



Manhattan Hotel Market Overview

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

A slight uptick in Manhattan's occupancy level in 2006 led to a record high of 85.0%. Despite a virtually stable occupancy, the Manhattan lodging market registered a 13.4% increase in RevPAR compared to 2005, continuing its impressive performance. The market's RevPAR gain was supported by double-digit growth in average rate each month of the year, with the exception of December, causing year-end 2006 average rate to exceed the 2005 level by 13.2%. The high rates registered by the Manhattan lodging market were caused primarily by continued strong demand levels in 2006, allowing hotel operators to be more selective with lower-rated demand and increasingly boost rates, thereby accommodating greater numbers of higher-rated travelers. We note that the market's overall occupancy level of 85.0% in 2006 highlights the underlying strength of the Manhattan market, which continued to operate at near-maximum-capacity levels. Because of a further decline in supply in 2006, the market continued to experience many sell-out nights, causing a significant amount of demand to remain unaccommodated. Given the larger-than-ever construction pipeline in Manhattan, a substantial portion of previously unaccommodated demand is expected to be accommodated in the future. Manhattan's marketwide occupancy and average rate both achieved new record levels in 2006, and we expect the positive trend to continue in 2007.

HVS Hospitality Services

HVS Hospitality Services is a global services and consulting organization focused on the hotel, restaurant, shared ownership, 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 more than 20 offices staffed by more than 200 seasoned industry professionals, HVS offers a wide scope of services that track the development and 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 and marketing, HVS offers these services as well. 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 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.

New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management

NYU's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management, part of the School of Continuing and Professional Studies, offers undergraduate, graduate, and other academic programs that aim to develop professionals with in-depth industry knowledge and the critical thinking skills necessary for leadership roles in the fields of hospitality, tourism, and sports management. The Center's full-time and adjunct faculty is composed of leading practitioners and researchers. Its board of advisors includes senior executives who advise on curricula development and help ensure that coursework reflects the latest industry trends and needs. The Tisch Center's location in the heart of New York City—one of the world's premier tourist and sports destinations—provides its students with multiple internship and networking opportunities, as well as the chance to study at several on-site "industry classrooms" at such venues as The New York Marriott Marquis, The Waldorf=Astoria, Chelsea Piers, and the NBA Store.

New York University International Hospitality Industry Investment Conference

For 25 years, HVS Hospitality Services has played an integral role in the New York University 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 through Tuesday, June 3 to June 5, 2007, at the New York Marriott Marquis.

Acknowledgements

Randy Smith of **Smith Travel Research** has provided the report's comprehensive hotel statistics for Manhattan. Smith Travel Research continues to be the leading source of hospitality industry operating statistics. We would also like to thank Mayor Michael R. Bloomberg, Jonathan M. Tisch of Loews Hotels and NYC & Company, George Fertiitta of NYC & Company, Mark V. Lomanno of Smith Travel Research, Joseph E. Spinnato of the Hotel Association of New York City, Dr. Lalia Rach of NYU's Preston Robert Tisch Center, and Donna Quadri-Felitti of HSMIA Big Apple Chapter for their assistance. Additionally, in cooperation with New York University, the data-gathering process was largely a contribution of four graduate students – Laura Alejandra Aybar, Byungmin Chae, Gustavo Martinez, and Efrén Salvador – through the coordination of **Dr. Mark M. Warner**, Director of Graduate Programs. HVS Hospitality Services is pleased to have been a part of this enriching educational process.

HVS Hospitality Services would also like to thank its own **Roland de Milleret**, Senior Vice President; **Gabi Baumann**, Senior Associate; and **Gisle Sarheim**, Vice President, for their invaluable contribution and dedication to this project.

Stephen Rushmore**President & Founder, HVS Hospitality Services**

For 2006, New York City can once again boast of its status as the Number One U.S. market in terms of RevPAR! While the occupancy level for Manhattan hotels remained fairly stable, at 85%, for 2006, average rate continued to record double-digit increases month after month, ending the year 13.4% over the previous year. Though rate gains were more modest than those of 2005, they continued to soar in selected segments and locations, including hotels in the Times Square area as well as Midtown luxury properties.

With occupancy levels close to maximum capacity, it would be anticipated that the sky is the limit in terms of average rate; however, hoteliers are experiencing increased rate resistance, particularly from the commercial, and meeting and group segments. Thus, rate gains in the near term are expected to moderate, while still remaining quite healthy. As the housing boom continues to be sluggish, developers are re-evaluating residential projects and contemplating hotel projects, resulting in a multitude of new players on the Manhattan hotel scene. Included in this mix are out-of-state and foreign developers eager to invest in New York City, which has resulted in the largest-ever construction pipeline in Manhattan. Activity is particularly strong in Chelsea and Downtown Manhattan, and the World Trade Center site redevelopment is expected to result in strong future demand gains. Considering the current climate, HVS forecasts a soft landing for the Manhattan market, with minor declines in occupancy and softer average rate growth in the near term. Manhattan hotel values set a new record in 2006, exceeding the \$1 million mark per key. Istithmar purchased the W Union Square for roundly \$1.1 million per room in October 2006, and acquired an interest in the Mandarin Oriental for roundly \$1.4 million per key in February 2007. In 2006, values increased from 20% to 30% compared to 2005 levels. Overall, we anticipate Manhattan hotel values to level off by the end of 2007.

Manhattan Operating History

The following table illustrates aggregate occupancies and average rates for contributing Manhattan hotels since 1987, as compiled by **Smith Travel Research (STR)**. The table also summarizes marketwide rooms revenue per available room (RevPAR); this figure, which is calculated by multiplying occupancy by average rate, provides an indication of how well rooms revenue is being maximized.

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	57,205	2.0	16,240,921	7.2	77.8	5.1	145.44	6.8	113.12	12.2
1996	57,372	0.3	16,906,189	4.1	80.7	3.8	160.98	10.7	129.97	14.9
1997	58,245	1.5	17,416,819	3.0	81.9	1.5	177.31	10.1	145.26	11.8
1998	58,586	0.6	17,609,297	1.1	82.3	0.5	198.31	11.8	163.31	12.4
1999	59,911	2.3	17,730,575	0.7	81.1	(1.5)	208.64	5.2	169.17	3.6
2000	61,464	2.6	18,771,462	5.9	83.7	3.2	222.73	6.8	186.37	10.2
2001	63,269	2.9	17,187,993	(8.4)	74.4	(11.0)	195.86	(12.1)	145.77	(21.8)
2002	63,773	0.8	17,460,275	1.6	75.0	0.8	186.04	(5.0)	139.55	(4.3)
2003	64,899	1.8	17,969,358	2.9	75.9	1.1	181.37	(2.5)	137.58	(1.4)
2004	64,664	(0.4)	19,598,548	9.1	83.0	9.5	201.43	11.1	167.26	21.6
2005	63,719	(1.5)	19,736,444	0.7	84.9	2.2	232.77	15.6	197.54	18.1
2006	63,174	(0.9)	19,610,998	(0.6)	85.0	0.2	263.40	13.2	224.02	13.4
Average Annual Compounded Change										
1987-2006:		1.0		1.6		0.6		4.6		5.2

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

Michael R. Bloomberg
Mayor of the City of New York

It is a pleasure to welcome everyone to New York University's 29th Annual International Hospitality Industry Investment Conference. As the "World's Second Home," New York City appeals to business and leisure travelers from every corner of the globe. In fact, 2006 was a banner year for tourism in our City, with an estimated 44 million men and women visiting the Big Apple.

Millions of people are discovering the rich diversity of our cosmopolitan city. New York accommodations, attractions, dining, entertainment, shopping, sporting events, theater and performing arts are the best in the world. From first-time visitors just discovering the Empire State Building and Broadway to seasoned veterans exploring more of our diverse, exciting neighborhoods, our City presents endless possibilities.

New York is also seeing significant growth in international travel – in 2006, we welcomed an estimated 7 million visitors from Mexico, China, Brazil, India, Russia, Japan, and everywhere in between. There's never been a better time to visit the greatest City on earth, and I know that we can meet our ambitious goal of receiving 50 million visitors by 2015. Please accept my best wishes for an enjoyable and productive conference!

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, 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 double-digit declines in occupancy and average rate contributing to a RevPAR decline of 21.8% in 2001.

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% in 2003, composed of a 1.1% gain in occupancy and a 2.5% decline in average rate, 2004 and 2005 ended on very positive notes for the Manhattan lodging market, which recorded RevPAR increases of 21.6% and 18.1%, respectively. Between 2003 and 2005, average rate rose by more than \$50.00, or an increase of 28.3%, while occupancy improved by nine percentage points, from 75.9% in 2003 to 84.9% in 2005.

Occupancy in Manhattan remained relatively stable in 2006, which was not a result of an economic slowdown but reflective of the extraordinarily high occupancy levels registered during the first three months of 2005. This strong demand was caused by an art installation in Central Park that took place in February and March 2005, and attracted a significant number of visitors to New York City, which resulted in occupancies of 80.6% in February and 87.5% in March 2005, which is unusually high for the city's low-season first quarter. Thus, occupancy declined during the first quarter of 2006. In addition, due to continued strong demand levels in the market in 2006, hotel operators focused primarily on average rate growth rather than volume by accommodating greater numbers of higher-rated commercial travelers, which caused average rate to grow by double-digit numbers every month in 2006 (with the exception of December). Marketwide average rate rose by 13.2% in 2006, causing RevPAR to increase by a significant 13.4%. We note that marketwide occupancy and average rate both achieved new record levels in 2006.

The following table sets forth monthly changes in occupancy, average rate, and RevPAR for 2004, 2005, and 2006.

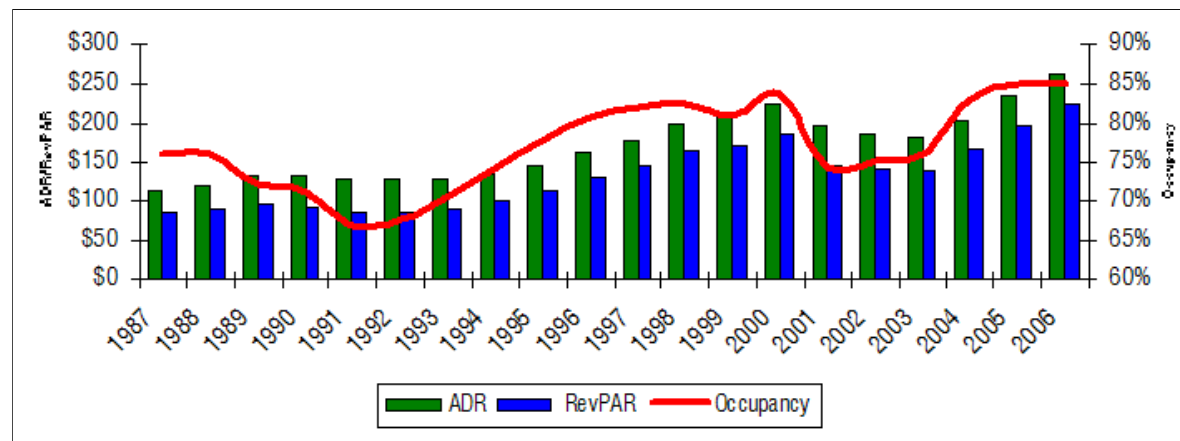
Month	Occupancy			Average Rate			RevPAR		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
January	10.8%	6.4%	2.2%	(0.5)%	7.4%	14.9%	10.3%	14.3%	17.4%
February	8.2%	8.3%	(4.9)%	0.3%	10.9%	10.6%	8.5%	20.1%	5.2%
March	23.8%	3.4%	(2.8)%	7.8%	11.1%	12.6%	33.5%	14.9%	9.5%
April	28.3%	1.5%	1.1%	9.5%	16.2%	13.5%	40.4%	17.9%	14.8%
May	13.6%	2.5%	(1.2)%	14.3%	13.0%	15.9%	29.8%	15.8%	14.5%
June	8.6%	0.8%	(1.3)%	14.7%	17.3%	14.9%	24.5%	18.3%	13.5%
July	9.1%	3.7%	(0.3)%	12.2%	13.9%	11.5%	22.4%	18.1%	11.1%
August	1.8%	4.1%	2.8%	15.4%	12.1%	12.0%	17.5%	16.8%	15.2%
September	6.8%	2.5%	(0.1)%	14.2%	24.7%	12.8%	22.0%	27.7%	12.6%
October	3.1%	(1.7)%	2.0%	13.4%	18.3%	13.8%	16.8%	16.3%	16.1%
November	3.3%	0.7%	1.4%	14.9%	20.6%	13.0%	18.7%	21.5%	14.7%
December	3.4%	(3.0)%	3.4%	14.2%	19.4%	9.0%	18.1%	15.8%	12.7%
Total	9.5%	2.2%	0.2%	11.1%	15.6%	13.2%	21.6%	18.1%	13.4%

Source: Smith Travel Research

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 outbreak of the SARS epidemic, resulted in an exceptionally strong 21.6% RevPAR increase in 2004, compared to 2003. Monthly statistics for 2004 indicate that year-over-year RevPAR increases ranged from a low of 8.5% in February to a high of 40.4% in April. 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 from May through December, suggesting that the heightened demand compression in the market enabled hoteliers to achieve robust year-over-year room rate increases. For the first time since 1994, supply declined slightly in Manhattan from 2004 to 2006 as a result of the closing of several hotels for conversion to condominiums. In 2005, the positive trends prevailing in the market continued, and RevPAR grew by roundly 18.1%, compared to 2004. With overall occupancy near a maximum-capacity level in 2005, year-over-year monthly RevPAR increases ranged from roundly 14.3% to 27.7%.

