

Lodging Review Mid-Year 2018

New York, NY



ECONOMIC INDICATORS

2017-2018 Q2 STATS

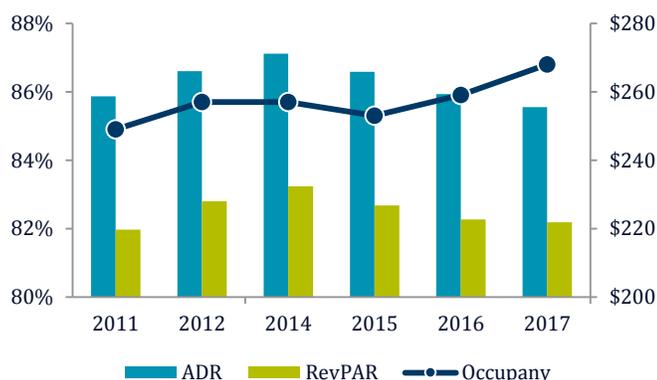
	Q2 2017	Q2 2018	Y-O-Y Change
Occupancy	89.5%	90.0%	0.5%
ADR	\$263.85	\$273.67	3.7%
RevPAR	\$236.24	\$246.24	4.2%

YEAR-TO-DATE STATS

	June 2017	June 2018	YTD Change
Occupancy	83.8%	85.2%	1.8%
ADR	\$232.97	\$241.00	3.4%
RevPAR	\$195.13	\$205.41	5.3%

Source: STR

HISTORICAL OPERATING STATISTICS



SUPPLY SUMMARY

Room	Existing	Under const.	Final Planning	Planning	Total Under Dev.	% Increase
Luxury	12,225	289	-	83	672	5%
Upper Upscale	23,052	2,072	1,909	393	4,374	19%
Upscale	21,702	4,112	1,987	812	6,911	32%
Upper Midscale	11,625	2,898	969	1,102	4,969	42%
Midscale	2,703	472	748	756	1,976	73%
Economy	1,869	175	85	398	658	35%
Independent	46,863	2,678	635	1,874	5,187	11%
Total	120,039	12,696	6,333	5,418	24,747	20%

Source: STR

Economy

New York City continues to be one of the most desirable hotel markets in the world and consistently produces the highest RevPAR and ADR of any market in the United States. Tourism has been a major growth driver over the past five years with total visitation increasing by approximately 17.3% since 2012. In 2017, a record high 61.8 million tourists visited the city—a 2.5% increase over 2016. Additionally, visitor spending increased to roughly \$45.2 billion or by 5.0% in 2017. NYC & Co, the city's official convention and visitors bureau, have forecast total visitation to increase by 2.9% in 2018, further supporting the city's position as a global financial, media, entertainment, and cultural center.

Numerous attractions and events across Manhattan continue to bring tourists, including Times Square, Fifth Ave, the Theater District, Museums, Central Park, many landmark buildings, Universities, sporting events, and concerts. The emerging Hudson Yards District in Midtown South continues to be the largest development site in Manhattan, with approximately 26.0 million square feet of office space expected.

The New York City hotel market experienced a decline in RevPAR and ADR in 2016 and 2017, but 2018 has shown significant improvements year-to-date. All metrics have shown positive increases, led by RevPAR growth of 5.3%. ADR rose 3.4%, and occupancy grew 1.8 percentage points. Second quarter statistics show similar results, with growth across the board. ADR increased 3.7% and occupancy grew 0.5 percentage points, hitting 90.0%; resulting in a RevPAR rising 4.2% year-over-year.

Ten hotels have sold year-to-date in the five boroughs of New York City, for a combined price of over \$1.9 billion. Top sales include Edition Times Square, The Plaza Hotel, and The W (now The Maxwell), for \$719.1 million, \$600.0 million and \$190.3 million, or \$1,590,929, \$2,127,660, and \$272,956 per room, respectively. Top transactions in 2017 include The Standard Highline and the Affinia Manhattan NYC for \$340.0 million and \$217.5 million, or \$1,005,917 and \$356,557 per room, respectively.

