land area of 22.83 square miles (59.13 km²). Manhattan has the third-largest population of New York City's five boroughs, after Brooklyn and Queens, and is the smallest borough in terms of land area.

Manhattan is often said to be the economic and cultural center of the United States and serves as home to the United Nations Headquarters. Anchored by Wall Street in the Financial District of Lower Manhattan, New York City has been called both the most economically powerful city and the leading financial center of the world, and Manhattan is home to the world's two largest stock exchanges by total market capitalization, the New York Stock Exchange and NASDAQ. Many multinational media conglomerate are based in the borough. Manhattan real estate has become among the most expensive in the world, with the value of Manhattan Island, including real estate, estimated to exceed US\$ 3.0 trillion in 2013.

Many districts and landmarks in Manhattan have become well known, as New York City received a record 56 million tourists and visitors in 2014. The borough hosts many world-renowned bridges, skyscrapers, and parks. Manhattan's Chinatown incorporates the highest concentration of Chinese people in the Western Hemisphere.

OVERVIEW OF MANHATTAN'S ECONOMY

Hotel Economy: Manhattan is among the strongest, most diverse, and most dynamic hotel markets in the world. Manhattan's resiliency has been borne out over the course of recovery from three national recessions over the past 25 years. In August of 2010, just one year after the most recent recession, the Manhattan hotel market registered an increase in demand of 11.6%-the strongest year-over-year growth in demand in the last 27 years. The Manhattan hotel market has historically been undersupplied, with occupancy regularly in the 80% range. In just 2015, supply in Manhattan is expected to grow by 3,500 rooms.

Hotel demand in the Manhattan market ramped up as the U.S. economy rebounded in 2010, allowing for annual growth in occupancy despite the considerable introduction of new supply. Market-wide occupancy is expected to remain near maximum capacity, in the mid-to-high 80s, through 2016. The strong demand fundamentals of Manhattan support a forecast for relatively stable occupancy moving forward, with only slight occupancy declines. Manhattan's hotel supply is expected to increase by another 7.4% by 2016. Average rate and RevPAR in the market have begun to stabilize, though the ever increasing amount of new supply has put pressure on average rate growth.

Manhattan's lodging market is in the midst of a more extended recovery when compared with that of past recessions. This recovery is being aided by new developments and the wide scope of existing leisure, commercial, and meeting and group demand generators in the borough. Overall, while a full recovery of hotel performance in Manhattan has been more drawn out, the area's fundamental strengths provide a solid foundation for growth over the long term.

Local Economy: Manhattan is one of the highest-income places in the United States with a population greater than one million. As of 2012, Manhattan's cost of living was the highest in the United State, but the borough also contained the country's most profound level of income inequality. Manhattan is also the United States county with the highest per capita income, being the sole county whose per capita income exceeded \$100,000 in 2010. In 2012, *The New York Times* reported that "the income gap in Manhattan, already wider than almost anywhere else in the country, rivaled disparities in sub-Saharan Africa. ... The wealthiest fifth of Manhattanites made more than 40 times what the lowest fifth reported, a widening gap (it was 38 times, the year before) surpassed by only a few developing countries". Lower Manhattan has been experiencing a baby boom, well above the overall birth rate in Manhattan, with the area south of Canal Street witnessing 1,086 births in 2010, 12% greater than 2009 and over twice the number born in 2001. The Financial District alone has witnessed growth in its population to approximately 43,000 as of 2014, nearly double the 23,000 recorded at the 2000 Census.

Manhattan is the economic engine of New York City, with its 2.3 million workers in 2007 drawn from the entire New York metropolitan area accounting for almost two-thirds of all jobs in New York City. In the first quarter of 2014, the average weekly wage in Manhattan was \$2,749, representing the highest total among large counties in the United States. Manhattan's workforce is overwhelmingly focused on white collar professions, with manufacturing nearly extinct.