October and December 2005 registered minor declines in occupancy. Slightly higher decreases occurred in February and March 2006 compared to the corresponding periods in 2005, attributable primarily to the relatively stable demand growth in 2006; as mentioned previously, these declines in 2006 were the result primarily of the exceptionally high occupancy levels, in the high-80s, registered during the prior year's first quarter, which is typically Manhattan's low-season period. Average rate continued its upswing in 2006, at a strong rate of 13.2%, contributing to a RevPAR gain of 13.4%, indicative of the continued strength of the Manhattan lodging market.

The following chart illustrates Manhattan's lodging market performance from 1987 through 2006.



Room Supply Changes

New Hotels

In 2004, three new hotels entered the Manhattan market: the 187-room Hotel Gansevoort, an upscale boutique hotel, opened in March in the Meatpacking District of Lower Manhattan; the 42-room Clarion Solita Soho opened in August; and the 110-room Hotel on Rivington opened in October. We note that these properties are all boutique hotels.

In addition, three lodging facilities reopened in 2004. The former 188-room Doral Park Avenue 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 property affiliated with Kimpton Hotels. The former Gorham Hotel reopened as the 115-room Blakely Hotel in June 2004 after undergoing a renovation; the mid-scale hotel is operated by BD Hotels. Finally, the former Majestic hotel reopened as the 220-room Dream hotel in October 2004 following an extensive renovation program.

Four additional hotels entered the market during 2005. Three of the properties opened in the Times Square area: the 140-room Hotel QT in January, the 125-room Holiday Inn Express Fifth Avenue in September, and the 357-room Residence Inn in December (the first hotel affiliated with the Residence Inn brand in Manhattan). The fourth hotel, the 136-room Hampton Inn Herald Square, opened in February near Madison Square Garden, representing the second hotel affiliated with the Hampton Inn brand in Manhattan.

Furthermore, two hotels owned by the Carlyle Group and Highgate Hotels, the former Howard Johnson and the Days Inn, underwent major renovations in 2005 and were converted to the Hampton Inn Times Square and the Hilton Garden Inn Times Square in August and November of that year, respectively.

Nine hotels opened in 2006, adding 1,008 units to the market, compared to 758 new rooms in 2005. Of the nine new hotels, five are mid-scale or economy products, and the remaining four are boutique lodging facilities. The properties are spread all over Manhattan; however, five of the hotels are located in Chelsea, Times Square, or on Fifth Avenue in Midtown West.

The following table lists the new lodging facilities that opened in Manhattan between 2000 and 2006, as well as hotels that reopened during that period.

Name of Hotel	Location	Type	No. of Rooms	Opening Date	Developer/Owner
Upper East Side					
Courtyard by Marriott	92nd Street and First Avenue	Mid-scale	226	Aug-06	Madison Equities, LLC
	<i>The property is part of a mixed-use development that includes ±40,000 square feet of meeting space. Reportedly, the developer is constructing a 196-unit residential building on the adjacent site. The two buildings will share an exercise facility, a sauna, and a restaurant.</i>				
Midtown West					
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	443	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	Morgans Hotel Group
Bryant Park Hotel	40th St. (between 5th & 6th Aves.)	Boutique	128	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 Chelsea	W. 24th Street (between 6th & 7th Ave.)	Mid-scale	144	Aug-03	Hersha Hospitality
	<i>Hersha Hospitality is also involved with the 136-room Hampton Inn Herald Square and the 65-room Hampton Inn Seaport.</i>				
Mandarin Oriental	10 Columbus Circle	Luxury	248	Nov-03	Related Co./Mandarin Oriental Hotels
	<i>In July 1998, the Metropolitan Transit Authority, former owner of the New York Coliseum, approved the sale of that site for \$345,000,000. In the summer of 1999, Related Companies and Time Warner began demolition of the Coliseum exhibition hall and an adjacent office tower to make way for a ±2,100,000-square-foot complex that now houses the world headquarters of AOL Time Warner. This project also includes a Mandarin Oriental hotel; the property's facilities consist of 248 guestrooms, roundly 9,610 square feet of meeting space, a restaurant, a lobby lounge, a bar, and a ±14,500-square-foot health spa. The hotel component opened in November 2003; the construction of the entire complex was completed in mid-2004.</i>				
Blakely New York	136 W. 55th Street	Mid-scale	115	Jun-04	Richard Born & Ira Drukier
	<i>The former Gorham Hotel reopened as the Blakely New York in June 2004, following a renovation. The hotel is operated by BD Hotels.</i>				
Dream hotel	210 West 55th Street	Boutique	220	Oct-04	Surrey Hotel Associates
	<i>The former Majestic hotel reopened as the Dream hotel following an extensive renovation. The hotel is managed by Hampshire Hotels.</i>				
Hampton Inn Herald Square	W. 31st Street (between 6th & 7th Aves.)	Mid-scale	136	Feb-05	Hersha Hospitality
	<i>Hersha Hospitality is also involved with the 144-room Hampton Inn Chelsea and the 65-room Hampton Inn Seaport.</i>				
Hotel QT	W. 45th Street (between 6th & 7th Aves.)	Boutique	140	Jan-05	Andre Balazs

Hampton Inn Times Square	851 8th Avenue at 51st Street	Mid-scale	300	Aug-05	Carlyle Group/Highgate Hotels
	<i>Formerly, the hotel was affiliated with the Howard Johnson brand.</i>				
Hilton Garden Inn Times Square	790 Eighth Avenue (between 48th & 49th St.)	Mid-scale	369	Nov-05	Carlyle Group/Highgate Hotels
	<i>Formerly, the hotel was affiliated with the Days Inn brand.</i>				
Holiday Inn Express Fifth Ave.	W. 45th Street (between 5th & 6th Aves.)	Mid-scale	125	Sep-05	JFK Airport SAI Hospitality
	<i>The hotel is operated by Magna Hospitality Group, LC.</i>				
Residence Inn Times Square	1033 Ave. of the Americas	Extended-Stay	357	Dec-05	G. Holdings
	<i>Built by Harry Gross, developer of the Courtyard Times Square; this hotel represents the first flagged extended-stay product in Manhattan.</i>				
The Night	132 West 45th Street	Boutique	70	Apr-06	Hampshire Hotels & Resorts
Rockefeller Center Hotel	25 West 51st Street	Boutique	80	May-06	Club Quarters Corporate
	<i>The Rockefeller Center Hotel is the first hotel in Rockefeller Center. Located at the top of Rockefeller Plaza, many guestrooms face the ice-skating rink, Radio City Music Hall, and St. Patrick's Cathedral. The hotel features a restaurant, a bar and lounge, a fitness center, a business center, and 24-hour concierge service.</i>				
Wingate Inn	235 West 35th Street	Mid-scale	92	Sep-06	Ocean King, LLC
	<i>Represents the first Wingate Inn in Manhattan.</i>				
Holiday Inn Express Chelsea	232 West 29th Street	Mid-scale	228	Nov-06	McSam Hotel Group
Howard Johnson Express Inn	449 West 36th Street	Economy	40	Dec-06	The Lam's Group
Midtown East					
Thirty Thirty	East 29th St. (bet. Park & Lexington Aves.)	Mid-scale	251	Jul-00	PMG
	<i>This hotel is planned to undergo an extensive renovation in 2006/07, including all guestrooms and public space in connection with converting the property to a boutique hotel.</i>				
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 (between 2nd and 3rd Ave.)	Boutique	203	Sep-03	Izak Senbahar/Simon Elias
	<i>Developer Izak Senbahar and hotelier Simon Elias developed "The Alex," a 31-story tower between Second and Third Avenues. Mr. Elias owns the Flatotel on West 52nd, while Mr. Senbahar has been a Manhattan apartment builder for the past 20 years. The Alex includes a 73-room, high-end boutique hotel on the lower ten stories, plus 130 furnished apartments available for a minimum stay of one month. In addition, the hotel offers an upscale restaurant, Riingo.</i>				
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
	<i>The former 188-room Doral Park Avenue closed in November 2003 to undergo a \$19-million renovation and expansion program, including the addition of 17 guestrooms. The property reopened in mid-July 2004 as the 70 Park Avenue Hotel, a 205-room, upscale, boutique hotel affiliated with Kimpton Hotels.</i>				
SoHo/Lower Manhattan					
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 Sts.)	Boutique	125	Jun-03	Private Developers
	<i>The 12-story building was reportedly purchased for \$19 million in 2001 by Sean MacPherson and Eric Goode, best known as developers of restaurants and clubs. They were joined by Mr. Born and his partner, Ira Drukier, who are hotel developers and investors. The property has been extensively renovated and is being marketed as an upscale boutique hotel; total cost of the project amounts to roundly \$33 million.</i>				

Hotel Gansevoort	Ninth Ave and 13th Street	Boutique	187	Mar-04	WSA Management, Ltd
Clarion Solita Soho	159 Grand Street	Boutique	42	Aug-04	SoHo Grand Center, LLC <i>This lodging facility is part of the Clarion Collection.</i>
Hotel on Rivington	107 Rivington Street	Boutique	110	Oct-04	Paul Stallings <i>According to the developer, Paul Stallings, the cost of constructing the property amounted to \$30 million.</i>
Blue Moon Hotel	100 Orchard Street	Boutique	22	Feb-06	Randy Settenbrino <i>The Blue Moon Hotel is the city's only kosher hotel and is located across from the Tenement Museum. The interior design reflects the Old World charm of late-19th century Orchard Street.</i>
Gramercy Park Hotel	2 Lexington Avenue	Boutique	185	Aug-06	Ian Schragar Company <i>Ian Schragar closed the 357-unit Gramercy Park Hotel in February 2005 for an extensive renovation. Following the completion of the renovation, the hotel reopened as a 185-unit luxury boutique lodging facility. The property is connected to a tower, 50 Gramercy Park North, housing 23 residential units, and features a 190-seat restaurant, Wakiya, operated by the team from Nobu, a private roof club and garden, meeting space and two bars.</i>
Downtown					
Embassy Suites	Battery Park City		0	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	Mid-scale	463	May-02	Forest City Ratner
Millenium Hilton - Reopened	55 Church Street	Upscale	565	May-03	CDL Hotels
Hampton Inn Seaport	320 Pearl Street	Mid-scale	65	Mar-06	Hersha Hospitality Trust <i>Hersha Hospitality is also involved with the 136-room Hampton Inn Herald Square and the 144-room Hampton Inn Chelsea. Owned and managed by Hersha.</i>

As illustrated in the preceding table, most of the new supply in Manhattan since 2000 has been in the form of boutique properties. Overall, boutique lodging facilities represent 26 of the 55 hotels, or 32% of the guestrooms that entered the market or reopened in Manhattan between 2000 and 2006. New boutique hotels range from mid-scale to luxury in terms of facilities, amenities, and service. It is noteworthy that none of the boutique hotels opened or reopened in Downtown Manhattan or the Financial District. A further 2,139 boutique hotel rooms are expected to enter the Manhattan hotel market over the next three years. Thirteen new mid-scale hotels opened between 2000 and 2006, or 28% of the total new rooms. We note that another 3,651 mid-scale guestrooms are expected to enter the Manhattan market over the next three years.

Hotel Closings

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

Name of Hotel	Location	Type	No. of Rooms	Closing Date
Midtown West				
The Helmsley Windsor Hotel	100 West 58th Street	Upscale	(240)	Nov-03 <i>Conversion to residential use</i>
Inter-Continental CPS	112 Central Park South	Luxury	(211)	Jun-04 <i>Conversion to residential use</i>
The Plaza	Fifth Avenue at Central Park South	Luxury	(805)	May-05 <i>In October 2004, Plaza Operating Partners, Ltd. sold the 805-room Plaza to Elad Properties for a reported total consideration of \$675,000,000, or approximately \$838,500 per room. The Plaza is currently being converted into a mixed-use development containing ±181 luxury condominium units, ±108,000 square feet of high-end retail space, three food and beverage outlets, a 130-unit transient luxury hotel, and a 152-unit condominium hotel. The plans also called for the preservation of the Plaza's Palm Court, Oak Bar, and 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 reopen on or about April 1, 2007.</i>
Wyndham	42 West 58th Street	Mid-scale	(209)	Jul-05 <i>Conversion to extended-stay studio apartments</i>
Midtown East				
Sheraton Russell	45 Park Avenue	Upscale	(146)	Dec-05 <i>Conversion to residential use</i>
Swissotel The Drake	Park Avenue & 56th Street	Upscale	(495)	Mar-06 <i>The property reportedly will be demolished to make way for a new 70-story, mixed-use residential condominium.</i>
St. Regis	2 East 55th Street	Upscale	(78)	Jan-06

This hotel converted 59 units to residential use in January 1, 2005, and a further 19 units in March 2006. The property was originally built in 1904 by John Jacob Astor and was declared a landmark in 1988.

