

# REAL ESTATE WEEKLY

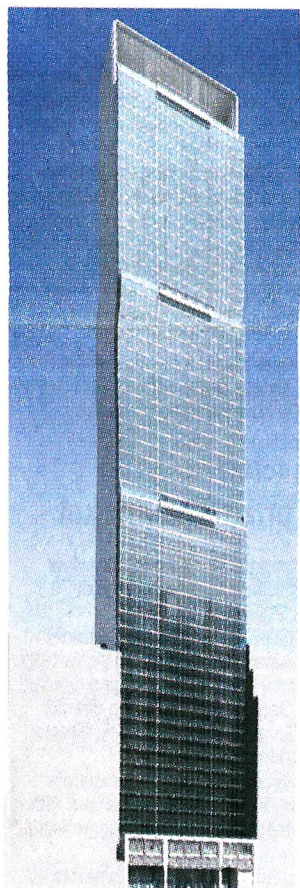
Serving America's #1 Market

August 31, 2011

## Extell to build Times Square hotel

BY LINDA O'FLANAGAN

Extell Development Company is set to build a new 54-story Times Square Hotel. "This unique hotel offering



SLCE has designed the hotel.

will provide travelers convenient access to some of New York's most iconic and popular destinations," said Gary Barnett, president of Extell.

Hyatt Times Square, a 550 ft. four-star hotel with 487 guestrooms, is slated for completion in 2013.

An affiliate of Hyatt Hotels Corporation has signed a long-term agreement to manage the property.

Located in the heart of the Theater District, the hotel will feature "an innovative exterior design" by architectural firm SLCE and interior spaces by SPaN of New York.

Amenities will include a lobby bar, restaurant, rooftop terrace, sky-lounge, and meeting space as well as a spa and fitness center.

The hotel is one of two Extell now has on its drawing boards as the hospitality market in general enjoys a resurgence. Extell is also building the Park Hyatt on West 57th Street

According to Jones Lang LaSalle Hotels, the volume of hotel investment transactions that closed in the US in the first six months of 2011 reached \$7.4 billion — a 180% increase on the same

time last year. "Investors are aggressively re-entering the hotel market," said Arthur Adler, managing director and CEO-Americas of Jones Lang LaSalle Hotels.

"Real estate investment trusts (REITs) have been trading at strong multiples and have been able to access the equity markets, while private equity funds have raised significant sums of capital and the debt markets are more active, which has led to the significant increase in activity."

Adler predicts the years tally of big-ticket hotel trades to top \$16 billion, up from previous forecasts of \$13 billion.

This year's deal volume has been driven by single-asset hotel transactions which accounted for 90% of sales.

And New York City is at the forefront of the business. Hotel transactions here topped \$2.1 billion by mid-year.

Based on the pipeline of deals in the market, such as the 597-key Paramount Hotel, deal volume is on track to potentially reach \$4 billion this year — the highest level single-asset volume on record for Manhattan. "While REITs

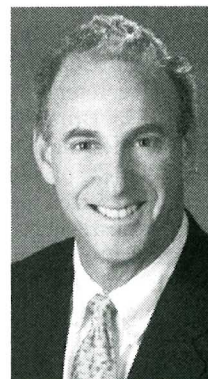
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accounted for 45% of the acquisitions volume during the first half of the year and were the most active buyer group overall, private equity investors, which were relatively silent during the downturn, have picked up steam," noted Adler.

"In the first quarter of 2011, private equity groups accounted for 25% of purchase volume, a figure which jumped to 46% in the second quarter of the year."

The United States continues to be the dominant country in the Americas region for hotel transactions, accounting for 94% of the regional transaction volume. Another four percent of regional activity resulted from hotel trades in Canada. Brazil was the third most liquid investment market in the Americas recording \$94 million in hotel transactions.

"Based on the pace recorded thus far in 2011, and large pending transactions such as Chatham Lodging Trust and Cerberus Capital Management, L.P.'s acquisition of 64 assets for approximately \$1.125 billion, plus Pebblebrook Hotel Trust and Denihan Hospitality Group's agreement to invest in six Manhattan hotels for \$910 million, we are confident that our updated transaction volume forecast of \$16 billion for full-year 2011 will be met or exceeded," concluded Adler.



ARTHUR ADLER