



MANHATTAN HOTEL INDUSTRY IN NYC
2011 NYC Hotel Market Forecast and 2010 Overview
Buyers & Sellers – 3rd Edition

DOMAIN PROPERTIES

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Domain Properties is proud to present its latest report about the Manhattan hotel industry. The '2011 NYC Hotel Market Forecast and 2010 Overview - Buyers & Sellers' focuses on the market for the coming year as well as reviews industry activity in recent months. The future looks promising for the Manhattan hotel industry. Domain Properties will be a significant player in this profitable marketplace. Domain Properties is a leading resource for buyers, sellers, and banks who want to make the most of their investment in Manhattan hotels.

MANHATTAN HOTEL INDUSTRY IN NYC - 2010 OVERVIEW

The new year started on an encouraging note for the **NYC hotel** industry. Visitors were flocking to Manhattan and they were enjoying discounted hotel rates. Overall hotel capacity was expected to rise by 12% in 2010. By the middle of the year, a big "silver lining" was predicted for the U.S. hotel industry. An increase in leisure travel and corporate trips would drive the market. Hotel rooms were expected to crop up by the dozens to meet the increased demand.

In addition to new hotel rooms coming on scene in early 2010, current hotels were in the midst of major renovations. Yet a few of these hotels managed to stay open during the renovation process. The Trump International Hotel, the New York Helmsley Hotel, the Grand Hyatt New York, and the Hotel Plaza Athenee managed to make improvements and entertain guests at the same time.

The Grand Hyatt New York in the heart of Midtown Manhattan is now in the final phase of its \$130 million renovation. By November 2010, more than 150 newly-renovated guest rooms will be available on two floors of the

hotel. This extensive renovation will continue through 2011. At the end of the renovations, 133 rooms will have received a luxurious makeover.

Nine hotels opened in the first half of 2010 and 1633 rooms were added to the New York City hotel industry. During the second half of 2010, more NYC hotels were expected to be under development. Starwood Hotels and Resorts, Inc. announced in July that they were increasing their New York portfolio by fifty per cent. Starwood stated that they would be opening more hotels in New York City in 2010 than anywhere else in the world.

The company pledged to increase its holdings from 12 hotels to 18 hotels in neighborhoods across Manhattan as well as in Brooklyn and Long Island City. That growth represented one quarter of the new hotel rooms in New York City. Frits van Paasschen, CEO of Starwood Hotels and Resorts, explained the logic behind Starwood's decision to keep expanding in Manhattan. The Starwood CEO described "New York's enduring stature as the most global gateway city in the world."



Holiday Inn

group by number of rooms, announced the opening of the Holiday Inn Express Wall Street New York.

The new Holiday Inn is in a prime location for the business traveler - two blocks from the New York Stock Exchange and three blocks from the Federal Reserve Bank. As well, leisure travelers will love this hotel. The property is close to popular attractions such as Battery Park and the ferry to the Statue of Liberty.

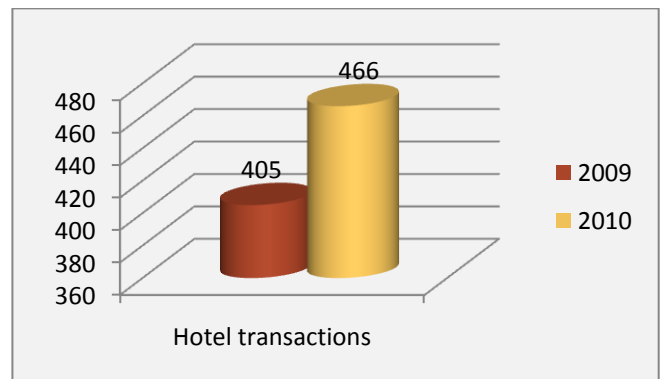
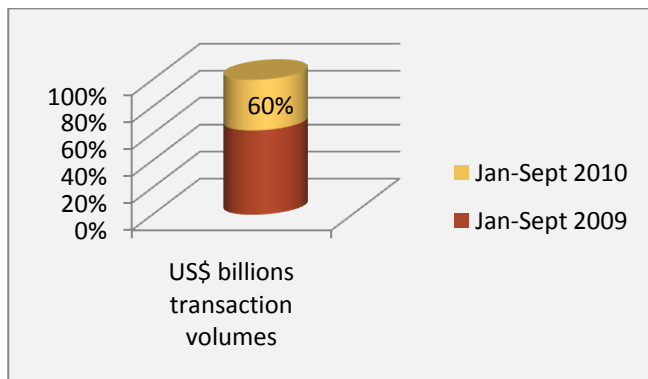
The Manhattan hotel industry was favorable to everyone in the first eight months of 2010. Buyers, sellers, and of course, hotel guests still enjoying low hotel rates, were optimistic about the future. RevPAR had been positive since early in the new year. The luxury market looked promising and NYC was getting ready to welcome 46.7 million visitors by the end of 2010. There was never a better time to buy into the Manhattan hotel industry.

