

MarketView New York City Hotel

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Autumn 2012

Quick Stats: YTD June 2012

Change from 2011

| | Current | Year |
|----------------|----------|------|
| Room Supply | 79,351 | ↑ |
| Occupied Rooms | 66,336 | ↑ |
| Occupancy | 83.60% | ↑ |
| ADR | \$255.90 | ↑ |
| RevPAR | \$215.90 | ↑ |

All major hotel metrics have shown improvement over the first half of 2012, especially in the Lower Manhattan and Times Square markets, which have exhibited year-over-year RevPAR growth of 9.7% and 7.55%, respectively, compared with mid-year 2011. City-wide RevPAR has grown 6.95%, amid increases in supply in several neighborhoods, speaking to the City's potential to absorb new product as it comes to market.

Market demand has continued to grow in 2012 as a result of growing neighborhoods and office markets, as well as continued growth in U.S. and international tourism. The Midtown South office market has experienced leasing velocity that has surpassed historical

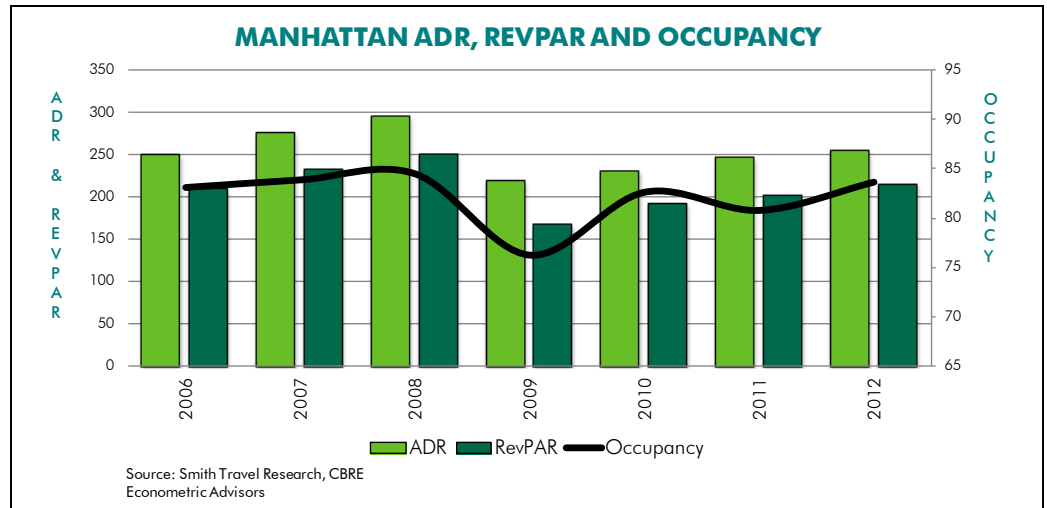
highs as office buildings have been acquired, renovated and repositioned to absorb a growing technology and media industry. This influx of new tenants has bolstered commercial demand in the area. International travel has also continued to grow at record pace despite economic uncertainty in Europe and slower-than-expected growth in China. The World Trade Center area has had its impact on demand, as tourists as well as local residents have crowded the area since the opening of the National September 11 Memorial Plaza. The following chart illustrates the historical ADR, occupancy and RevPAR in Manhattan for the first two quarters of the last seven years.

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Investment Climate

The most prominent buyers of hotel assets in 2012 have been foreign buyers. The Sahara Group, of India, is in contract to acquire a controlling stake of the iconic Plaza Hotel and Plaza retail for \$570 million, and is also reported to be in contract to acquire the Dream Hotel Downtown. In January, HNA Property Holdings, of China, acquired the Cassa Hotel for \$130 million, or \$787,879 per key, while Langham Hotels, of Hong Kong, has been actively seeking an acquisition opportunity to expand its brand into Manhattan.

In February, King and Grove Hotels, backed by Joseph Chetrit, has also been an active buyer, acquiring the Hotel Williamsburg, in Brooklyn, for \$32,350,000, or \$505,469 per key, and acquired the Hotel Lola in July for \$116 million, or \$420,290 per key. King and Grove also purchased the Hotel Chelsea in May 2011 for \$88 million.

Most recently, Strategic Hotels and Resorts acquired the Jumeirah Essex House at Central Park South for a reported \$362.5 million or \$699,807 per key for the 518-room property, with plans to rebrand the hotel as a JW Marriott at a cost of approximately \$18.3 million, bringing the all-in acquisition price to \$380.8 million. The following chart illustrates the recent transactions that have occurred in Manhattan over the last six months.

| Manhattan Hotel Transactions | | | | |
|--|-------------|--------------|-------------------|-----------------------|
| Property Name | Date | Rooms | Sale Price | Price Per Room |
| Jumeirah Essex House (JW Marrott Essex House New York) | Aug-12 | 518 | \$380,600,000 | \$734,749 |
| Hotel Lola (King & Grove New York) | Jul-12 | 276 | \$116,000,000 | \$420,290 |
| Cassa Hotel | Jan-12 | 165 | \$130,000,000 | \$787,879 |
| Novotel Times Square | Jan-12 | 480 | \$211,000,000 | \$439,583 |