Upper West Side

Empire Hotel	44 West 63rd Street	Mid-scale	(381)	Dec-03
<i>In December 2003, the Empire Hotel, located on West 63rd Street, closed; this property was to be converted to luxury residential use. However, as a result of improved market conditions, the property is currently undergoing extensive renovations and will reopen as an upscale boutique hotel by mid 2007.</i>				
Mayflower	15 Central Park West	Mid-scale	(365)	Oct-04
<i>In August 2004, the 18-story, 365-unit Mayflower on the Park, located at 15 Central Park West at West 61st Street, and an adjacent lot, were acquired by a partnership (consisting of William Lie Zeckendorf and his brother Arthur W. Zeckendorf; the Whitehall Fund, a proprietary investment fund managed by Goldman Sachs & Co.; and Caryle M.G. Limited) for a reported total consideration of \$401 million. Subsequent to the acquisition, the property was closed, and the new owners plan to convert the hotel and develop the adjacent parcel into cooperative units.</i>				

Upper East Side

Hotel Delmonico	Park Ave. and 59th Street	All-Suite	(152)	Apr-02
<i>Conversion to residential use</i>				
Stanhope Park Hyatt	995 Fifth Avenue	Luxury	(185)	Feb-05
<i>Conversion to residential use</i>				
The Melrose Hotel	140 East 63rd Street	Boutique	(306)	Jun-05
<i>Conversion to residential use</i>				
The Mark	25 East 77th Street	Luxury	(176)	Dec-06
<i>Partial conversion to residential use</i>				

Downtown

Regent Wall Street	55 Wall Street	Luxury	(144)	Feb-04
<i>Conversion to residential use</i>				
Total			(3,893)	
<i>Excluding Empire Hotel</i>			<i>(3,512)</i>	

Jonathan M. Tisch

Chairman & CEO, Loews Hotels
Chairman, NYC & Company

The state of New York City's travel and tourism industry is very strong.

Last year, we welcomed a record 44 million visitors, a clear sign that the industry remains a cornerstone of the city's vibrant economy. With very high demand, hotel inventory continues to increase in all five boroughs. By the end of 2006, there were 71,325 rooms in active inventory, a net gain of 1,000 rooms after the last of the condo/conversion and sale transactions was closed.

And the outlook for 2007 is also quite positive, with as many as 2,000 new rooms this year and another 1,500 to 2,000 net in 2008, bringing the city's total to over 75,000. Add to that the exciting infrastructure, waterfront, and other improvements underway throughout the city, and the future continues to look bright.

Fourteen hotels closed for full or partial condominium conversions from April 2002 through December 2006, accounting for a total of 3,893 guestrooms, or roundly 6.2% of the 2006 room inventory. These conversions reflect the strength of the Manhattan condominium market. We note that the condominium 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. Given 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. The Empire Hotel, which was closed in December 2003, was originally acquired for conversion to residential use. However, because of the current strength of the Manhattan lodging market, the owners are now planning on reopening the property as an upscale boutique hotel following a ±\$30-million renovation program. The property is currently being renovated and is slated to reopen by mid 2007. Additionally, the Mark was originally planned to be converted into co-op units. However, current plans include the reopening of the Mark with 100 guestrooms. The opening is scheduled for January 2008.

In 2004, the Regent Wall Street, the InterContinental Central Park South, and the Mayflower closed in February, June, and October, respectively; these properties are expected to be converted to luxury condominiums.

Four properties closed in 2005 for either complete or partial conversion to residential use: the 185-room Stanhope Park Hyatt in February, the 805-room Plaza in May, the 306-room Melrose in July, and the 146-room Sheraton Russell in December. A fifth property, the 209-room Wyndham Hotel on West 58th Street, closed in July 2005 for possible conversion to extended-stay studio apartments. In addition, Elad Properties acquired the 805-room Plaza in October 2004, and the property is currently being converted into a mixed-use development containing ±181 luxury condominium units, ±108,000 square feet of high-end retail space, three food and beverage outlets, a 130-unit transient luxury hotel, and a 152-unit condominium hotel. The plans also called for the preservation of the Plaza's Palm Court, Oak Bar, and Ball Room.

Two hotels closed in 2006: the 495-room Swissôtel The Drake in March and the 176-room Mark in December. In addition, the St. Regis converted a total of 78 units to residential use. The Swissôtel The Drake, at 56th Street and Park Avenue, was sold in April 2006. The property reportedly will be demolished to make way for a new 70-story, mixed-use residential condominium. The Mark will be converted into six luxury penthouse co-op apartments, 45 co-op units, and 100 guestrooms and suites. Three lodging facilities affiliated with Affinia Hotels are currently on the market and reportedly will be converted to rental or condominium apartments: the 172-room Beekman Tower, located a block from the United Nations; the 254-room Shelburne Murray Hill, at 37th Street and Lexington Avenue; and the 131-room Surrey Hotel, at 76th Street and Madison Avenue. If all three properties are converted to residential use, a total of 557 rooms will be taken out of inventory in 2007.

Proposed Hotels

Improved market conditions during the past three years have generated considerable interest in new hotel development in Manhattan. For the most part, this development was curtailed by the lack of available financing for new hotel construction and the strength of the office and residential markets; however, a number of hotels have opened recently, and more are expected to open in the near future.

Although it is entirely possible that some of these hotels will fail to open, it is equally possible that less-likely projects will proceed, or that new projects will be announced. The following table sets forth the number of new rooms that are anticipated to become available in 2007, 2008, and 2009.

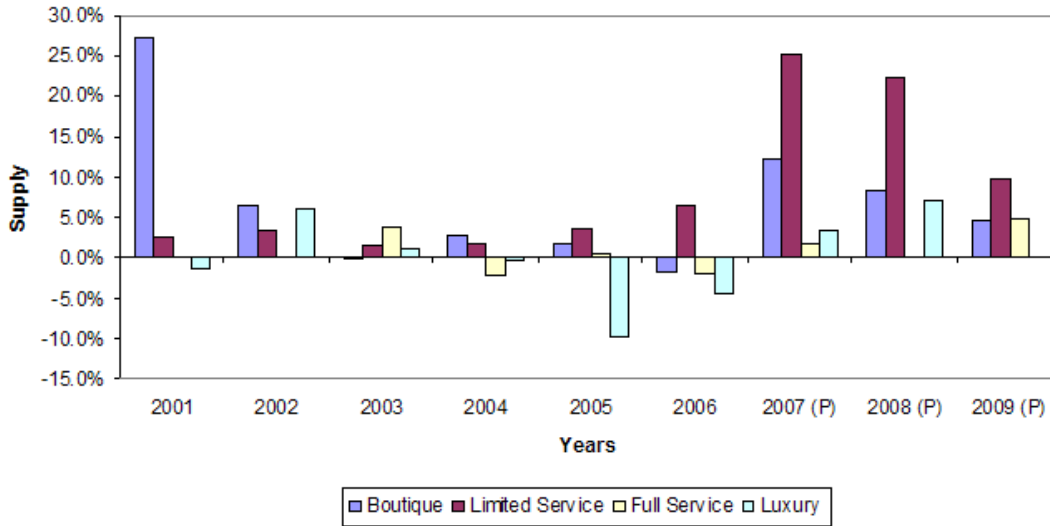
Project	Location	Type	No. of Rooms	Anticipated Opening	Developer	Under Construction
Upper East Side						
The Mark	25 East 77th Street	Luxury	100	Jan-08	Izak Senbahar & Simon Elias	Yes
	<i>The Mark will be converted into 51 co-op units and 100 guestrooms and suites.</i>					
Midtown West						
Hotel La Mela	120 West 44th Street	Full-service	230	Jan-07	O&O Properties	Open
	<i>Former King Edward Hotel. Luxury boutique hotel managed by Desires Hotels, a division of Tecton Hospitality. The hotel features roundly 2,000 square feet of meeting space, a restaurant and bar, a fitness center, and flat-screen televisions in all rooms.</i>					
Plaza Hotel	5th Avenue at Central Park South	Luxury	260	Mid 07	Elad Properties	Yes
	<i>The Plaza is currently undergoing conversion into a mixed-use development containing ±181 luxury condominium units, ±108,000 square feet of high-end retail space, three food and beverage outlets, a 130-unit transient luxury hotel, and a 152-unit condominium hotel. The hotel operation will also contain approximately 2,500 square feet of meeting space. The Plaza is expected to reopen on or about April 1, 2007.</i>					
Hilton Garden Inn Chelsea	119-121 West 28th Street	Mid-scale	175	Mid 07	McSam Hotel Group	Yes
Comfort Inn	305 West 39th Street	Mid-scale	78	Mid 07	McSam Hotel Group	Yes
6 Columbus Hotel	6 Columbus Circle	Boutique	90	Mid 07	Pomeranc Group	Yes
	<i>Purchased in late 1999, the former West Park Hotel is being redeveloped and expanded as an upscale, boutique hotel, to be known as the '6 Columbus.' Steven Sclaroff is the property's designer. The hotel is located behind the Time Warner Center, southwest of Columbus Circle.</i>					
Empire Hotel (Reopening)	44 West 63rd Street	Boutique	425	Mid 07	West 63 Empire Associates, LLC	Yes
Ramada Inn	416 Broadway	Mid-scale	100	Aug-07	King Fook Realty Corp.	Yes
Doubletree Chelsea	124 West 29th Street	Mid-scale	241	Oct-07	McSam Hotel Group	Yes
Holiday Inn	121-25 West 26th Street	Full-service	125	Oct-07	McSam Hotel Group	Yes
Fairfield Inn Midtown	330 West 40th Street (between 8th and 9th Ave.)	Mid-scale	248	Late 2007	The Lam's Group	Yes
	<i>Located adjacent to the 248-room Four Points on 40th Street.</i>					

Sheraton	28th Street (between 7th and 8th Ave.)	Full-service	175	Late 2007	The Lam's Group	Yes
Wyndham Garden Hotel	37-39 West 24th Street	Mid-scale	124	Late 2007	McSam Hotel Group	Yes
Wyndham Garden Hotel	341-343 West 36th Street	Mid-scale	228	Jan-08	West 36 Hotel Ventures, LLC	Yes
James Hotel	101 West 57th Street	Boutique	180	Jan-08	Stephen Shapiro & James Hotels	Yes
Fairfield Inn Chelsea	114-116 West 28th Street	Mid-scale	112	Jun-08	Midtown West Hotel, LLC	Yes
Four Points Midtown	326 West 40th Street (between 8th and 9th Ave.) <i>Located adjacent to the 248-room Fairfield Inn on 40th Street.</i>	Mid-scale	248	Jun-08	The Lam's Group	Yes
Homewood Suites	311 West 39th Street	Extended-stay	0	Jun-08	McSam Hotel Group	Yes
Candlewood Suites	339 West 39th Street	Mid-scale	183	Jun-08	McSam Hotel Group	Yes
Holiday Inn Express	343 West 39th Street	Mid-scale	210	Jun-08	McSam Hotel Group	Yes
Hampton Inn	337 West 39th Street	Mid-scale	186	Jun-08	McSam Hotel Group	Yes
Branded mid-scale hotel	61 West 35th Street	Mid-scale	150	Late 2008	McSam Hotel Group	Yes
Branded mid-scale hotel	63-67 West 35th Street	Mid-scale	296	Early 2009	Brack Capital Real Estate	No
Hotel Indigo	127 West 28th Street <i>Property owner Morris Moinian and his Fortuna Realty Group are constructing the first Indigo-branded hotel in Manhattan. The 20-story structure is expected to cost roundly \$50 million and will be a mid-scale boutique hotel.</i>	Boutique	122	Early 2009	Fortuna Realty Group	Yes
Fairfield Inn	21-23 West 37th Street	Mid-scale	92	Mar-09	The Lam's Group	No
Midtown East						
Hotel 373 Fifth Avenue	373 Fifth Avenue	Boutique	70	Feb-07	Magna Hospitality Group LC <i>McSam Hotel, LLC and Magna Hospitality converted a former office building on the southeastern corner of East 35th Street and Fifth Avenue into a limited-service boutique hotel, known as the Hotel 373 Fifth Avenue.</i>	Open
Howard Johnson	203 East 24th Street	Economy	100	Early 2008	East Side Inn	Yes
Lower Manhattan						
Hilton Garden Inn	6 York St. and Avenue of the Americas <i>The hotel will feature spacious guestrooms, meeting space, a business center, a swimming pool, a whirlpool, and an exercise room.</i>	Mid-scale	150	Mid 07	McSam Hotel Group	Yes
The Loft	130 Duane Street <i>The Hersha Group and Sam Chang are currently constructing a 45-room hotel at 130 Duane Street that will be known as The Loft, which is anticipated to open in early 2007.</i>	Boutique	45	Mid 07	Hersha Group	Yes
Allen Street	Allen Street (bet. Houston and Stanton) <i>Plans call for a 22-story hotel with 80 rentable units, 9 residential units, and 32 hotel condominiums, as well as a spa and a pool.</i>	Boutique	112	Mid 07	Jason Pomeranc	Yes
Four Points Soho - Village	66 Charlton Street <i>The Four Points Soho will feature a full-service restaurant, a bar/lounge, a fitness center, limited meeting space, and two luxury suites with hardwood floors and views over the Hudson River.</i>	Mid-scale	152	Mid 07	The Lam's Group	Yes
Downtown Hotel	377 Greenwich Street (Tribeca) <i>Actor Robert DeNiro partnered with hoteliers Ira Drukier and Richard Born to construct the Downtown Hotel in Tribeca. The hotel is currently being built on a former parking lot at Greenwich and North Moore Streets. The hotel will be located adjacent to the Tribeca Film</i>	Boutique	83	Mid 07	Born & Drukier, Robert DeNiro	Yes