In August 2010, the W New York Downtown, a 58-storey hotel, opened at the corner of Washington and Albany in New York City's Financial District. Developed by The Moinian Group, W New York Downtown is W Hotels first residential development in Manhattan. Also in August, HG (InterContinental), the world's largest hotel

GLOBAL HOTEL INVESTMENT MARKET – JANUARY-SEPTEMBER 2010

Overall, the global hotel investment market was strong from January-September 2010. Transaction volumes reached US\$12 billion - a 60% increase over the same period in 2009. The volume of sales in the Americas increased 179 percent over the same time last year and accounted for 50% of transactions. Most likely, the global transaction volumes for the entire 2010 year will be 80%-85% over 2009. The entire sales would amount to US\$17-\$18 billion – higher than the previous forecast of US\$12-14 billion.

A total of 466 hotel transactions and property transfers have taken place globally in 2010 (YTD – year to date). This statistic is up by 61 transfers over the same period in 2009. Five markets stand out above the others - Boston, New York City, Orlando, Phoenix, and Washington, DC. Luxury properties were in demand and 116 of the 466 transactions involved upscale chains with 97 transactions (up by 52 since 2009) being sold for more than \$10 million.



**SELECT EXAMPLES OF PROPOSED MANHATTAN HOTELS –
 SEPTEMBER 2010- DECEMBER 2012**

Hotel	Address	Type	Rooms	Date of Completion	Developer
Andaz	485 Fifth Avenue	boutique	184	September 2010	Hyatt Hotels and Resorts
Courtyard 181	181 Varick Street	midscale	122	September 2010	Ocean King LLC
Sheraton 370	370 Canal Street	full service	368	September 2010	McSam Hotel Group
The Setai	400 Fifth Avenue	luxury	214	September 2010	The Setai Group
48Lex*	517 Lexington Avenue	boutique	116	Late 2010	Hersha /Hunter Roberts
Double Tree	8 Stone Street	full service	410	Late 2010	McSam Hotel Group
High Line Hotel	West 27th Street	boutique	56	Late 2010	Black House
Select-Service	99 Washington Street	mid-scale	370	Late 2010	McSam Hotel Group
The NoMad Hotel	1170 Broadway 28th St.	boutique	171	Early 2011	GFI Development
Hyatt**	Greenwich Village	luxury	175	Fall 2011	Hyatt and Hersha
Park Hyatt NY	157 West 57th Street	luxury	135	2012	Hyatt Hotels

*48Lex will be the first ground-up hospitality project to enter the Midtown Manhattan marketplace in the past ten years. The property is targeted to the business traveler and has 60,000,000 square feet of office space surrounding the hotel.

**This Hyatt hotel is near Union Square and next to prestigious Manhattan’s residential and commercial neighborhoods such as Chelsea, Gramercy Park, and the Flatiron District. There are first-class restaurants and popular nightlife in the vicinity of the hotel. The entire area is popular with tourists and residents. The neighborhood is a hub of activity with its retail centers and universities.

MANHATTAN HOTEL INDUSTRY IN NYC – LATE 2010 - 2011 NYC HOTEL MARKET FORECAST

There will be plenty of distressed properties on the market as 2010 draws to a close. The trend will mirror the availability of such properties during the summer months. In August, 25 % of commercial sales in August involved distressed real estate.

Yet investors might have to wait awhile for certain properties. Their owners have found another way to maneuver without selling in the moment. The Federal Reserve is keeping interest rates low in the hopes of encouraging economic growth. Therefore, a few distressed property owners have more room and additional options.

NYC hotels will continue to be built in the last quarter of 2010. New hotels will come on scene in Lower Manhattan, Brooklyn, and Queens. The top distribution channel in 2010 was through property and corporate websites. Keep in mind that corporate travelers yield considerable power over the Manhattan hotel industry. Their presence in large numbers makes a big difference to the NYC market.