Manhattan's most important economic sector lies in its role as the headquarters for the U.S. financial industry, metonymously known as Wall Street. The borough's securities industry, enumerating 163,400 jobs in August 2013, continues to form the largest segment of the city's financial sector and an important economic engine for Manhattan, accounting in 2012 for 5 percent of private sector jobs in New York City, 8.5 percent (US\$3.8 billion) of the

city's tax revenue, and 22 percent of the city's total wages, including an average salary of US\$360,700. Wall Street investment banking fees in 2012 totaled approximately US\$40 billion, while in 2013, senior New York City bank officers who manage risk and compliance functions earned as much as US\$324,000 annually.

New York City is home to the most corporate headquarters of any city in the nation, the overwhelming majority based in Manhattan.

Tourism is vital to Manhattan's economy. And the landmarks of Manhattan are the focus of New York City's visitors and tourists, who were estimated to number 55 million by the end of 2014. According to The Broadway League, shows on Broadway sold approximately US\$1.27 billion worth of tickets in the 2013–2014 season, an increase of 11.4% from US\$1.139 billion in the 2012–2013 season; attendance in 2013–2014 stood at 12.21 million, representing a 5.5% increase from the 2012–2013 season's 11.57 million. Manhattan was on track to have an estimated 90,000 hotel rooms at the end of 2014, a 10% increase from 2013.

Real estate is a major force in Manhattan's economy, and indeed the city's, as the total value of all New York City property was assessed at US\$914.8 billion for the 2015 fiscal year. Manhattan has perennially been home to some of the nation's, as well as the world's, most valuable real estate, including the Time Warner Center, which had the highest-listed market value in the city in 2006 at US\$1.1 billion, to be subsequently surpassed in October 2014 by the Waldorf Astoria New York, which became the most expensive hotel ever sold after being purchased by the Anbang Insurance Group, based in China, for US\$1.95 billion. When 450 Park Avenue was sold on July 2, 2007 for US\$510 million, about US\$1,589 per square foot (US\$17,104/m²), it broke the barely month-old record for an American office building of US\$1,476 per square foot (US\$15,887/m²) based on the sale of 660 Madison Avenue. In 2014, Manhattan was home to six of the top ten zip codes in the United States by median housing price.

Manhattan had approximately 520 million square feet (48.1 million m²) of office space in 2013, making it the largest office market in the United States. Midtown Manhattan is the largest central business district in the nation based on office space, while Lower Manhattan is the third-largest.

