

DOMAIN
PROPERTIES



**Domain Properties Delivers
'New Year' Edition
Successful Start for NYC Hotels
2011 – 1st Edition**

DOMAIN PROPERTIES

234 5th Ave, 2nd Floor | New York, NY 10003 | Tel. 212.741.9700 | Fax. 212-229-9949

All rights reserved to Domain Properties © | www.Domain-Properties.com

Hotel demand is on the rise. There is every reason to be optimistic about the future of New York City hotels.

Buyers and sellers of NYC hotels – 2011 is YOUR year.

The current rise in hotel demand is a pleasant surprise – even for experts such as **Colliers PKF Hospitality Research** and **Smith Travel Research**. Industry leaders had not predicted the rapid growth making itself evident at the close of 2010 and start of the New Year.

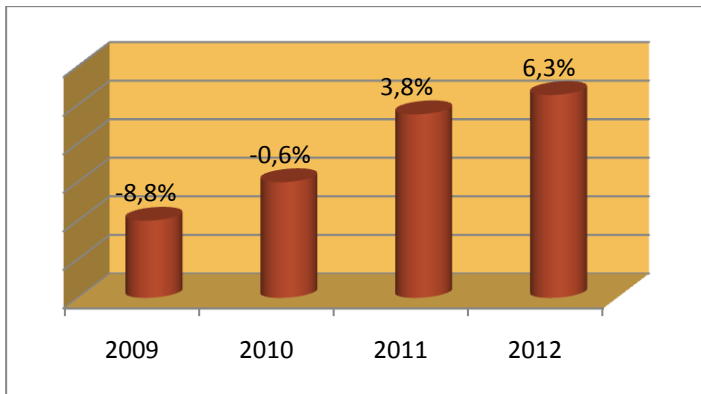


CHART 1: ADR evolution comparing with previous years and forecast for 2012

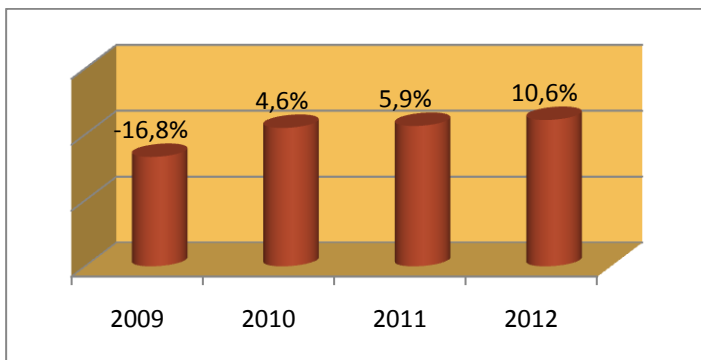


CHART 2: RevPAR evolution comparing with previous years and forecast for 2012

Recently, Colliers announced that it expected RevPAR to experience an increase of 5.9% in 2011 and 10.6 percent in 2012. As well, Colliers predicted that rates would rise 3.8% in 2011 and 6.3% in 2012. Considerable occupancy percentage growth and noticeable increases in Revenue per Available Room (RevPAR) are fueling the U.S. hotel industry. (Charts 1&2)

Strengthening Economy

It would be foolhardy to ignore that the country is in a recovering economy – but an ever-strengthening economy. During 2011, the NYC hospitality business will see even better results than last year. In 2010, **Smith Travel Research** (STR) released encouraging statistics. This knowledgeable group predicted that hotel demand would rise by 7.4% with a 2% increase in supply. (see chart 3)

