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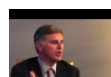
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## New supply no concern to NYC owners

April 2 2014

Hotel development is going strong in New York, but demand gains are washing away any concerns of oversupply.

### Highlights

- There are 74 hotels and 12,649 rooms in construction in New York.
- Demand increases are offsetting supply increases, sources report.
- Land is at a premium in New York, Fortuna's Ashish Lall said.

By **Shawn A. Turner**

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NEW YORK—New York's supply pipeline continues to swell, but that doesn't seem to be scaring away additional development.

New York has an existing supply of 601 properties comprising 109,855 rooms, according to data from [STR](#), parent company of Hotel News Now. A total of 31 hotels with 5,649 rooms recently opened in the market, with another 74 hotels, representing 12,649 rooms, under construction.

Occupancy year-to-date through February in New York was down 3.2% to 72.6% as supply continued to grow, according to STR data.

The Hotel Hugo, a 122-key independent hotel, opened in New York's SoHo neighborhood last week. The property was developed by Fortuna Realty Group, in conjunction with developer Matthew Moian. Fortuna has two operating hotels in New York as well as an Aloft-branded hotel in development and another yet-to-be-determined hotel at a development site Fortuna has secured.

Ashish Lall, director and head of acquisitions and asset management at [Fortuna](#), acknowledged last week during the 26th annual Hunter Hotel Investment Conference in Atlanta the increasing supply levels in the city. Demand is increasing as well, however, which is working to offset the growing number of hotels.

He said the market is seeing great demand from social groups, global travelers and corporate business. "We've seen great results just from the ever-increasing demand," he said.

Indeed, despite the occupancy decrease, average daily rate and revenue per available room each showed increases year-to-date through February, according to STR. ADR was up 5.7% to \$207.53, while RevPAR increased by 2.4% to \$150.69.

Dan Lesser, president and CEO of New York-based LW Hospitality Advisors, said the fact occupancies haven't dropped by a drastic amount will help keep the New York market chugging along. He added that he isn't concerned about oversupply issues.

"You'd have to add thousands of rooms for that to happen, and I don't see that happening," he said.

He also said the latest wave of development washing over the city is likely to be the last one, for the time being, at least. "I think you'll see a breather after this."

Lesser said there are several submarkets emerging in New York, namely Hudson Yards and the entire West Side of Manhattan. Further, Lesser said there remains the possibility a headquarters hotel could open near a tourist center in the city.

“Twenty years from now (the city) will look completely different,” he said.

Rockbridge owns two assets in New York, a 145-key Hampton-flagged hotel and a 224-key DoubleTree by Hilton. Chris Diffley, a managing director at [Rockbridge](#), agreed that New York remains a strong hotel market.

“The new supply is something to keep an eye on, (however) to date, demand has grown at a pace where the demand has kept up with the new supply,” he said.

One thing that does concern Fortuna’s Lall is the availability of usable real estate upon which to develop hotels.

“Land is a premium, so if you can find it at a great basis, you can take advantage of it,” he said. “But it is very difficult because there is no open land.”

Diffley said the market is indeed getting quite built out.

“From a market that used to be not quite as broad, now it’s river to river—tip of the island all the way out,” he said. “Hotel performance is representative of the demand.”

And while he’s not necessarily concerned about the long-term implications of supply, Lall said there is a lot of competition among hotels in New York.

“It’s six or seven hotels that open up right against you,” he said. “You have to be more present these days in how you distinguish your hotel.”

In the case of Fortuna’s hotels, that means adding architectural touches as well as strong operators. “It’s the little touch points: design, location, the partners you bring in.”

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5/22/2014

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