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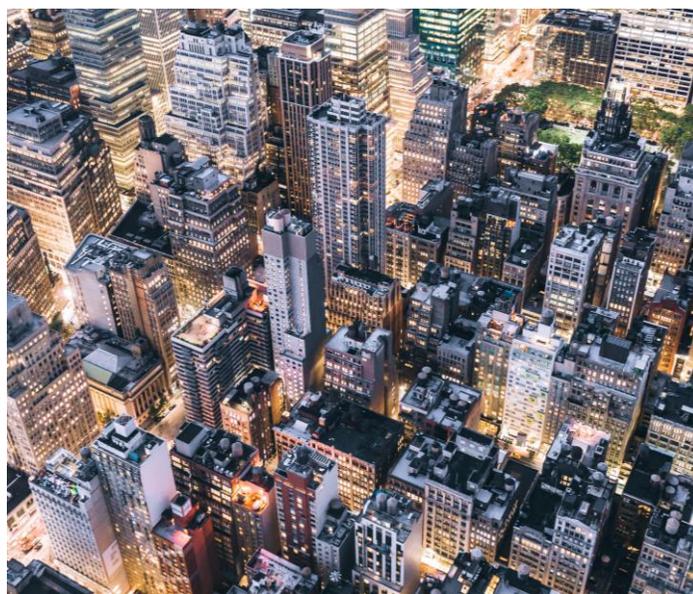
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Outlook

The Manhattan hotel market enjoyed a period of robust growth and record performance from 2010-2014, but trends from 2015-2017 pointed to a shift in the cycle. From January 2013 through 2016, approximately 19,000 new hotel rooms entered the market, a growth of 20.0%. As a result, downward pressure was placed on rate growth as operators focused on maintaining occupancy at the expense of rate. This dynamic was evident in 2017, which experienced a marginal increase in occupancy of 0.9%, at the expense of ADR which decreased by 1.8%; resulting in a RevPAR decline of 0.9%. However, Manhattan overall ended 2017 on a strong note with a moderate RevPAR increase of 1.5% in Q4 2017, which mitigated much of the RevPAR decline experienced throughout the first half of the year. The positive trend started in Q4 2017 has continued into 2018 with both occupancy and rate increasing.

Nearly 25,000 more rooms are scheduled to come on line. However, operators have reported that the supply is being absorbed at a faster rate than anticipated over the past few years, which bodes well for the overall market. Additionally, the new supply is generally higher rated than the existing supply, which should help drive additional average rate gains throughout the market.

Much has been reported about the growing trend in sharing platforms through community based on-line services such as HomeAway, Flipkey, and most notably, Airbnb. While the direct impact is difficult to measure, research firm Smith Travel Research, using data provided directly by Airbnb, recently found little evidence to support declining hotel revenues due to the expansion of Airbnb product in Manhattan. The STR study also found that the majority of Airbnb product in Manhattan, based on pricing, potentially competes with only $\pm 12.0\%$ of the Manhattan hotel market; pointing to the economy/midscale class as the



most vulnerable segment. Additionally, the study found that the length of stay for Airbnb product was typically seven nights or more, meaning that transient hotels have less to fear from Airbnb than extended-stay hotels or vacation rental products.

Over the past 12-18 months the market had experienced a slowdown in transactions as sellers were bullish. However, this trend is shifting as buyers and sellers recalibrate their expectations. Signs of compression in the hotel market are building as occupancy, RevPAR, and ADR have increased over the past six months, diminishing fears of erosion. Additionally, high quality assets in very good to excellent locations continue to achieve strong pricing. With a diminishing supply pipeline, operators believe the opportunity to grow RevPAR will continue over the near term. Accordingly, improving hotel fundamentals are expected to fuel the hotel transactions market in the near future.

