

Contact: Katie Meyer  
Vice President, Corporate Communications  
Denihan Hospitality Group  
646 424 2614  
katie.meyer@denihan.com

# Denihan

## DENIHAN HOSPITALITY GROUP: THE ART OF HOSPITALITY

### COMPANY OVERVIEW

(June 2011) NEW YORK—At the height of the 2008-2010 recession, when business and leisure travel was in a deep slump and many hotel chains were bleeding red ink, one hotel company—Denihan Hospitality Group--was able to maintain margins, build market share and in 2011, successfully conclude a major private equity offering. That Denihan was able to accomplish all that when far larger competitors were struggling is a testament to the vision of Denihan executives, whose disciplined approach to development, operations and marketing have positioned the privately-held company to perform, even when the economy does not.

That the company has been able to accomplish what it has so quietly is also a testament to its corporate culture, which values humility over hubris. Both owners and co-CEOs, the daughter and son of the founder, lead capably and unpretentiously from behind the scenes, opting to let the numbers and customers, not a figurehead, do the talking.

### THE DENIHAN BACKSTORY

Denihan Hospitality Group has been owned and operated since 1962 by members of the Denihan family, who in the last 50 years have built the company from one hotel, the 129-suite Affinia Gardens, to a collection of highly-rated, highly profitable hotels in New York City, Chicago, Washington, D.C. and Miami.

The family's first venture in New York was an exclusive laundry and dry cleaning business, which opened in the early 1900s. The business was hugely successful, thanks in part to devoted celebrity customers who appreciated the outstanding personal service they received. The Denihan's client list reads like a who's who of New York: Marilyn Monroe, the Vanderbilt family, and Hattie Carnegie, among many others. In fact, the "Cleaners to the Stars" was written up in *Vogue's* "Address Book," *House Beautiful's* "Address Book," and *The New Yorker*.

In 1962, Benjamin J. 'Bud' Denihan Sr. entered into the lucrative world of New York City real estate. He built New York's first suite hotel, Affinia Gardens, on the East 64<sup>th</sup> Street site of his laundry and dry cleaning establishment. By 2011, the company had grown to 13 properties with plans for expansion into additional markets, using proceeds from an equity partnership agreement with Pebblebrook Hotel Trust, which was announced in June 2011. Once the transaction closes, Pebblebrook will have a 49% equity investment in a six-hotel subset of Denihan properties in Manhattan.

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## **KNOWING WHAT GUESTS WANT—AND DELIVERING**

Denihan has built its diverse customer base largely through a keen understanding of consumer expectations and aspirations.

Collectively, Denihan's properties offer compelling choices with broad appeal for business and leisure travelers, young and mature demographics. The hotel products have been carefully conceived to offer the amenities and services a sophisticated traveler expects from a high-end boutique property. What sets Denihan hotels apart is the assured way guests are treated, in what ever way they touch the brand—website, advertisement, hotel lobby or restaurant. Service delivery is proactive rather than reactive, customized rather than formulaic. Amenities are conceived of by a team of creative minds—whether a celebrity chef, architect, or designer—who are all at the top of their game and know their customers best.

## **KNOWING WHAT INVESTORS WANT—AND DELIVERING**

While guests are always top of mind for Denihan management, so too are owners' and investors' bottom lines. Custom-built business intelligence information systems, which rival the capabilities of significantly larger operators, allow management to efficiently drive top line performance while maximizing margins on a property-level basis.

A centralized operating structure standardizes and streamlines the delivery of reservations, sales and marketing, revenue management, financial services, human resources, data collection and analysis. This shared resources approach allows all Denihan properties, whether owned or managed, to take advantage of superior support services at far below industry average cost. At the same time, it allows the company to maintain brand standards and consistency of service delivery, even as new properties enter the portfolio.

## **THE DENIHAN COLLECTION**

The **Affinia Hotel** Brand combines modern business amenities with the comforts of home, incorporating the Affinia "Comfort by Design" brand standards, which include custom-designed Affinia beds, pillow menus, executive desks with ergonomic chairs and state-of-the-art technology. Affinia Hotels is a growing national brand, with five boutique properties in prime New York City locations, plus The Affinia Chicago, centrally located steps from the Magnificent Mile; and The Liaison Capitol Hill, an Affinia Hotel in Washington D.C., which is the newest member of the collection.

**The James** brand includes the award-winning **The James Chicago** and **The James New York**, the latter of which debuted in late 2010 in SoHo, to glowing reviews. The James hotels artfully blend modern design with residential comfort, state-of-the-art technology with classic hospitality. The brand's core philosophy is expressed in each property's design aesthetic, chic restaurants and lounges, and personal, intuitive service. Luxury, liberated.