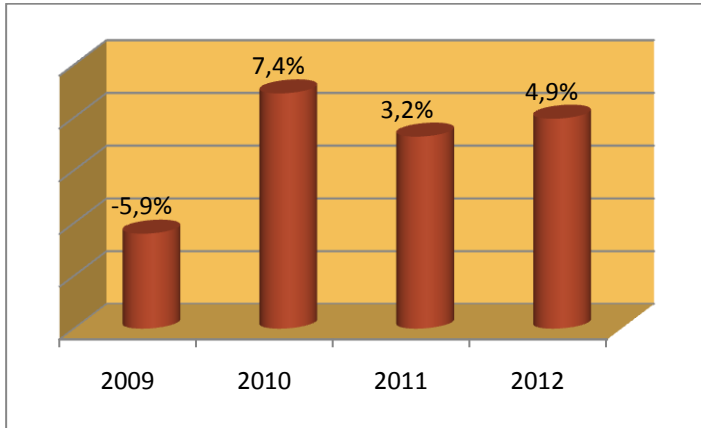


CHART 3: Demand evolution comparing with previous years and forecast for 2012

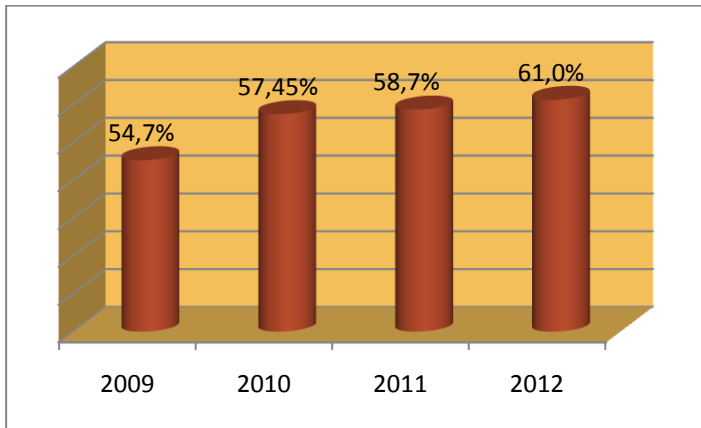


CHART 4: Room occupancy evolution comparing with previous years and forecast for 2012

As well, STR said that room occupancy would rise to 57.45% by year-end. This rate would reflect a 5.4% increase over 2009. The figures may not reach the levels of earlier years but the market has been through a crisis. Now everything on the NYC hotel scene is looking upward and moving forward with confidence into the future. The rise in occupancy rates is a significant indicator of a promising future. (see chart 4)

One interesting fact about the current market is that buyers have their choice of affordable hotels or luxurious establishments. Whether buyers are looking for less expensive options or optimal luxury, there is a hotel waiting for them in New York City. In September 2010, two new citizenM sites were confirmed in New York – on 50th and Broadway on Times Square and the Bowery on the fringe between Soho and the Lower East Side.

"Off The Charts" Demand

Richard Born, owner of 22 NYC hotels in budget and luxury categories, confirmed an "off the charts" demand for affordable rooms. Yet Born also points out that his luxury properties have almost 80% occupancy rates. Luxury hotels in a major metropolis are seen as high-yield investments.

When savvy investors find a historically-sound market, they recognize its potential – even if the market is recovering from a down period. If buyers can pick up the property at a low price, investors get an even better deal.

Although upscale establishments tend to get hit badly in a recession, this sector bounces back quickly with equal force in a recovering economy. Generally, major markets always recover faster than suburban markets.

Record Tourism

According to **NYC & Company**, the Big Apple set a tourism record in 2010 with 48.7 million visitors - 6.8% more than the previous year. More than 39 million of the visitors were from the U.S. and 9.7 million from other countries. This recent visitor count is 1.8% greater

than expressed in earlier projections by city government. The numbers include leisure guests (up 6.5% to 37.6 million) and corporate travellers (up 3.5% to 11.1 million).

During 2010, the increased demand meant that New York City had to add 7,000 hotel rooms. The ever-growing list of corporate guests (as well as the average tourist) is a definite sign of an improving economy. In May and June, there was a noticeable increase in all types of travel - business trips, group bookings, and vacationing tourists. Throughout 2010, at least 25.7 million rooms/nights were sold in New York - a new record beating the previous one by two million.

The overall occupancy rate for hotel rooms in Manhattan in 2010 was more than 85% - a rise of 5% from 2009. The hotel occupancy rate in the metropolitan area is expected to fall slightly in 2011. This small change will come about as more new hotels open but the average rate should increase by almost 7 per cent.

Meanwhile, more hotel guests create a vibrant hospitality industry. The economic benefits spill over into city restaurants and Broadway shows. In fact, New York restaurants added 6,600 jobs last year and Broadway attendance increased 3.8% to 7.55 million. Tourists spent \$31 billion in the Big Apple during the past year - an increase of almost 10% compared to 2009.