	<i>Center.</i>					
Unnamed Hotel	335 Bowery	Boutique	136	Late 2007	Born & Drukier	Yes
Hampton Inn	54 Watts Street	Mid-scale	158	Late 2007	The Lam's Group	No
Standard NYC	W 13th St. (bet. Washington and West)	Boutique	335	Early 2008	Hotels AB	Yes
	<i>The property is being developed by Hotels AB (André Balazs) and will be the fourth Standard hotel in the U.S. The property will feature extensive food and beverage facilities, including a rooftop lounge, as well as meeting and event space.</i>					
Luxury Hotel	79-85 Crosby Street	Luxury	71	Early 2008	Unknown	No
Trump Hotel & Tower Soho	246 Spring Street	Luxury	413	Early 2008	Sapir & Bayrock Group	Yes
W New York - Downtown & Residences	123 Washington Street	Boutique	217	Early 2008	Private Developer	No
	<i>The mixed-use property will consist of 222 condos and 217 guestrooms. Of the 222 condos, 55 will be studios, 125 will be 1 Br's, and 42 will be 2Br's. A total of 64 condos will come furnished. The hotel will offer meeting rooms, a spa, and a restaurant. The top floor will feature a garden for the residents. The W New York-Downtown Hotel & Residences will be the first W residential development in Manhattan.</i>					
Comfort Inn	61-63 Chrystie Street	Mid-scale	60	Late 2008	BTW Hotels, LLC	Yes
Best Western	231 Grand Street	Economy	102	Late 2008	BTW Hotels, LLC	Yes
Wyndham Hotel	20 Maiden Lane	Full-service	115	Early 2009	McSam Hotel Group	Yes
Club Quarters Hotel	130 Cedar Street	Full-service	200	Early 2009	Masterworks Development Company	No
	<i>The hotel will be a semi-private hotel primarily for member use but occasionally available to the public.</i>					
Lamco Hotel Plaza	4 Gold Street	Full-service	670	Early 2009	The Lam's Group	No
	<i>Independent, 52-story, full-service hotel.</i>					
Mercer Street Hotel	113 Mercer Street	Boutique	50	Early 2009	DCD Capital, LLC	No
Sheraton	217 Pearl Street	Full-service	356	Early 2009	The Lam's Group	No
Aloft	8 Platt Street	Mid-scale	276	Early 2009	The Lam's Group	No
Mondrian	9 Crosby Street	Boutique	274	Mid 2009	Cape Advisors, Inc.	No
Fairfield Inn	30 Fletcher Street	Mid-scale	184	Mid 2009	The Lam's Group	No
Total			8,707			

As illustrated in the preceding table, as many as 8,707 rooms, or 47 properties, may enter the Manhattan market from 2007 through 2009. It is important to mention that even though the Manhattan lodging inventory declined in 2004, 2005, and 2006, supply is expected to grow significantly in the future. The proposed supply represents roundly 13.8% of the 2006 current supply present in Manhattan, increasing the number of guestrooms from 63,174 in 2006 to 71,881 in 2009. The 8,707 rooms, which are expected to open between 2007 and 2009, are far more than all the new supply, totaling 4,588 rooms, that opened between 1998 and 2006. We note that our list of new supply does not include confidential projects or hotels that are in the initial phase of development; if these projects are included, supply growth could be close to 20% within the next three to four years. Based on the data outlined previously, Manhattan is forecast to experience a record increase in hotel room supply over the next few years, as can be observed in the following graph.

Manhattan Supply Change (by Segment)

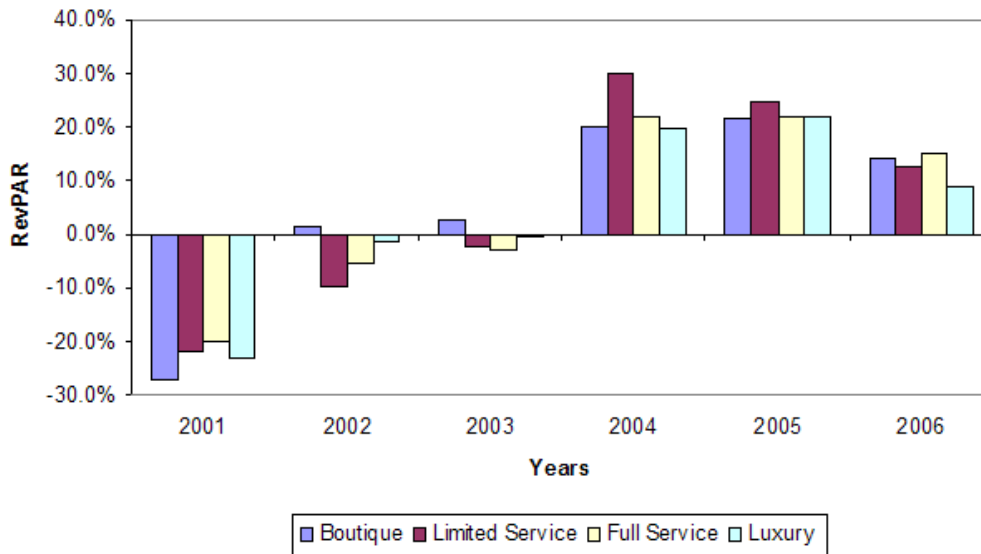


Twenty-one of the anticipated new projects represent mid-scale hotels, or 45% of the total new supply, while thirteen, or 28% of the proposed properties, can be classified as boutique hotels. Only two new lodging facilities have been proposed for the luxury segment, not including the reopening of the significantly smaller Plaza Hotel and the Mark. 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.

Manhattan Operating Statistics by Segment

HVS Hospitality Services has 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 using year-end figures from 2000 through 2006; results are classified by market segment: luxury, full service, limited service, and boutique. The following graph presents the annual percentage change in RevPAR for all four segments since 2001.

Annual Change in RevPAR (by Segment)



Luxury

Year	Average Daily Room Count	% Change	Occupied Room Nights	% Change	Occupancy	% Change	Average Rate (\$)	% Change	RevPAR (\$)	% Change
2000	8,451	-	2,496,170	-	80.9	-	370.45	-	299.79	-
2001	8,350	(1.2)	2,141,877	(14.2)	70.3	(13.2)	329.31	(11.1)	231.43	(22.8)
2002	8,867	6.2	2,339,607	9.2	72.3	2.9	315.83	(4.1)	228.31	(1.3)
2003	8,979	1.3	2,415,762	3.3	73.7	2.0	308.54	(2.3)	227.42	(0.4)
2004	8,951	(0.3)	2,602,476	7.7	79.7	8.1	341.85	10.8	272.32	19.7
2005	8,066	(9.9)	2,429,413	(6.6)	82.5	3.6	401.55	17.5	331.34	21.7
2006	7,717	(4.3)	2,203,895	(9.3)	78.2	(5.2)	461.35	14.9	360.96	8.9
Average Annual Compounded Change: 2000-2006		(1.5)		(2.1)		(0.6)		3.7		3.1

Source: Smith Travel Research

As a result of the closing of several luxury hotels for conversion to condominiums, supply within the luxury segment decreased by nearly 14% between 2004 and 2006. As a result, a large portion of demand previously accommodated at luxury hotels was forced to seek accommodation outside this segment, which caused occupancy to decline by 5.2% in 2006. However, the compression within the luxury segment, together with a healthy national and regional economy, has allowed hotel operators to increase rates aggressively each year since 2004. Thus, average rate within the luxury segment has increased by 49.5% since 2003, peaking at a stellar \$461.35 in 2006. RevPAR recorded double-digit increases of around 20% in 2004 and 2005, and a lower but still significant increase of 8.9% in 2006, moderated by the decline in accommodated room nights.

Full Service

Year	Average Daily Room Count	% Change	Occupied Room Nights	% Change	Occupancy	% Change	Average Rate (\$)	% Change	RevPAR (\$)	% Change
2000	27,981	-	8,554,710	-	84.0	-	210.42	-	176.82	-
2001	27,920	0.1	7,719,105	(9.8)	75.7	(9.9)	186.74	(11.3)	141.45	(20.0)
2002	27,956	0.1	7,800,386	1.1	76.4	0.9	174.47	(6.6)	133.37	(5.7)
2003	29,047	3.9	8,147,073	4.4	76.8	0.5	168.72	(3.3)	129.65	(2.8)
2004	28,394	(2.2)	8,708,842	6.9	84.0	9.4	187.92	11.4	157.91	21.8
2005	28,515	0.4	9,008,545	3.4	86.6	3.0	222.35	18.3	192.46	21.9
2006	27,944	(2.0)	8,916,203	(1.0)	87.4	1.0	253.34	13.9	221.46	15.1
Average Annual Compounded Change: 2000-2006		0.0		0.7		0.7		3.1		3.8

Source: Smith Travel Research

Demand for full-service accommodation declined in 2006 for the first time since 2001. This trend, however, was somewhat offset by a decrease in supply within the full-service segment, which was also a result of certain hotels being converted to condominium developments. As a result, occupancy remained fairly stable in 2006. We note, however, that because occupancy levels are in the high 80s, increases in occupancy are somewhat restricted by capacity constraints, as most hotels currently operate at near-maximum- capacity levels. The continued compression in the full-service segment enabled hotel operators to push rates aggressively, causing 2006 to record another double-digit increase in average rate, of nearly 14%, to over \$250.00. Average rate within the full-service segment has increased by nearly \$85.00 since its previous low-point in 2003, an increase of over 50%. As a result, RevPAR recorded another double-digit increase in 2006, of 15.1%, continuing the positive trend registered in 2004 and 2005.

Limited Service

Year	Average Daily Room Count	% Change	Occupied Room Nights	% Change	Occupancy	% Change	Average Rate (\$)	% Change	RevPAR (\$)	% Change
2000	4,636	-	1,503,042	-	88.8	-	156.63	-	139.12	-
2001	4,758	2.6	1,381,079	(8.1)	79.5	(10.5)	136.40	(12.9)	108.47	(22.0)
2002	4,923	3.5	1,408,682	2.0	78.4	(1.4)	124.84	(8.5)	97.86	(9.8)
2003	5,001	1.6	1,420,876	0.9	77.8	(0.7)	123.03	(1.5)	95.77	(2.1)
2004	5,099	2.0	1,631,763	14.8	87.7	12.6	142.20	15.6	124.67	30.2
2005	5,283	3.6	1,695,436	3.9	87.9	0.3	177.08	24.5	155.68	24.9
2006	5,631	6.6	1,813,384	7.0	88.2	0.4	198.71	12.2	175.32	12.6
Average Annual Compounded Change: 2000-2006		3.3		3.2		(0.1)		4.0		3.9

Source: Smith Travel Research

The limited-service segment was the fastest-growing category in Manhattan in 2006, with unparalleled demand growth of 7.0%. This increase in demand was nearly matched by supply growth of limited-service products. As a result, occupancy within the limited-service segment remained fairly stable in 2006, at 88.2%. The high occupancy level also suggests a noteworthy amount of unaccommodated demand for limited-service lodging, which is expected to be accommodated by the vast number of limited-service hotels proposed for the city in the future. Continuing the positive trend observed in 2004 and 2005, average rate registered another healthy increase, of 12.2%, rising to almost \$200.00 in 2006, causing RevPAR to register a double-digit increase in this segment as well.

Boutique

Year	Average Daily Room Count	% Change	Occupied Room Nights	% Change	Occupancy	% Change	Average Rate (\$)	% Change	RevPAR (\$)	% Change
2000	5,626	-	1,644,801	-	80.1	-	252.68	-	202.40	-
2001	7,159	27.3	1,796,009	9.2	68.7	(14.2)	214.61	(15.1)	147.50	(27.1)
2002	7,637	6.7	2,018,616	12.4	72.4	5.4	206.96	(3.6)	149.88	1.6
2003	7,623	(0.2)	2,062,373	2.2	74.1	2.4	207.66	0.3	153.93	2.7
2004	7,831	2.7	2,249,698	9.1	78.7	6.2	234.84	13.1	184.84	20.1
2005	7,986	2.0	2,400,827	6.7	82.4	4.6	272.60	16.1	224.52	21.5
2006	7,852	(1.7)	2,413,523	0.5	84.2	2.2	304.63	11.7	256.54	14.3
Average Annual Compounded Change: 2000-2006		5.7		6.6		0.8		3.2		4.0

Source: Smith Travel Research

The supply of boutique rooms declined slightly in 2006, causing occupancy to increase to the mid-80s. Average rate continued to grow at an impressive rate in 2006, experiencing a double-digit increase of 11.7%, to over \$300.00. As a result of the strong average rate increase and minimal occupancy growth, RevPAR improved by 14.3% in 2006.