**Luxury independent hotels** include two dramatic properties in Manhattan.

In the tony Upper East Side, **The Surrey Hotel**, in a gorgeous Beaux-Arts building, has quietly redefined luxury. There are 190 elegantly appointed guest salons and suites, celebrity chef Daniel Boulud's exclusive Café Boulud, The Spa at The Surrey, an intimate spa, and an array of thoughtful touches and amenities, from the gallery in the lobby (with works by Jenny Holzer, Claes Oldenburg, South African artist/filmmaker William Kentridge and Chuck Close) to the lushly landscaped rooftop garden that's open only to hotel guests. **The Benjamin**, in the heart of midtown Manhattan, combines the highest level of service and elegant accommodations with a full-service wellness spa and attractive meeting and event space. Known internationally for its comprehensive sleep program, The Benjamin features the country's only Sleep Concierge, 12-choice pillow menu and sleep guarantee. The National Bar and Dining Rooms, its restaurant overseen by the acclaimed chef Geoffrey Zakarian, was honored with a 2011 James Beard Award.

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**Affiliate hotels** include **The Eastgate Tower Hotel** in Manhattan, with residential-style accommodations for travelers seeking spacious, comfortable hotel rooms. Studio, junior, one- and two-bedroom suites all feature full kitchens and thoughtful amenities. The hotel is within walking distance of popular destinations, including the United Nations, Grand Central Terminal, the New York Public Library/Bryant Park and great shopping and restaurants.

Denihan's newest endeavor is the management contract for the 409-room **Royal Palm** in Miami Beach. Magnificently located on a prime beachfront location in South Beach, the property is undertaking a complete redevelopment. When it launches in 2012 after a \$43 million renovation, it will be flagged **The James Royal Palm**.

## **DESIGN & DEVELOPMENT APPROACH**

The Denihan approach to hotel development mostly revolves around repositioning existing hotels, quickly transforming them from underperformers to outperformers. The company has invested more than \$200 million on this repositioning strategy since 2008, using a skilled in-house development team to identify potential properties and then tailoring bespoke solutions for each.

Recent repositioning projects include:

- The Affinia Manhattan, NYC ~ \$24 million, 2011
- The Affinia Shelburne, NYC ~ \$28 million, 2009
- The Surrey, NYC ~ \$60 million, 2009
- The Affinia Chicago, ~\$35 million, 2008

## **DENIHAN'S CULINARY EXPERTISE**

For most travelers, the culinary experience at a hotel is integral to their guest experience. For locals, a "destination restaurant" creates buzz and energy. For hotel owners, the right dining venue generates revenue from day one.

Denihan restaurants include

- Art & Soul, at The Liaison Capitol Hill in Washington, D.C., famed chef Art Smith's newest creation
- C-House, at The Affinia Chicago, conceived and run by award-winning chef/author Marcus Samuelsson
- David Burke's Primehouse, at The James Chicago, has critics swooning (their words) and has been named one of the Top Ten Steakhouses in the US, and David Burke Kitchen at The James New York
- Café Boulud at The Surrey, which also provides all in-room dining and catering for the hotel
- The National Bar and Dining Rooms, launched in 2010 by Denihan and Food Network Chef Geoffrey Zakarian at The Benjamin, won a James Beard Award less than a year later, and has received dazzling – reviews, wowing critics from The New York Times, Zagat and Grub Street.
- Neighborhood favorites in New York include Rare at Affinia Shelburne, Barking Dog at The Affinia Dumont and Niles at Affinia Manhattan

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## **Proven Development Partners**

Well versed in the financial and operational needs of a hotel from every perspective, Denhan's experience as owner-operators enhances the company's knowledge as effective property managers. A centralized operating platform offers a full complement of professional services for each hotel. "This way, we help contain individual property costs and leverages economies of scale," said Brooke Denihan Barrett. "Properties outside New York City also enjoy the select support of dedicated onsite resources, from marketing/sales to Human Resources and more, to meet the local needs of each hotel and integrate with corporate for maximum effectiveness."

As development and equity partners, Denihan is skilled at identifying underperforming assets with significant upside potential, with a precise understanding of how to exploit market conditions to realize the highest possible value for an asset. An experienced construction team crafts customer-driven design and renovation programs that simultaneously drive financial performance and support owner requirements.

## **LOOKING TO THE FUTURE**

With corporate and leisure travel strongly rebounding while real estate prices remain at historic lows Denihan is actively pursuing new opportunities to build its brands and extend its reach nationwide.

"Our goal is to double the size of our company over the next five years," said Patrick Denihan. "That would bring the size of our portfolio to 20-25 hotels. Our footprint is basically urban, so we envision our expansion into important feeder cities such as San Francisco, Los Angeles, New York and Boston." The company is also considering joint ventures and additional management contracts with hotels that complement the existing Denihan brand portfolio, he said.

## **About Denihan Hospitality Group**

Denihan Hospitality Group is a privately-held, full-service hotel management and development company that owns and operates 13 boutique hotels in major urban markets in the U.S. Over the past 50 years, the Denihan family has built a world class lodging investment platform within the boutique hotel space, creating value by acquiring, repositioning and managing independent hotels. The Denihan portfolio includes properties operating under The James and Affinia Hotels brands, as well as Manhattan luxury independents, The Surrey and The Benjamin, and affiliates including the Royal Palm in Miami. The company's uniquely guest-centric approach, refined through three generations of Denihan leadership, has made it an industry leader in hospitality, property and restaurant development, as well as hotel operations, management and marketing. More details can be found at [www.denihan.com](http://www.denihan.com).

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