RevPAR (revenue per available room) is expected to increase market wide in 2011 and onward to 2013. An increase in ADR (average daily room rate) is also expected in the industry during 2011. RevPAR was at a pre-recession high in 2008. Generally, it is expected that RevPAR will exceed the 2008 high by 2013.

WNY, Downtown



The Manhattan market will reflect that trend. Its RevPAR is predicted to increase by 4.6% by the end of 2010, almost 10% in 2011, and a repeat of double digit percentages in 2012 and 2013. It is believed that NYC RevPAR will return to its peak level in 2014. Of course, the economic climate in the coming months can affect that outcome. A change in the number of corporate travelers or upsets in financing levels would have an impact on RevPAR.

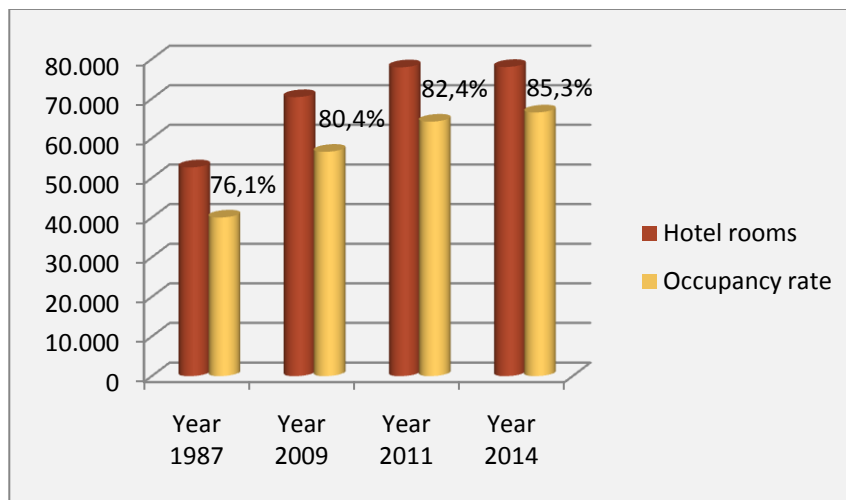
MANHATTAN HOTEL INDUSTRY IN NYC – 2011 NYC HOTEL MARKET FORECAST - LOOKING FORWARD TO 2012-2014

New York City will remain a popular tourist and corporate destination in the coming years. In 1987, there were 52,683 hotel rooms in Manhattan. Occupied rooms came in at 14,624,039 with an occupancy rate of 76.1% with a RevPAR of \$85.98.

In 2009, there were 70,420 NYC hotel rooms. Occupied rooms were calculated to be 20,657,567 with an occupancy rate of 80.4% and RevPAR was \$188.97. There is every reason to believe that Manhattan hotel rooms and the NYC hotel industry will continue to enjoy a similar and even growing popularity in 2011.

In fact, 31 properties (7,523 rooms) are expected to be developed in New York City between 2010 and 2011. That number is 10.7% of the 2009 NYC room count. By the end of 2011, Manhattan will have 77,943 hotel rooms. Boutique hotels will account for 48% of that development with full-service hotels making up 19% of the proposed properties.

An analysis of historical data and a review of the proposed developments suggest that there will be at least 78,025 Manhattan hotel rooms by 2014. That number will translate to 24,287,163 occupied rooms with an occupancy rate of 85.3% and a RevPAR of \$288.95.



BUYERS AND SELLERS

There is an almost tangible confidence among people in the industry about the future of Manhattan hotels. An increase is anticipated in all segments of the market. Hoteliers will be doing their best to maximize occupancy, efficiency, and room rates.

Many well-known hotels have changed hands in the previous years as well as lesser-known establishments. Many prime properties went as 'off-market' properties. Investors have a wide array of choices when it comes to investing in the Manhattan hotel industry. Investing in one of the most important markets in the world and a first-class destination like Manhattan is a win-win situation.

CONCLUSION

The vibrant 2010 Manhattan hotel scene will continue into 2011 and beyond. NYC hotels are determined to cover every niche and attract all kinds of travelers from corporate visitors to seasonal vacationers. The properties will offer the ultimate in upscale luxury as well as affordable luxury for everyone. The largest hotel opening in Manhattan during 2011 will be the 669-room Hotel in Times Square – a perfect example of a flexible, first-class hotel experience at affordable prices.

New York City is expected to welcome 50,000,000 annual visitors by 2012. New York is also reaching out to foreign visitors and investors. The Manhattan hotel industry is an attractive market. The NYC industry will just keep getting better and there is no way that a committed and creative entrepreneur cannot make a success in this industry.

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