George Fertitta
CEO, NYC & Company

New York City's tourism industry is enjoying record success, having welcomed a projected 44 million visitors to the city last year. And with our global international expansion well underway, NYC & Company is uniquely positioned to achieve 50 million visitors by 2015. Hotel occupancies and room rates are at all-time highs, and we expect 13,000 new or renovated hotel rooms to come on line by 2010. All of this points to a vitality within the city's \$24-billion travel and tourism industry.

Manhattan Operating Statistics by Neighborhood

The following tables compare the performance of all reporting hotels in Manhattan from 2000 through 2006. Results are classified by neighborhood: Midtown West, Midtown East, Uptown, and Downtown.

Midtown West

Year	Occupied Room Nights	% Change	Available Room Nights	% Change	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
2000	7,388	—	2,294,619	—	85.1	—	\$216.47	—	\$184.20	—
2001	8,717	18.0	2,401,503	4.7	75.5	(11.3)	194.04	(10.4)	146.46	(20.5)
2002	9,785	12.3	2,708,909	12.8	75.8	0.5	192.33	(0.9)	145.87	(0.4)
2003	10,653	8.9	2,979,130	10.0	76.6	1.0	193.85	0.8	148.52	1.8
2004	10,961	2.9	3,378,839	13.4	84.5	10.2	220.49	13.7	186.22	25.4
2005	11,244	2.6	3,532,598	4.6	86.1	1.9	261.08	18.4	224.72	20.7
2006	11,443	1.8	3,554,996	0.6	85.1	(1.1)	290.24	11.2	247.04	9.9
Average Annual Compounded Change: 2000-2006		7.6		7.6		0.0		5.0		5.0

Source: Smith Travel Research

Midtown West has experienced a slight but steady increase in supply over the past few years. Demand leveled off in 2006, after registering strong increases in 2002, 2003, and 2004. As a result of stable demand, occupancy declined slightly in 2006. We note, however, that the capacity constraints in Midtown West limit major occupancy increases in the future, as most hotels currently operate at near-maximum-capacity levels. Midtown West is expected to experience a significant influx of supply over the next two to three years, which is expected to accommodate some of the currently unaccommodated demand in this area of Manhattan. The limited supply growth has enabled hotel operators to increase rates, causing the 2006 average rate to increase by more than 11%, to a record \$290.00. Average rate in Midtown West has increased by almost \$100.00 since 2002, an increase of over 50%. As a result, RevPAR recorded a strong gain of 9.9% in 2006, continuing the positive trend registered in 2004 and 2005, although at a more moderate pace.

Midtown East

Year	Occupied Room Nights	% Change	Available Room Nights	% Change	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
2000	15,318	—	4,626,295	—	82.7	—	\$247.79	—	\$205.04	—
2001	15,617	2.0	4,072,646	(12.0)	71.4	(13.7)	217.98	(12.0)	155.75	(24.0)
2002	15,635	0.1	4,297,279	5.5	75.3	5.4	203.75	(6.5)	153.42	(1.5)
2003	15,593	(0.3)	4,326,641	0.7	76.0	1.0	194.98	(4.3)	148.22	(3.4)
2004	15,542	(0.3)	4,644,995	7.4	81.9	7.7	218.30	12.0	178.75	20.6
2005	15,861	2.1	4,988,570	7.4	86.2	5.2	257.55	18.0	221.93	24.2
2006	15,388	(3.0)	4,855,511	(2.7)	86.5	0.3	290.31	12.7	250.97	13.1
Average Annual Compounded Change: 2000-2006		0.1		0.8		0.7		2.7		3.4

Source: Smith Travel Research

Supply in Midtown East declined by 3.0% in 2006, causing some of the previously accommodated demand to seek accommodation in another area of Manhattan. Thus, demand declined slightly, resulting in a stable occupancy in 2006. Average rate, however, rose by a strong 12.7% in 2006, causing year-end average rate in Midtown East to catch up to the Midtown West level of around \$290.00. Due to a slightly higher occupancy level on the East Side in 2006, RevPAR exceeded Midtown West by a few dollars, at roundly \$251.00.

Uptown

Year	Occupied Room Nights	% Change	Available Room Nights	% Change	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
2000	3,058	—	897,589	—	80.4	—	\$303.29	—	\$243.90	—
2001	2,944	(3.7)	759,099	(15.4)	70.6	(12.2)	267.30	(11.9)	188.83	(22.6)
2002	2,944	0.0	729,132	(3.9)	67.9	(3.9)	256.14	(4.2)	173.80	(8.0)
2003	2,944	0.0	761,769	4.5	70.9	4.5	245.32	(4.2)	173.91	0.1
2004	2,466	(16.2)	702,372	(7.8)	78.0	10.1	286.71	16.9	223.69	28.6
2005	1,873	(24.1)	538,620	(23.3)	78.8	1.0	370.92	29.4	292.31	30.7
2006	1,809	(3.4)	517,424	(3.9)	78.4	(0.5)	409.61	10.4	321.03	9.8
Average Annual Compounded Change: 2000-2006		(8.4)		(8.8)		(0.4)		5.1		4.7

Source: Smith Travel Research

Of the four neighborhoods, Uptown Manhattan was the most significantly impacted by the conversion of former luxury and upper upscale hotels to condominiums. This trend has caused supply to decrease by 1,135 rooms since 2003, or nearly 40% of the 2003 total average daily room count. Demand previously accommodated at those hotels was forced to seek accommodation elsewhere, causing occupancy to remain fairly stable in 2005 and 2006. The strong compression in this area enabled hotel operators to push average rate from roundly \$245.00 in 2003 to over \$400.00 in 2006, an increase of nearly 67%.

Downtown

Year	Occupied Room Nights	% Change	Available Room Nights	% Change	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
2000	2,537	—	759,931	—	82.1	—	\$267.38	—	\$219.44	—
2001	2,618	3.2	721,211	(5.1)	75.5	(8.0)	240.59	(10.0)	181.60	(17.2)
2002	2,741	4.7	758,034	5.1	75.8	0.4	230.12	(4.4)	174.37	(4.0)
2003	3,275	19.5	910,871	20.2	76.2	0.6	229.75	(0.2)	175.07	0.4
2004	3,505	7.0	1,048,261	15.1	81.9	7.5	250.51	9.0	205.29	17.3
2005	3,547	1.2	1,094,774	4.4	84.6	3.2	286.35	14.3	242.14	18.0
2006	3,601	1.5	1,128,797	3.1	85.9	1.5	324.90	13.5	278.99	15.2
Average Annual Compounded Change: 2000-2006		6.0		6.8		0.8		3.3		4.1

Source: Smith Travel Research

Following the reopening of certain hotels in 2003 that were partially destroyed by the September 11, 2001, terrorist attacks, Downtown Manhattan has experienced only limited growth in supply during the past two years. Demand, however, grew more strongly, causing occupancy levels to increase to nearly 86% in 2006. Average rate also recovered, registering double-digit increases in 2005 and 2006.

Lalia Rach, Ed.D.

**Associate Dean and HVS Chair, The Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management
New York University**

To paraphrase a famous song - New York, New York is a heck of a hotel town! The expansion of brands, the development of new concepts, and the refurbishment of notable landmarks define 2006 as a stellar year. With every area of Manhattan experiencing record returns, the hotel industry continues to benefit from being the place to be, to see, and to conduct business.

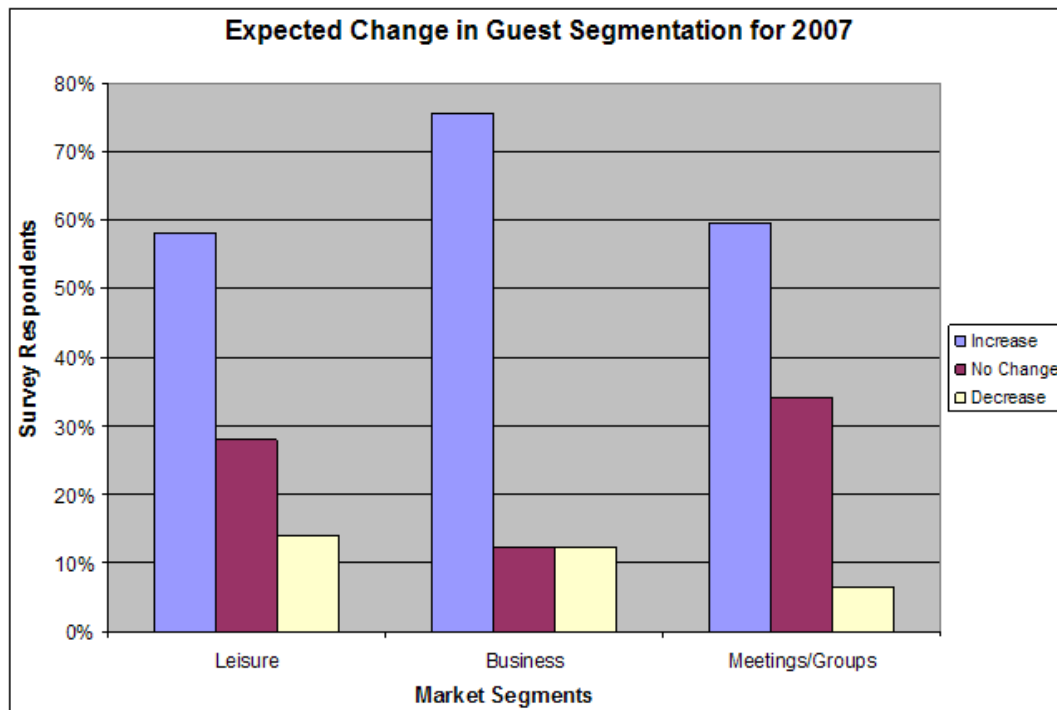
Survey of the Members of the Hotel Association of New York City and the Big Apple Chapter of Hotel Sales & Marketing Association International

The graduate students of New York University's Preston Robert Tisch Center for Hospitality, Tourism, and Sports Management conducted an online survey of the members of the Hotel Association of New York City (HANYC) and the Big Apple Chapter of Hotel Sales & Marketing Association International (HSMAI). The purpose of the survey is to gain perspective relative to the hotel market in New York City. Of the 58 responses, there were 51 usable surveys, representing a 10% survey return rate; the findings outlined in this report are based on the usable surveys.

The New York City market continues its strong performance, and the hotel professionals that work in the city share the optimism. Over half of the hotels represented by the survey respondents had an increase of at least 10% in their Gross Operating Margin (GOM) from 2005 to 2006. The GOM figures for 2007 seem promising as well. The majority of the respondents expect their average daily rate (ADR) to be at least 10% higher in 2007 than in 2006, and nearly 60% believe that occupancy will change only slightly. Even with the expected increase in room supply, the market remains optimistic. Over half of the respondents indicated that the increase in room supply by 2009 will decrease the occupancy of the NYC market as a whole, but feel that their own properties, neighborhoods, and competitive set will not be affected. However, they do believe that as rates continue to rise, the meetings/groups segment (46%) and the leisure segment (44%) are most likely to choose a hotel outside Manhattan, with Hoboken/Jersey City receiving most of the overflow business.

Details of the findings follow:

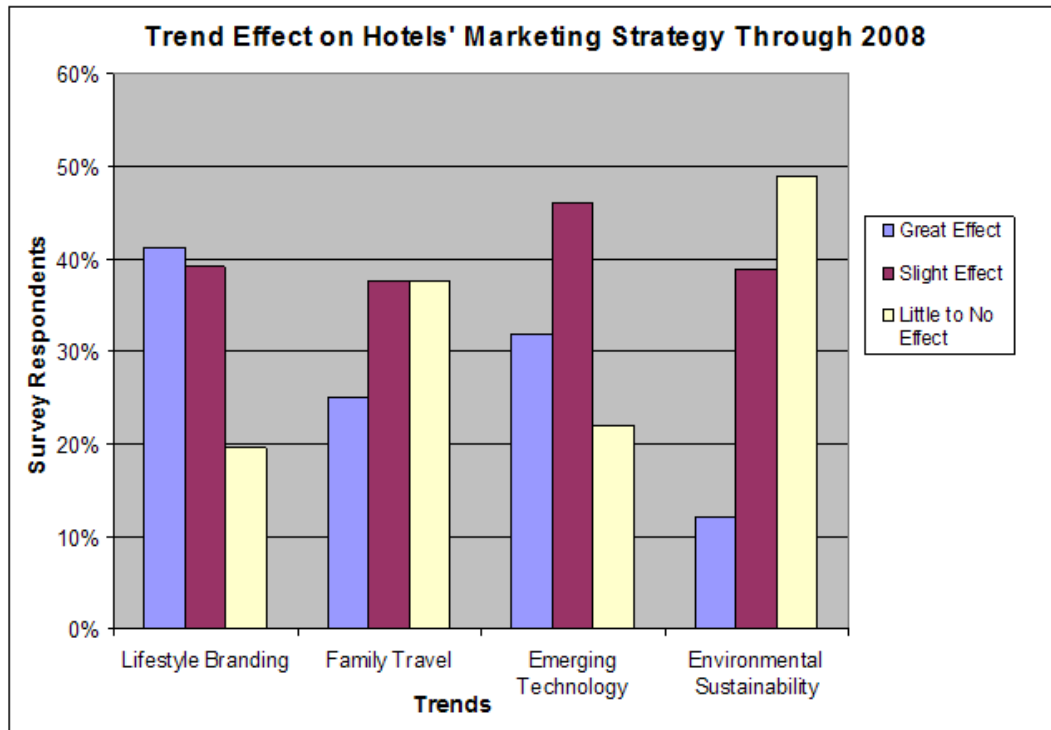
- Most of the respondents work in the area of sales and marketing (31%) or operations (27%).
- Survey respondents categorized their hotel market segments as luxury (18%), upper upscale (31%), upscale (18%), mid-scale with food and beverage (14%), mid-scale without food and beverage (16%), and economy (4%).
- Sixty-six percent of the respondents work in properties located in the Midtown area: Midtown West (45%) and Midtown East (22%).
- More than half of the respondents indicated that 41% of their guests were from the business segment. Additionally, 51% of the respondents specified the leisure segment made up over 31% of their guests, while 37% indicated that over 21% of their business was meetings/groups.
- The majority of the respondents expected increases in all customer segments. Seventy-six percent of the respondents expected a higher growth rate in business travel over the leisure and meetings/groups segments. Business travel was also the fastest-growing customer segment in last year's survey.