The current **NYC hospitality** industry (hotels, restaurants, museums, other attractions) employs 320,000 workers - the most ever in the city's history. The hospitality sector has the highest number of employees in the summer. July 2010 set an all-time record for jobs in the industry with 323,200 employees. The average number of jobs between January and November 2010 employed 315,000 workers.

Tourists love everything about New York City. Actually, visitors consider Manhattan hotels as great value for their money. NYC hotel prices have not reached the high levels of previous peak periods. Room rates are still the most expensive in the country - but 20% below prices in earlier years.

In December 2010, the average daily hotel price in the city was \$330. Guests can find hotel rooms, however, for less than \$200 per night. The **Pod Hotel** and **The Wellington** are just two examples of terrific hotels with affordable rooms. Overall, NYC hotel room rates appear reasonable to tourists.

The prices are cheaper than past years. As well, the overwhelming attraction of New York City draws people to this global center. Mayor Michael Bloomberg explained the importance of the hospitality business to New York City.

The world-renowned New York City has plenty of appeal on its own to draw in tourists. The city is a financial and cultural center known worldwide for its diverse neighborhoods. The Big Apple offers superb dining, specialty shopping, countless attractions, and marvelous wonders, as well as world-class hotels.

"The strength of our tourism industry is one of the reasons New York City was less impacted by the national recession than other cities and it continues to be one of the reasons we're growing faster than other cities today,"

said **Mayor Bloomberg.**

"We've put in place a series of global marketing programs to showcase New York City and attract visitors, and it's clear that those efforts continue to pay off," says the **Deputy Mayor of New York City**.

Visitors love the city's fine accommodations and appreciate the friendly service. Yet the city government made a conscious effort to attract more visitors. Deputy Mayor Steele explained the city's strategy.

NYC & Company, the official marketing, tourism and partnership organization for the City of New York, launched innovative programs including NYC Restaurant Week, Fashion's Night Out, and On the House, as well as other ideas. In addition, NYC & Company launched their first 'Live More Tour' – a concentrated effort to encourage travel and tourism between New York City and other major U.S. cities such as Los Angeles, Miami, and Chicago. The tourist promotions wanted to focus local, national, and international attention on New York City's five boroughs.

It was expected that NYC & Company could achieve their goal. The organization is a high-performing marketing group with global reach. NYC & Company has 18 offices serving 25 markets in North and South America, Europe, Asia and Australia.

Private Equity

Potential investors in NYC hotels should note the popularity of NYC hotels. Arthur Adler, managing director and CEO-Americas of **Jones Lang LaSalle Hotels**, describes the investors' mood as "significant pent-up demand for hotel acquisitions."

Plenty of interest and lots of available private equity mean that scores of real estate deals will be in the works. By November 2010, more than 40 private equity funds were looking at the U.S. hotel sector. Several REITs acquired hotel properties in major American markets including New York City.

LaSalle Hotel Properties paid \$90 million for the 193-room **Hotel Roger Williams** in Manhattan. As well, there are substantial pending transactions in New York City. In the U.S., acquisition volume by the end of 2010 was expected to be at \$6.5 billion – a \$2 billion jump. Offshore buyers are also interested in U.S. real estate.

This week's forecast by the Jones Lang LaSalle Hotels predicts a deal volume during 2011 in the Americas of US \$13 billion. REITS are expected to be among the most active buyers. According to the **National Association of Real Estate Investment Trusts**, Hotel REITs posted total returns of 67% in 2009 and showed a further 35% by early December 2010.

Returning Investors

Before the close of 2010, more than 77 lodging deals valued at \$8.5 billion had taken place in the US. Investors had turned away from the NYC hotel industry during the economic downturn. Yet today, experienced investors are returning to the market. They are joined by a new and energetic group who want a share of this profitable sector.

There has been an increase in private hotel transactions. That momentum is expected to continue in 2011. Investors are expecting more competition and they want to get into the game. The coming months will be a great time to be a hotel seller in New York City. Buyers too want to play a part in the New York hotel industry.