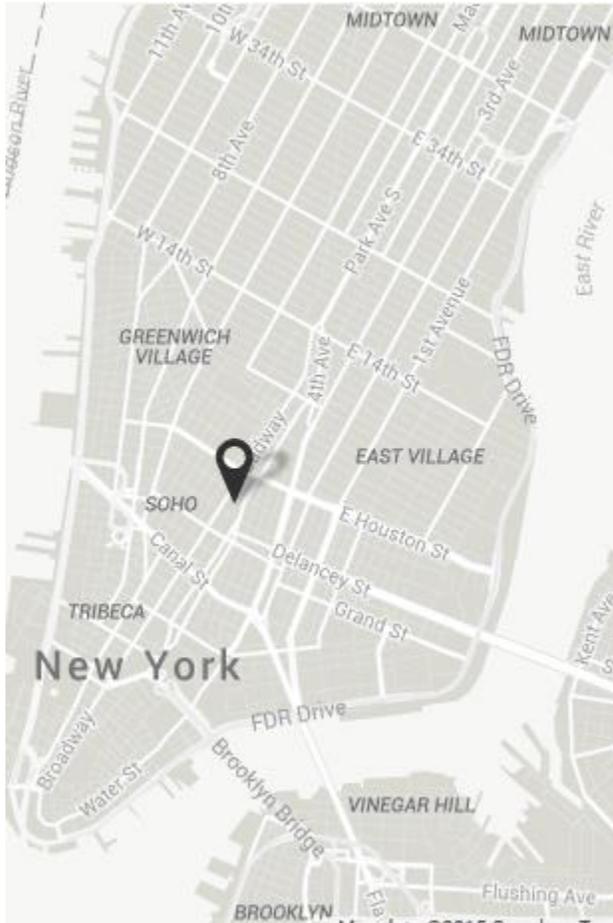
RECENT AND FORTHCOMING BOUTIQUE/LUXURY HOTEL OPENINGS IN MANHATTAN

Property	Address	Rooms	Opening Date	Property Type	Neighborhood	Develepor/Owner
The Stories "Gatsby" Hotel	163 Orchard Street	52	2015	Full-Service,Boutique	Lower East Side	163 Orchard Street LLC/Serge Hoyda
1 Hotel Central Park	1414 Sixth Avenue	229	2015	Full-Service,Boutique	Midtown	Starwood Capital Group
Clocktower Edition Hotel	5 Madison Avenue	238	2015	Full-Service,Boutique	Gramercy Park	Marriott
C3D Group-Unnamed Hotel	145 East 47th Street	100	Q3 2015	Full-Service,Boutique	Midtown East	C3D Group
Carnegie Hotel	160 West 56th Street	63	Q4 2015	Full-Service,Luxury	Times Square	Carnegie Towers LLC
Tommie Hotel Soho	231 Hudson Street	325	Q4 2015	Limited-Serivce,Boutique	West Soho	Eagle Point and Cube Capital
SLS New York	444 Park Avenue South	190	Q1 2016	Full-Service,Boutique	Murray Hill	SBE
Executive Hotel Le Soleil	38 West 36th Street	160	Q1 2016	Full-Service,Boutique	Midtown South	8th&Pine Partners LP
Canal Street Hotel	54 Canal Street	130	Q2 2016	Full-Service,Boutique	Lower East Side	Nine Orchard Partners,LLC
Jade Hotel Bryant Park	36 West 38th Street	114	Q2 2016	Full-Service,Boutique	Midtown West	Gemini Real Estate Advisors
The Artezen Hotel	24 John Street	89	Q3 2016	Full-Service,Boutique	Downtown	N/A
The Beekman Hotel	5 Beekman	287	Q3 2016	Full-Service,Boutique	Downtown	GB Holding
Tommie Hotel	11 East 31st Street	250	Q3 2016	Full-Service,Boutique	Murray Hill	Cube Capital/Simon Dev.GP/Eagle Hotel Partners
Four Seasons World Trade Center	30 Park Place	189	Q3 2016	Full-Service,Luxury	Downtown	Silverstein Properties
Even Hotel 44th Street	219 East 44 Street	230	Q4 2016	Full-Service,Boutique	Midtown East	Intercontinental Hotel Group
Firmdale Hotel	18-20 West 56th Street	86	Q4 2016	Full-Service,Luxury	Midtown West	McSam Hotel Group/Barone Management
Joie De Vivre Bowery	50 Bowey Street	229	2017	Full-Service,Boutique	Chinatown	Bowery Holdings LLC
Unnamed Hotel	414 West 15th Street	158	2017	Full-Service,Boutique	Chelsea/Gramercy	LM Legacy Group LLC
Furnished Quarters	70 Pines Street	132	2017	Full-Service,Luxury	Financial District	Rose Associates and DTH Capital
POD Hotel	400 West 42nd Street	510	2017	Full-Service,Boutique	Midtown West	Friedman Group
Pubic Hotel	215 Chrystle Street	370	2017	Full-Service,Boutique	Tribeca/Lower East Side	Lan Schragger
Unnamed Luxury Hotel	35 Hudson Yards	175	2017	Full-Service,Luxury	Midtown West	N/A
Total		4306				

Crosby Street Hotel

79 Crosby Street, New York, NY 10012

Crosby Street Hotel is a 5 star luxury hotel situated on a quiet cobbled street in the heart of New York's vibrant SoHo neighborhood. There are 86 bedrooms and suites over 11 floors. Interior design by Kit Kemp reflects a fresh, contemporary style.