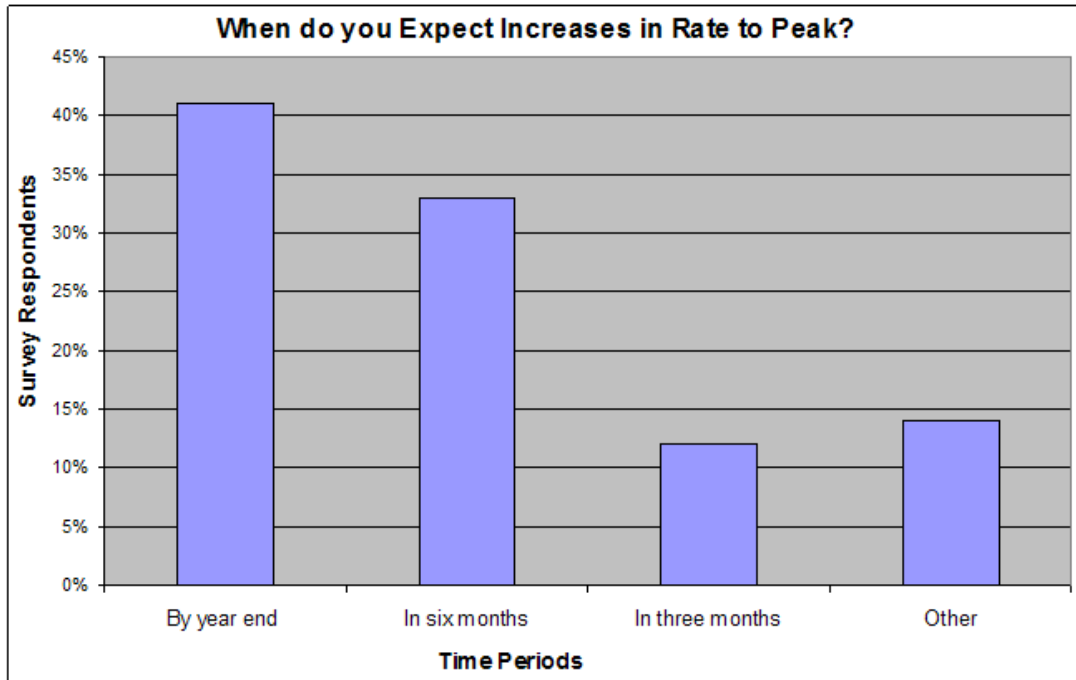
- Approximately half of all respondents stated that greater than 40% of their business segment is repeat business.
- Fifty-two percent of the respondents will increase their marketing efforts toward the leisure segment. Fifty-three percent will not change their business segment marketing efforts. For the meetings/groups segment, 45% will not change, while another

45% of respondents will increase their marketing effort toward this segment.

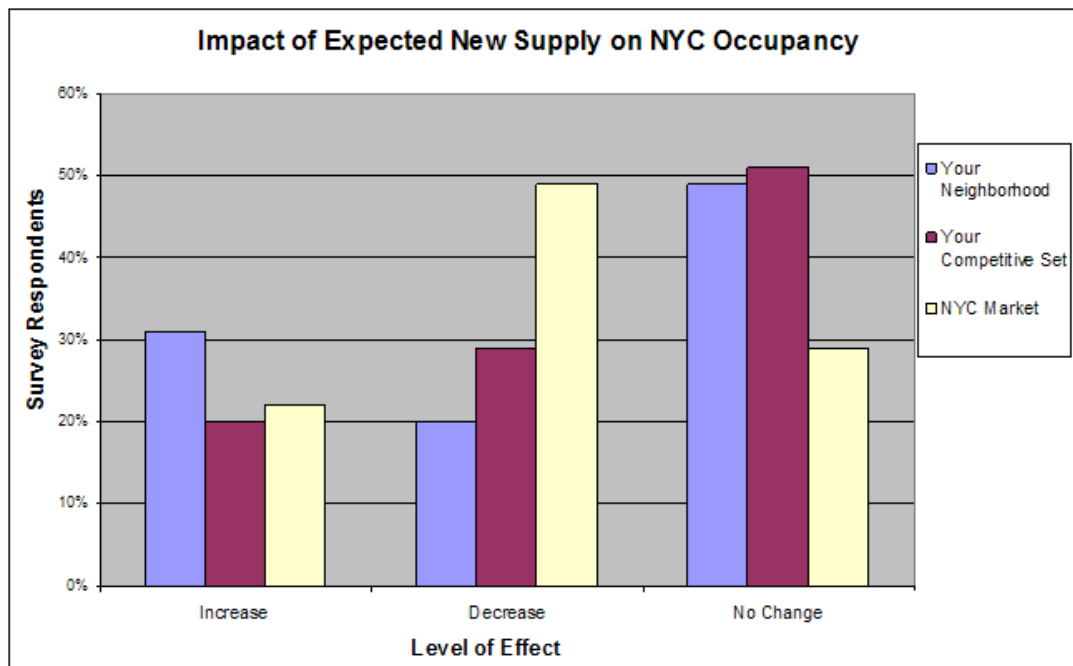
- "Lifestyle" branding, environmental sustainability, family travel, and emerging technology are impacting the marketing strategies of the majority of the respondents. Forty one percent reported "lifestyle" branding having the greatest effect, while 49% considered environmental sustainability as having "little to no effect."



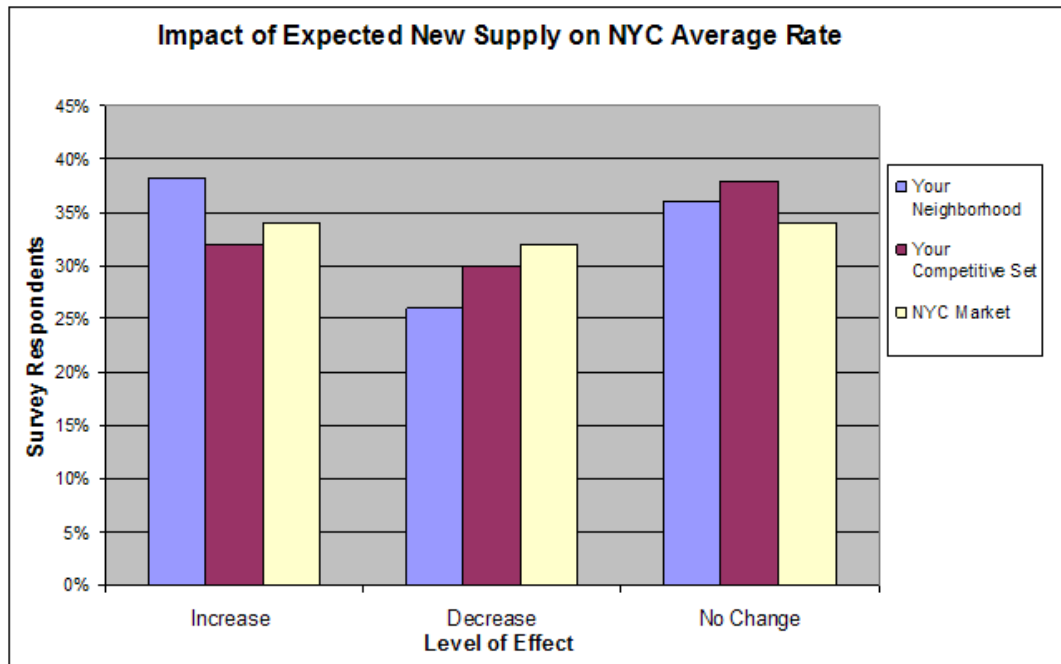
- Nearly 86% of all the survey respondents expected that their occupancy will increase by year-end. Thirty-nine percent expected that it will increase between 0% and 3%, while 20% believe it will decrease by 0% and 3% at most.
- With regard to ADR, the majority of the respondents expect their ADR to be at least 10% higher than in 2006.
- While 30% of the respondents expect their RevPAR (rooms revenue per available room) to increase between 7% and 10%, 40% of the respondents expect an increase of higher than 10%.
- The majority of the respondents agreed that the rapid increase in rate will peak by year-end.



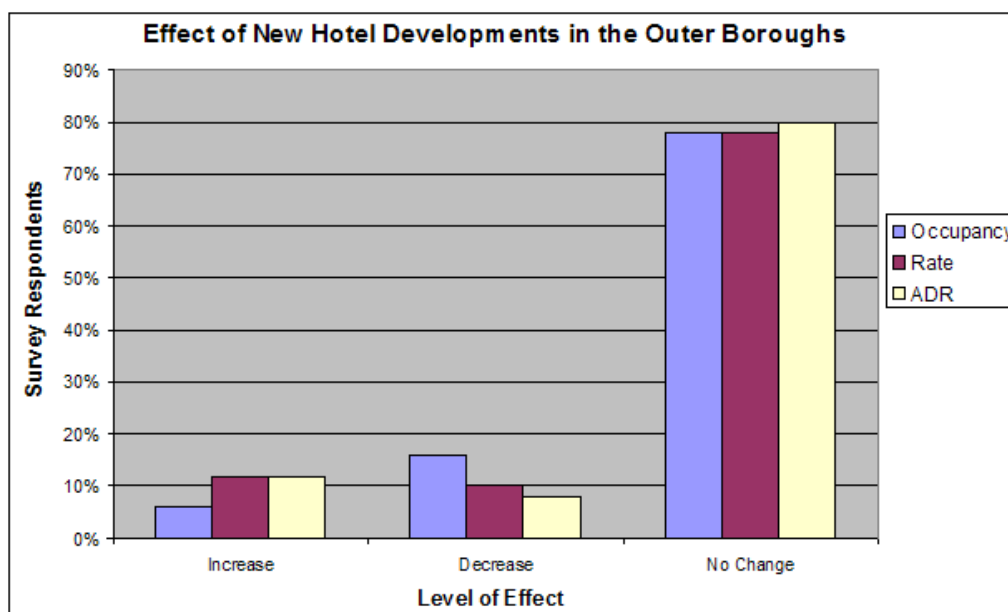
- While 67% of the respondents expect no change in their room inventories, 16% of the respondents expect a reduction in room inventory over the next 12 months.
- Nearly half of the respondents indicated that the anticipated increase in room supply expected by 2009 will cause a decrease in the NYC market occupancy as a whole, but feel that their own properties, neighborhoods, and competitive set will not be affected.



- In terms of rate, the majority of respondents feel that the increase in room supply will increase rates in their neighborhoods, as well as the NYC market, but not in their competitive set.