Investors plan to see the positive predictions become a reality. As well, they relish the opportunities and excitement of a growing sector. The present market is perfect for buyers and sellers. **Distressed properties** look attractive to buyers looking for a discount. The numerous choices of **distressed real estate** make quality (even upscale) property look more attractive to an investor.

In the latest LL Hotel's Investment Sentiment Survey polling a group of 6000, 52.3% (five-year high) of investors in North and South America want to buy and 9.6% (highest percentage in two years) stated their wish to sell property. Investors worldwide favor U.S. gateway cities and hotel investments. New York City ranked at 71.7% as an acquisition target.

Profitable Deals

If hotel buyers are looking for discount prices, they will be able to buy distressed assets in 2011 and 2012. Actually, the best deals should come to light when large and highly-leveraged loans reach their 'due' date. By mid-year 2010, more than one-third of all hotel transactions since January involved distress conditions – either foreclosure or deed in lieu, real-estate owned (REO), auction, or short sales. Indeed, \$1.29 billion in **distressed properties** sold in 94 deals during the first half of 2010. Since lenders like to unload these properties, a similar trend of buying distressed real estate will continue in the coming years.

Conclusion

NYC hotels are in a favorable position coming out of an encouraging 2010 and heading into a promising 2011. The New York City's hotel industry is off to a successful start in a year where the sector will distance itself from the recent economic downturn. The industry will maintain its momentum and gain renewed strength spurred on by an improving economy.

Investors recognize the potential in NYC hotels. Groups and individuals are primed to conduct transactions. **Buyers and sellers of New York City hotels** have never been in a better position. Grab the opportunity and invest in a profitable market and a growing hospitality industry.

Who's Buying and Selling NYC Hotels?

| PROPERTY | BUYER | SELLER | PRICE |
|-------------------------------|---|------------------------------|---------------|
| Milford Plaza Hotel | Highgate Holdings and Rockpoint Group LLC | Milford Plaza Associates LLC | \$200 million |
| 111 Eighth Avenue - Manhattan | Google | Taconic Investment Partners | \$1.8 billion |

Who's Hot In the NYC Hotel Industry?

| NAME | POSITION | LOCATION | PREVIOUS |
|----------------|-----------------|--------------------------|--------------------------|
| WOLFGANG WEHEN | Hotel Manager | Westin New York-Times Sq | W New York Court Tuscany |
| MARK PARDUE | General Manager | Grand Hyatt New York | Hyatt Regency Lake Tahoe |
| GEOFFREY MILLS | Vice President | Yotel | New York's Paramount |
| TERRY LEWIS | General Manager | Westin New York-Times Sq | W Times Square |

And More ... Who's Hot in the NYC Hotel Industry?

| WHO | WHY |
|-----------------|--|
| IAN SCHRAGER | New Schrager Hotels and two hotel brands |
| RICHARD BRANSON | Launching Virgin Hotel chain Interested in New York City hotels |

What Do Hoteliers Need To Know In 2011?

- A New Marketing Approach** – A Multi-Channel Marketing Campaign To Reach Out To Today's Guests
- Green Will Be Great In 2011** – Guests Are Interested In A Green and Environmentally-Friendly Experience

Hotels For Sale NYC – We Specialize in OFF MARKET Hotels and Properties NYC

Hotel Restructure and Management in NYC

Strictly Confidential Meetings

**Our Hotel Broker Firm Department Offers You the Best Deal on OFF MARKET NYC Hotels
and Properties**

Offering Invaluable Services to Buyers, Sellers, and Banks

BANKS

WE CAN BUY YOUR HOTEL NOTES.

NEGOTIATE WITH OUR EXPERT TEAM.

SELLERS

WE CREATE PROJECTIONS TO ENHANCE YOUR SALE.

WORK WITH THE BEST!

BUYERS

WE WORK WITH PRINCIPALS.

NO CHAIN OF BROKERS HERE – ONLY PRINCIPALS!

Contact:

HAIM YAGEN

Domain Properties

Hotels For Sale NYC

http://www.domain-properties.com/Hotels_For_Sale_NYC.cfm

Principals Call Us Direct At (646) 403-4441

Buying and Selling 'Off Market Hotels'

'Strictly Confidential' Between Principals

Current Market Condition – Perfect