The Bowery Hotel

355 Bowery Street, New York, NY 10003

The Bowery Hotel is a modern designed boutique hotel with 135 rooms. Rooms are swanky, with generous space, fine linens, iPods, and top-shelf bath products.



Trump SoHo

246 Spring Street, New York, NY 10013

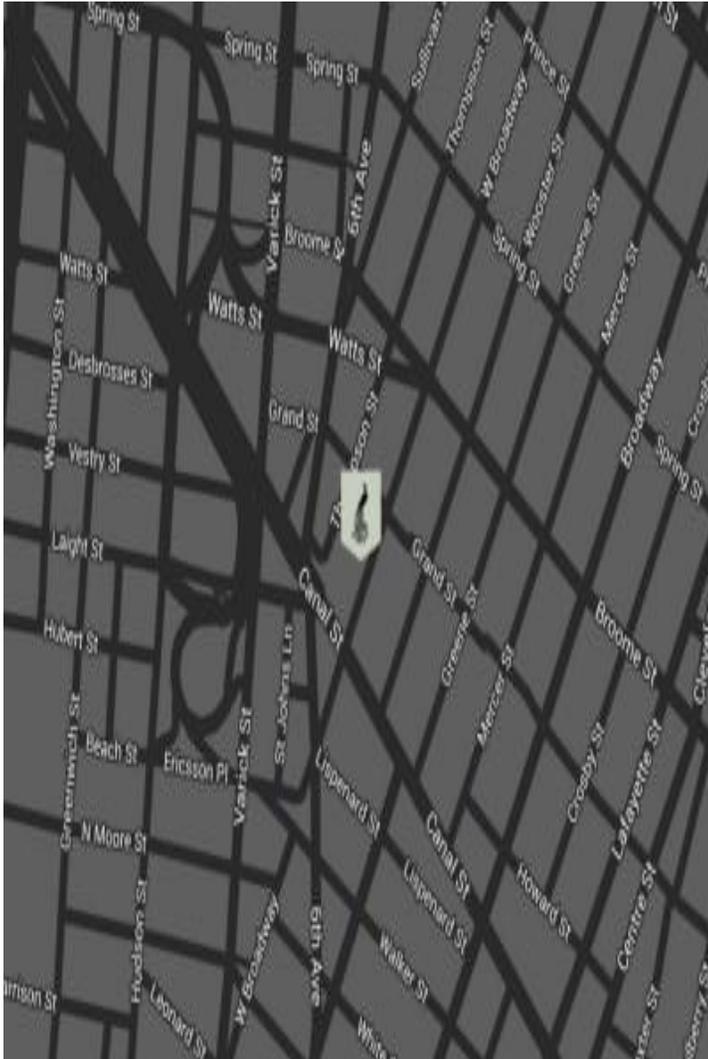
Trump SoHo is a \$450 million, 46 story, 39-unit hotel condominium. Though there are 391 guest rooms in the hotel, most floors only hold twelve, allowing for a more intimate, residential feel. Sample Room Rates: Deluxe, \$389-\$519; Superior, \$459-\$559; Suite, \$759-\$919, Penthouse, \$2,800-\$6,500.



SOHO Grand Hotel

310 West Broadway New York, NY 10013

The SOHO Grand Hotel is famous for establishing itself as Manhattan’s first luxury downtown boutique hotel. It is located in the heart of SoHo, alongside world renowned art galleries, boutiques and restaurants.