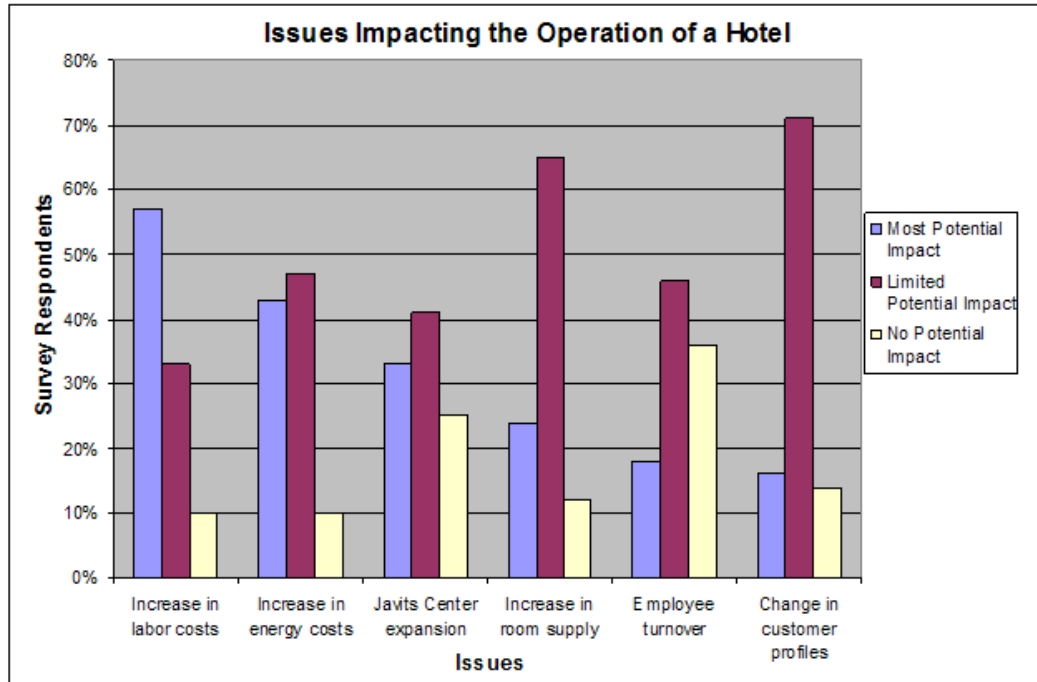


- According to survey respondents, 74% will be changing amenities, and 72% will be renovating their rooms to compete with the increasing supply of hotel rooms.
- Approximately 88% of respondents feel that favorable exchange rates will increase travel to NYC, both domestic and international.
- As rates continue to rise, 46% of the survey respondents feel that the meetings/groups segment is the most likely segment to choose a hotel outside Manhattan, followed by the leisure (44%) and business (10%) segments.
- Forty-two percent of respondents feel that Hoboken/Jersey City will receive most of the overflow business from Manhattan in 2007, similar to the 2006 survey results. Eighteen percent feel Brooklyn will receive most of the overflow, followed by Queens, including Long Island City (12%), LGA (10%), JFK (10%), and other areas in New Jersey (8%).
- Over three-fourths of the respondents feel that the emergence of new hotel developments occurring in the outer borough areas (including New Jersey) will not affect their hotels in terms of occupancy or rate.

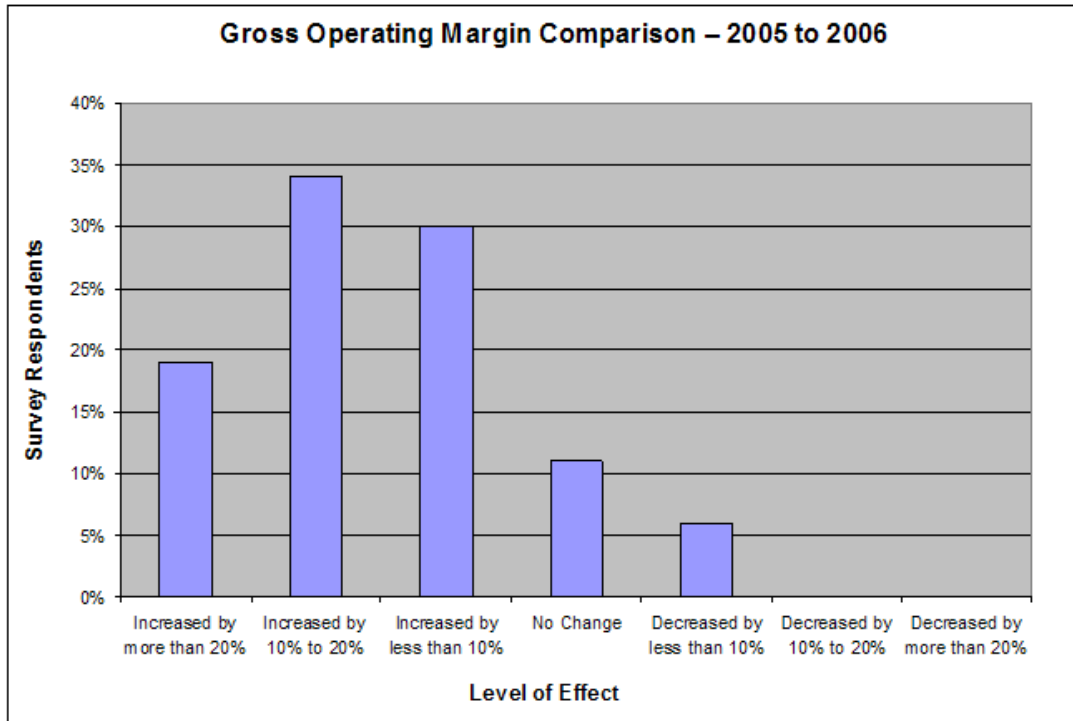


- Ninety percent of the respondents believe that price-sensitivity is the most influential factor for potential guests choosing a hotel outside Manhattan, an increase of approximately 30% from the 2006 survey. Seventy-eight percent of respondents feel that the lack of available rooms will influence travelers to stay outside Manhattan, up about 45% from the 2006 survey.

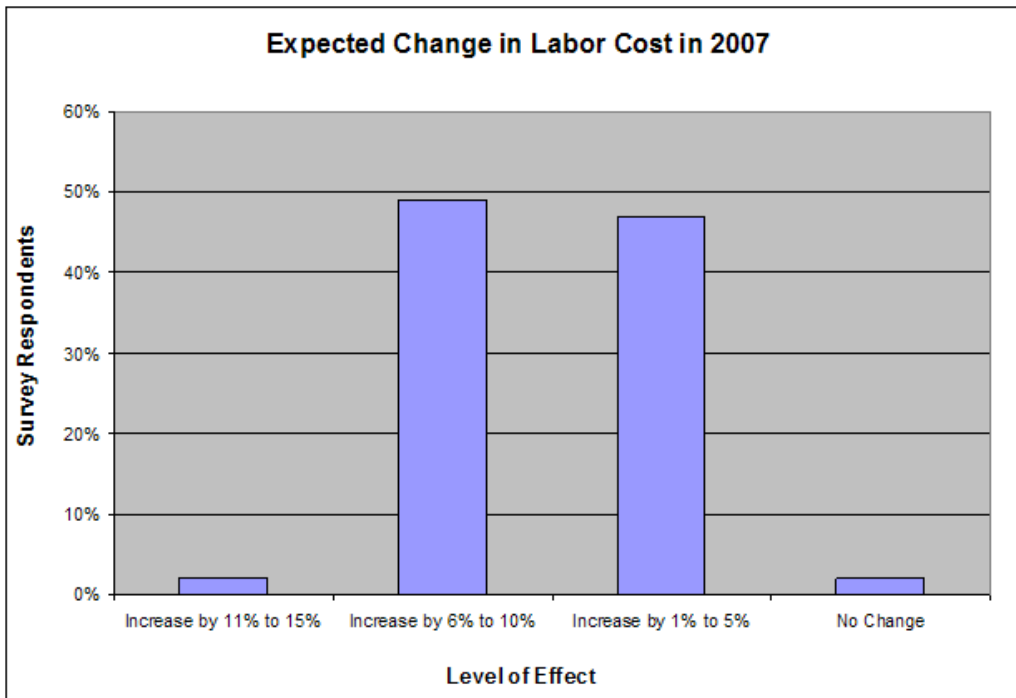
- Seventy-one percent of respondents expect the price-sensitive regional market (PA, CT, upstate NY, and MA) will choose a lower-category hotel, while 37% feel that they will stay in satellite markets, such as Hoboken and Queens/Long Island.
- Sixty-nine percent of respondents feel that newly built limited-service hotels will mainly accommodate leisure guests, up about 19% from the 2006 survey. Twenty-nine percent of respondents feel that business guests will be accommodated by limited-service hotels followed by meetings/groups (2%).
- Seventy-eight percent of the respondents feel that the emergence of new brands, such as NYLO and aloft, will not affect the occupancy of their hotels.
- As found in the 2005 and 2006 surveys, labor costs remain an important issue for hotels. Fifty-seven percent of the survey respondents still considered labor costs as having the most potential impact. Forty-three percent feel that an increase in energy costs will have the most potential impact on their hotels' operation through 2008, followed by the Javits Center's expansion (33%), increase in room supply (24%), employee turnover (18%), and changes in customer profiles (16%).



- Seventy percent of respondents expect an increase in their international leisure travelers over 2006. Respondents also stated that they expect increases in international business travelers (59%) and international meetings/groups (28%).
- Approximately 90% of the survey respondents indicated that Europe is the strongest generator of international travelers to New York City hotels, up from the 2006 survey, with the United Kingdom being the primary market that provides the international travelers.
- Fifty-three percent of the hotels represented by the survey respondents had an increase of at least 10% in their Gross Operating Margin from 2005 to 2006.



- Ninety-eight percent of the survey respondents expected labor costs to increase; almost 50% believe that it will be between 6% and 10%.



Mark Lomanno
President, Smith Travel Research

New York City hotels experienced another very strong year in 2006, as occupancy levels remained high, at over 82 percent. This historically high level of performance was punctuated by very modest growth in new room supply and stable room night demand. Over the past several years, New York City hotels have benefited from actual declines in room supply. In fact, the recent additions to supply have only brought the number of rooms in the city to levels that existed early in the decade. With supply growth stagnant during the current economic boom, room night demand has surged, driving occupancies up to these very high levels.

With market-wide occupancy at these levels, hoteliers have been able to raise room rates fairly aggressively over the past three years. For the past 30 months, annualized room rate growth has exceeded 10 percent, resulting in double-digit RevPAR growth for an even longer period of time. Needless to say, this has created a very favorable market for hotel operators and owners. With barriers to entry remaining very high, the long-term outlook for new additions to room supply remains very benign. In the absence of an economic downturn, demand is likely to remain robust, which is almost certain to create an operating environment in which hotel operators in the city will be able to maintain their aggressive pricing strategy of the past several years.

Further Analysis

Due to respondent profiling, the NYU student group was able to data-mine the differences of opinions between the various hotel professionals represented in the survey. These analyses are meant to shed light on the different perspectives of the New York City hotel market.

Sales and Marketing Perspective

- Although Sales and marketing make up 31% of the sample population, they accounted for half of the respondents that expect over 41% of their business to be repeat business.
- Sales and marketing respondents consider environmental sustainability as a trend that will have a greater effect on their marketing strategies than family travel and emerging technology.
- Although the sales and marketing respondents tend to be more conservative in their 2007 estimates of occupancy, ADR, and RevPAR, they are the most optimistic department. Most of them anticipate an increase in occupancy, even though approximately 10% to 15% more rooms are expected in the New York City market by 2009.
- Fifty-three percent of the sales and marketing respondents expect Hoboken/Jersey City to receive the most overflow business in 2007, compared to just 37% of all other respondents.
- Change in customer profile is seen as an issue with much more potential impact by the respondents with job functions in sales and marketing.
- In contrast to the rest of the survey respondents, more sales and marketing professionals expect the number of international travelers to increase.

Upper-Class Perspective (Luxury, Upper Upscale and Upscale)

- At least 54% of the respondents representing upper-class hotels consider that their demand will increase in all market segments.
- Two-thirds of upper-class hotels expect their occupancy to change by only 0% to 3%, but 40% of them expect their ADR and RevPAR to increase by at least 10%.
- With an anticipated increasing supply of rooms, upper-class hotels plan to renovate and upgrade amenities to stay competitive.
- Fifty-six percent of the respondents that work in upper-class hotels believe that the increase in rate will peak in six months or less, while 53% of all respondents (excluding upper class) agree that it will take until year-end.
- Close to 82% of all respondents representing upper-class hotels believe that the price-sensitive regional markets will choose a lower-category Manhattan hotel rather than stay in a satellite market.
- Europe was the strongest generator of international guests to nearly all (94%) upper-class hotels represented in the survey.
- In comparison to 2005, the Gross Operating Margin of practically all the upper-class hotels represented by the survey respondents increased in 2006.

Midtown West Perspective

- The Midtown West market is confident about its future occupancy. Fifty-seven percent of these respondents believe occupancy in their neighborhoods will increase, even though 10% to 15% more rooms are expected to be added to the NYC market by 2009. A mere 7% of survey respondents representing the other neighborhoods believe that their properties' occupancies will increase even with the influx of rooms.
- Ninety-one percent of Midtown West respondents will change their amenities to compete with the increasing supply of hotel rooms.
- Sixty-five percent of these survey respondents expect the meetings/groups segment to choose a hotel outside Manhattan as rates continue to rise.
- Over 65% of the Midtown West respondents believe that the price-sensitive regional market will only make day trips, rather than select a lower-category hotel as was indicated by the upper-class hotel respondents.

- All respondents working in Midtown West feel that the Javits Center expansion will have a potential impact on their property.

Summary

It is interesting to see how some issues are given lesser or greater importance depending on job function and hotel neighborhood location in NYC. Upper-class hotels believe that the increases in rate will peak in six months or less, while the rest agree that it will take until year-end. The Midtown West market is optimistic about its future occupancy, with respondents believing that occupancy in their neighborhood will increase even though the NYC market plans 10% to 15% additional rooms. Sales and marketing is the most positive department, expecting an increase in occupancy, even with added hotel rooms by 2009. However, they remain conservative in their estimates of occupancy, ADR, and RevPAR.