Notable Sale Transactions in 2018

HOTEL	ROOMS	BUYER	SALE PRICE	PRICE PER ROOM
Edition Times Square	452	20 TSQ GroundCo LLC	\$719,100,000	\$1,590,929
The Plaza Hotel	282	Katara Holdings	\$600,000,000	\$2,127,660
The W (now the Maxwell)	697	Capstone Equities and Highgate	\$190,250,000	\$272,956

MARKETBEAT

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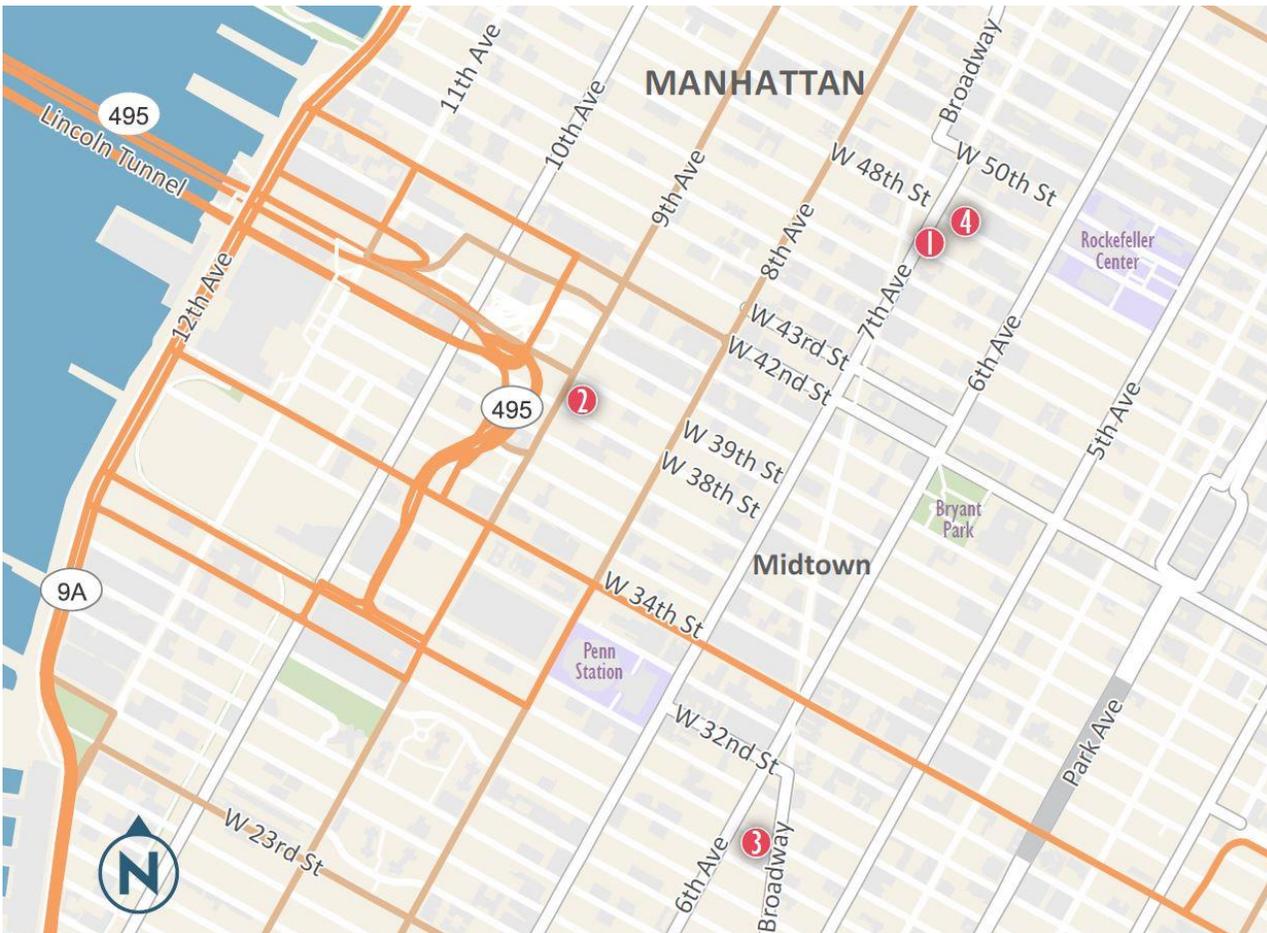
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New Supply

The following list includes some of the most significant projects currently under construction or recently completed and the approximate delivery date:

1. 452-room Edition Times Square, Fall 2018
2. 520-room Hyatt Place Times Square, Winter 2018
3. 500-room Virgin Hotel, Summer 2019
4. 445-room Hard Rock Hotel, Fall 2019



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