LIST OF LUXURY/BOUTIQUE HOTELS IN MANHATTAN

	Property Name	Neighborhood	Rooms	Rates	Address
Below 16th Street	The James	Downtown/SoHo	114	\$380-\$1,120	27 Grand Street
	Andaz Wall Street	Downtown	253	\$365-\$1,365	75 Wall Street
	The Ritz-Carlton	Downtown	298	\$395-\$7,500	2 West Street
	Hyatt Union Square	Downtown	178	\$333-\$2,133	134 4th Avenue
	The Mercer	Downtown/SoHo	75	\$545-\$725	147 Mercer Street
	Smyth-a Thompson Hotel	Downtown/Tribecca	100	\$325-\$4,000	85 West Broadway
	Nolitan Hotel	Downtown	57	\$380-\$450	30 Kenmare Street
	Conrad New York	Downtown	463	\$400-\$634	102 North End Avenue
	Dream	Downtown	314	\$505-\$755	355 West 16th Street
	Standard High Line	Downtown	300	\$377-\$1,545	848 Washington at 13th St
	The Greenwich Hotel	Downtown/Tribecca	88	\$575-\$15,000	377 Greenwich Street
	SoHo House	Downtown/SoHo	30	N/A	35 Ninth Avenue
	Sixty SoHo	Downtown/SoHo	97	\$439-\$4,539	60 Thompson Street
	Trump SoHo	Downtown/SoHo	391	\$475-\$1,720	246 Spring Street
	Crosby Street Hotel	Downtown/SoHo	86	\$525-\$4,250	79 Crosby Street
	The Bowery Hotel	Downtown	135	\$365-\$765	335 Bowery Street
16th to 59th Street	Hotel Giraffe	Midtown	72	\$200-\$552	365 Park Avenue S
	Andaz 5th Avenue	Midtown	184	\$505-\$2,075	485 5th Avenue
	Westhouse Hotel	Midtown West	172	\$290-\$830	201 West 55th Street
	The Ritz-Carlton	Midtown	259	\$745-\$4,500	50 Central Park South
	The Chatwal	Times Square	76	\$520-\$3,395	130 West 44th Street
	Chambers Hotel	Midtown West	72	\$360-\$1,120	15 West 56th Street
	Hotel Elysee	Midtown East	100	\$200-\$790	60 East 54th Street
	The Micherlangelo Hotel	Midtown West	179	\$400-\$1,000	152 West 51st Street
	Refinery Hotel	Midtown West	197	\$280-	63 West 38th Street
	Baccarat Hotel & Residences	Midtown West	114	\$800-\$18,815	20 W 53rd Street
	JW Marriott Essex House	Midtown	511	\$330-\$998	160 Central Park South
	Omni Berkshire Place	Midtown East	398	\$340-\$500	21 East 52nd Street
	The Knickerbocker Hotel	Times Square	330	\$640-\$1,040	6 Times Square

	The Towers of the Waldorf Astoria	Midtown East	181	\$459-\$6,000	100 East 50th Street
	Gramercy Park Hotel	Gramercy	185	\$400-\$1,050	2 Lexington Avenue
	The Quin	Midtown West	208	\$349-\$15,348	101 West 57th Street
	Royalton	Midtown West	168	\$382-\$1,700	44 West 44th Street
	The NoMad Hotel	Midtown	168	\$390-\$800	1170 Broadway
	The Plaze Hotel	Midtown	282	\$825-\$3,800	Fifth Ave at Central Park South
	Park Hyatt	Midtown West	1301	\$753-\$3,138	153 West 57th Street
	The Peninsula	Midtown	239	\$725-\$4,300	700 Fifth Avenue at 55th Street
	Four Seasons Hotel	Midtown East	368	\$750-\$16,000	57 East 57th Street
	The St.Regis	Midtown East	238	\$680-\$10,500	2 East 55th Street
	The Towers at The New York Palace	Midtown East	176	\$520-\$995	455 Madison Avenue
	Ink48,a Kimpton Hotel	Midtown West	222	\$240-\$400	653 11th Avenue
	Viceroy New York	Midtown West	240	\$369-\$3,030	120 West 57th Street
	Langham Place	Midtown	214	\$700-\$6,900	400 5th Avenue
	The Marmara Park Avenue	Midtown East	128	\$615-\$9,040	114 East 32nd Street
	Library Hotel	Midtown	60	\$293-\$570	299 Madison Avenue
	1 Hotel Central Park	Midtown West	229	\$479-\$1054	1414 Avenue Of The Americas
	The New York Edition	Midtown	273	\$525-\$6,000	5 Madison Avenue
	Hotel Sofitel	Midtown West	398	\$259-\$718	45 West 44th Street
59th to 90th Street	The Mark	Upper East Side	150	\$695-\$4,770	25 East 77th Street
	The Carlyle,a Rosewood Hotel	Upper East Side	188	\$450-15,000	35 East 76th Street
	Loews Regency New York	Upper East Side	379	\$399-\$1,909	540 Park Avenue
	Hotel Plaza Athenee	Upper East Side	141	\$475-\$7,250	37 East 64th Street
	The Surrey	Upper East Side	190	\$555-\$16,000	20 East 76th Street
	The Lowell	Upper East Side	74	\$595-\$5,087	28 East 63rd Street
	Trump International Hotel&Tower	Upper West Side	167	\$595-\$4,120	One Central Park West
	The Pierre,a Taj Hotel	Upper East Side	200	\$420-\$30,000	2 East 61st Street at Fifth Ave
Total Rooms			12410		