Manhattan Operating History & Forecast

The uncertainties of the war in Iraq and the negative impact on international travel of the SARS epidemic 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. Due to 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, marketwide RevPAR grew by 18.1% in 2005, attributable to a 2.2% increase in occupancy and a 15.6% gain in average rate. As the national economy continued to recover, Manhattan's occupancy and average rate exceeded their respective 2000 levels in 2005. Occupancy increased by 0.2% in 2006, attributable to a 0.6% decline in demand during this period, while average rate continued to grow, at a strong rate of 13.2%, resulting in a RevPAR increase of 13.4% in 2006, indicating the continued strength of the Manhattan lodging market. Based on an analysis of the historical data and a review of proposed hotels and possible closings, 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	57,205	2.0	16,240,921	7.2	77.8	5.1	145.44	6.8	113.12	12.2
1996	57,372	0.3	16,906,189	4.1	80.7	3.8	160.98	10.7	129.97	14.9
1997	58,245	1.5	17,416,819	3.0	81.9	1.5	177.31	10.1	145.26	11.8
1998	58,586	0.6	17,609,297	1.1	82.3	0.5	198.31	11.8	163.31	12.4
1999	59,911	2.3	17,730,575	0.7	81.1	(1.5)	208.64	5.2	169.17	3.6
2000	61,464	2.6	18,771,462	5.9	83.7	3.2	222.73	6.8	186.37	10.2
2001	63,269	2.9	17,187,993	(8.4)	74.4	(11.0)	195.86	(12.1)	145.77	(21.8)
2002	63,773	0.8	17,460,275	1.6	75.0	0.8	186.04	(5.0)	139.55	(4.3)
2003	64,899	1.8	17,969,358	2.9	75.9	1.1	181.37	(2.5)	137.58	(1.4)
2004	64,664	(0.4)	19,598,548	9.1	83.0	9.5	201.43	11.1	167.26	21.6
2005	63,719	(1.5)	19,736,444	0.7	84.9	2.2	232.77	15.6	197.54	18.1
2006	63,174	(0.9)	19,610,998	(0.6)	85.0	0.2	263.40	13.2	224.02	13.4
Forecast										
2007	66,351	5.0	20,395,438	4.0	84.2	(1.0)	\$284.47	8.0	\$239.57	6.9
2008	69,246	4.4	21,109,278	3.5	83.5	(0.8)	301.54	6.0	251.84	5.1
2009	71,881	3.8	21,531,464	2.0	82.1	(1.7)	313.60	4.0	257.36	2.2

Sources: Smith Travel Research; HVS Hospitality Services
 Note: Some figures may be subject to small rounding errors

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

The year 2006 was tremendously successful for the hotel industry in New York City. Projections for 2007 would seem to indicate that our town will continue to be a significant destination for people from all over the world. Mayor Bloomberg's commitment to the Travel & Tourism Industry by earmarking millions of dollars to NYC & Company will prove to be an even greater boom as NYC & Company endeavors to lure more visitors to our city.

Plans are proceeding with regard to the expansion of the Jacob K. Javits Convention Center, and we are enthusiastic over Governor Spitzer's review of the expansion. We hopefully look forward to an even bigger and better convention center as a result of the Governor's review.

All in all, 2007 looks like another banner year. Welcome to NYC.

Overview of Sales Transactions in Manhattan

The following table sets forth an overview of Manhattan hotel sales activity during the past seven years.

Property	Date of Sale	Address	No. of Rooms	Seller	Buyer	Price (\$)	Price per Room (\$)
Mandarin Oriental	Feb-07	80 Columbus Circle	248	Mandarin Oriental Hotels/Apollo Real Estate Advisors/The Related Companies	Istithmar Hotels FZE (acquired 75% of the interest)	340,000,000	1,371,000
Doubletree Guest Suites Times Square*	Dec-06	1568 Broadway	460	GE Pension Trust	Whitehall/Highgate Holdings/Sunstone Hotel Investors	300,000,000	652,000
W Hotel Union Square	Oct-06	201 Park Avenue South	270	Related Urban Development	Istithmar Hotels FZE	285,000,000	1,056,000
Embassy Suites *	Sep-06		463		Goldman Sachs	225,000,000	486,000
						<i>Additional \$10 million to convert property to a franchise</i>	235,000,000
Swissotel The Drake	Apr-06	440 Park Avenue	495	Host Marriott Corporation	Macklowe Properties	440,000,000	889,000
<i>To be demolished for the development of a mixed-use residential condominium</i>							
Hilton Times Square *	Mar-06	234 West 42nd Street	444	Forest City Ratner Co. JV Hilton Hotels Corp.	Sunstone Hotel Investors	242,500,000	546,000
						<i>Additional \$15 million to convert property to a franchise</i>	257,500,000
The Mark Hotel *	Jan-06	25 East 77th Street	176	Mandarin Oriental Hotels	Izak Senbahar and Simon Elias	150,000,000	852,000
<i>Sold for Condo Conversion</i>							
Marriott East Side	Nov-05	525 Lexington Avenue	646	Strategic Hotel Capital, Inc.	Prime Property Fund (Morgan Stanley)	287,000,000	444,000
Holiday Inn Express	Sep-05	15 West 45th Street	125	MacSam Hotel Group	MG-45, LLC	36,500,000	292,000
Westin Essex House	Sep-05	160 Central Park South	605	Strategic Hotel Capital, Inc.	Dubai Investment Group	400,000,000	661,000
						<i>(as renovated, assuming a \$50-million infusion)</i>	450,000,000
Portland Square	Sep-05	128-134 W 47th Street	140	David & Lina Putchall	47th Hotel Associates LLC	19,300,000	138,000
Howard Johnson Express	Sep-05	135 East Houston Street	45	Houston Lodging, LLC	Gemini Real Estate	13,750,000	306,000
Algonquin Hotel	Sep-05	59 West 44th Street	174	Miller Global	HEI Hospitality	74,100,000	426,000
						<i>(as renovated, assuming a \$3.5-</i>	77,600,000

<i>million infusion)</i>							
Avalon Hotel	Aug-05	16 East 32nd Street	100	Hotel Stanford LLC	Ferrado US LLC	35,700,000	357,000
Holiday Inn SoHo	Aug-05	138 Lafayette Street	227	Great Canal Plaza Inc.	Highgate Holdings	42,500,000	187,000
<i>(as renovated, assuming a \$4.5-million infusion)</i>						47,000,000	207,000
Clarion Park Avenue	May-05	429 Park Avenue South	60	Palace International Properties, Ltd.	Park Avenue Hotels New York LLC	11,350,000	189,000
Crowne Plaza UN (35 years remaining)*	May-05	304 East 42nd Street	300	InterContinental Hotels Group	Highgate Holdings	34,000,000	113,000
<i>(as renovated, assuming a \$10-million PIP)</i>						44,000,000	147,000
The Sutton	Apr-05	330 East 56th Street	85	Glenwood Management	Alchemy Properties	52,400,000	616,000
Rihga Royal*	Mar-05	151 West 54th Street	506	Lehman Brothers	Blackstone Real Estate Group	193,000,000	381,000
Best Western Convention Center	Feb-05	522-524 W 38th Street	83	Unigroup Hotel LLC	522 W 38th St NY LLC	15,785,000	190,000
Manhattan Seaport Suites	Jan-05	129-31 Front Street	57	Target Two Associates	129 Front Realty LLC/Heng Sang Realty	11,750,000	206,000
The Stanhope Park Hyatt*	Jan-05	995 Fifth Avenue	169	Hyatt Hotels	Intell Management	70,000,000	414,000
<i>Sold for Condo Conversion</i>							
Sheraton Russell	Dec-04	45 Park Avenue at 37th St.	146	Starwood Hotels & Resorts	SJP Residential Properties	40,250,000	276,000
<i>Sold for Condo Conversion</i>							
Clarion Fifth Avenue*	Dec-04	3-5 East 40th Street	189	ING Realty Partners	DiamondRock Hospitality	34,375,000	182,000
Park Central	Dec-04	870 Seventh Avenue	935	H. Park Central, LLC	Highgate Hotels	215,000,000	230,000
Courtyard Midtown East	Dec-04	866 Third Avenue	307	866 3rd Next Generation Hotel L.L.C.	DiamondRock Hospitality	75,000,000	244,000
The Plaza	Oct-04	768 Fifth Avenue	805	Plaza Operating Partners, Ltd.	Elad Properties	675,000,000	839,000
<i>Sold for Condo Conversion (except for 150 rooms)</i>							
Days Hotel	Aug-04	790 8th Avenue	368	Hampshire Hotels & Resorts	Highgate Hotels	58,000,000	158,000
Howard Johnson Plaza	Aug-04	851 8th Avenue	300	Hampshire Hotels & Resorts	Highgate Hotels	47,200,000	157,000
Paramount Hotel	Jun-04	235 West 46th Street	593	Morgans Hotel Group	Becker Ventures, LLC	126,500,000	213,000
<i>(as renovated, assuming a \$50-million infusion)</i>						176,500,000	298,000
Quality Inn Times Square	May-04	157 West 47th Street	160	Hampshire Hotels & Resorts	Cushlin Limited	20,200,000	126,000
Mayflower Hotel	May-04	15 Central Park West	365	Goulandris Family	William Lie Zeckendorf JV Whitehall RE Fund	401,000,000	1,099,000
<i>To be demolished for the development of a mixed-use residential condominium</i>							
The Mansfield*	May-04	12 West 44th Street	127	Credit Suisse First Boston	Ark Investment Partners, LP	12,500,000	98,000
InterContinental Central Park South*	Apr-04	112 Central Park S.	211	InterContinental Hotels Group	Anbau Enterprises	63,500,000	301,000
<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	82,000
Empire Hotel	Dec-03	44 West 63rd Street	381	Morgans Hotel Group/NorthStar Capital	Joseph and Jack Chetrit	80,000,000	210,000
<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	225,000
<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	197,000

Roger Williams*	Sep-03	131 Madison Avenue	187	PTG Madison 31 Trust	JRK New York Hotel Partners	26,500,000	142,000
Hampton Inn Chelsea	Aug-03	108 West 24th Street	144	Chelsea Grand East, LLC	CNL Hospitality/Hersha Hospitality	28,000,000	194,000
Loews Metropolitan	Jul-03	Lexington Ave at 51st St.	722	Loews Hotels	Whitehall Street Real Estate Fund	110,250,000	153,000
					<i>(as renovated, assuming a \$20-million infusion)</i>	130,250,000	180,000
Doral Park Avenue (now Kimpton Hotel)	Jul-03	70 Park Avenue	188	Hayman Company	Kennedy Associates	38,240,000	203,000
			205		<i>(as renovated and expanded, assuming a \$19-million infusion)</i>	57,240,000	279,000
Hotel Wales	Nov-02	1295 Madison Ave.	87	PTG Wales Trust	DLJ Real Estate Capital Partners II LP	24,000,000	276,000
Fitzpatrick Hotel	Aug-02	127 East 55th Street	130	British Airways	Hotel Properties Ltd, Singapore	30,690,000	236,000
Algonquin Hotel	Jun-02	59 West 44th St.	174	Camberley Hotel Co./Olympus RE	Miller Global Properties	41,400,000	238,000
Delmonico Hotel	Nov-01	502 Park Avenue	152	N/A	Donald Trump	115,000,000	757,000
<i>Sold for Condo Conversion</i>							
The Barbizon	May-01	140E 63rd St.	300	Morgans Hotel Group	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	657,000
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	172,000
The Sutton	Jun-00	330 East 56th St.	84	Hong Kong & Shanghai Hotels	Glenwood Management	35,000,000	417,000

*Leasehold Interest

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

*** properties under contract, and prices reflect asking price

Note: Price for the Rihga Royal includes termination fees paid to Marriott

Donna Quadri-Felitti**President, HSMIA Big Apple Chapter**

Today's sales and marketing professional faces ever-increasing complexities in both the required breadth and depth of distribution and brand management. The members of HSMIA Big Apple who participated in the HVS-NYU Manhattan survey reveal their appreciation of the necessity to keep product fresh and current and their role in understanding the trends, economic cycles, and competitive challenge of travel, tourism, and hotel management in Manhattan. Our sales, marketing, and revenue management professionals are clear about the sophistication of marketing's critical contribution to enhancing the greater asset valuation of hotel investments in New York City.

Following the events of September 11, 2001, hotel transaction activity declined owing to the uncertainty regarding hotel operating performance and stricter underwriting by lenders. Well-capitalized owners were generally holding on to 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 were 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 seven 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, sales activity intensified as the market rebounded at a tremendous pace. In total, 13 hotels were sold during 2004, the highest transaction number at that point in time.

During 2005, 15 hotels were sold, exceeding the previous peak in transactions achieved in 2004. Financing continued to be readily

available in 2005, as lenders remained optimistic about the Manhattan lodging market.

The year 2006 registered six hotel transactions, one of which exceeded the \$1-million mark per key. In October 2006, Istithmar acquired the W Union Square for roundly \$1.1 million per room. This record was broken a few months later, in February 2007, as the same buyer, Istithmar, acquired an interest in the Mandarin Oriental for the highest per-room price ever recorded in Manhattan, at roundly \$1,371,000 per room. Hotel investors continue to have a positive perspective of the Manhattan lodging market, as average rate is expected to experience further growth over the next few years.