Compiled by CBRE

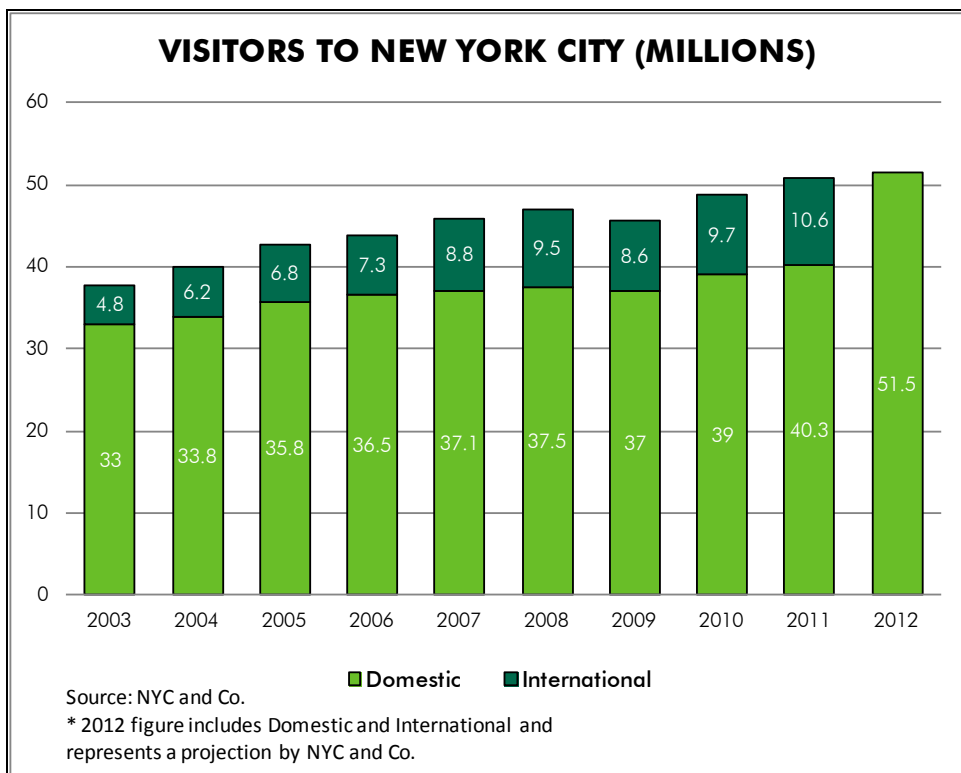
Future Increases in Supply

Supply growth has picked up pace and been absorbed, while RevPAR has continued to grow, speaking to the resilience of the Manhattan hotel market and the opportunity for further development.

Financial institutions are currently considering construction financing deals with well-capitalized sponsors that typically consist of recourse debt with a percentage of the recourse burning off and completion guarantees. Given the historical supply and demand relationships and positive RevPAR forecasts, developers have been willing to accept these terms and numerous new hotel projects have been planned or are proposed. New supply growth is spread widely across several Manhattan neighborhoods, with some concentration in the areas south and west of Times Square, now known as Times Square South. There is also a push to develop new branded mid-scale product as it has proven successful in several neighborhoods. In addition, luxury product is planned, as the existing Manhattan luxury supply has become somewhat dated.

Focus on: Tourism

As depicted below, New York City hotels hosted a record number of visitors in 2010 and 2011, surpassing all previous high watermarks in both years. Tourism is expected to continue to grow through 2012 and beyond, with the City's goal to reach 55 million visitors by 2015. The graph below serves to underscore the vitality and growth that New York City tourism has experienced since 2003.



The chart below provides a breakdown of international travel to New York City by nation of origin, and illustrates the percentage increase of inbound travel each country has exhibited over the last five years.

| Visitors by Nation of Origin | | | |
|-------------------------------------|--------|--------|--------|
| | 2006 | 2011 | Change |
| Brazil | 151 | 701 | 364% |
| Argentina | 76 | 234 | 208% |
| Australia | 216 | 533 | 147% |
| China and Hong Kong | 145 | 327 | 126% |
| France | 305 | 636 | 109% |
| Mexico | 198 | 376 | 90% |
| Domestic | 36,450 | 40,300 | 11% |
| Japan | 275 | 259 | -6% |
| U.K. | 1,169 | 1,014 | -13% |
| Ireland | 270 | 214 | -21% |

Source: NYC & Company (in 1,000's)

As illustrated, the landscape of international tourism has changed over the past five years. Inbound tourism from Brazil has increased 364% since 2006 as the Brazilian economy has continued to expand. Tourism from Argentina, China and Hong Kong, Australia and France has also doubled over the same time period.

Conclusion

The Manhattan hotel market has exhibited strong growth in demand and ADR over the course of 2012. City-wide RevPAR increased year-over-year amid significant increases in supply and continued uncertainty across the U.S. and international economies. Tourism has continued to increase and the outlook for U.S. and inbound

international travel remains positive. The New York City hotel market continues to see strong growth in demand, ADR and RevPAR.