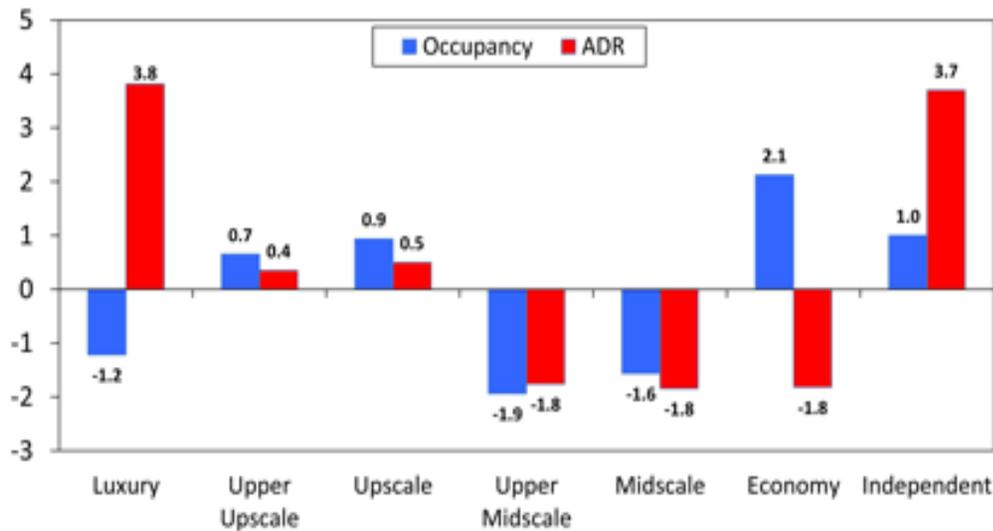
Manhattan is unquestionably one of the world’s most vibrant, dynamic and diverse hotel markets. Major hotel companies value presence in the market to grow brand recognition and customer awareness. In addition, independent hotels often compete more rigorously with branded properties in major markets like NYC, particularly with the ability to leverage Internet marketing and online-travel-agency presence.

Manhattan is consistently one of the world’s highest occupancy markets, even in periods of significant room supply growth. Supply/demand fundamentals are strong even considering the market’s high supply increases. Full-year 2014 room supply growth spiked to 5.5%, but rooms sold grew even faster at 6%, pushing occupancy to 84.8%.

Luxury chains led all chains led all chain-affiliated segments with full-year 2014 ADR up 3.8%. All other chain-affiliated segments experienced ADR growth of less than 1% or ADR declines.

Some Salient Facts

New York Chain Scales
Occupancy / ADR Percent Change
2014 Year-End



New York Market
ADR – Trailing 12 Months
2003 to March 2015

