

# HOTELS

PASSION FOR HOSPITALITY



WHAT'S THE DEAL BY DANIEL LESSER  
Daniel Lesser, president and CEO, LW Hospitality Advisors, New York City

## Waldorf Astoria New York: The ongoing saga

*(The views and opinions expressed in this blog are strictly those of the author.)*

Late last month, Chinese holding company Anbang Insurance Group announced with much fanfare that the Waldorf Astoria New York will be closed for three years beginning spring 2017. During this time, the existing 1,400 room hotel building will undergo a US\$1 billion conversion to luxury condominiums with roughly 300 to 500 hotel rooms remaining post renovation. I was perplexed with the purpose of this recent announcement as the investment thesis for Anbang's US\$2 billion acquisition, which occurred nearly two years ago, has not changed.

I am intrigued with Anbang's recent proclamation:

"We have not finalized any plans in terms of the scope, nature and details of the renovation project or the exact timing and duration of the hotel's closure. We are currently developing conceptual plans and will share additional details once those plans are finalized."

I would have thought that prior to committing to a US\$3 billion investment, a detailed business plan would have been thoroughly developed and that at this point execution of the proposal would have been well underway.

Given the recent dramatic slowdown in the ultra-luxury New York City condominium market, the economics of the Waldorf Astoria New York redevelopment plan clearly differs today compared to when the asset was acquired. Consider the penthouse at NYC's Baccarat Hotel and Residences, which recently transacted for US\$42.55 million, down 29% from its original ask of US\$60 million. Furthermore, New York City developers are rethinking their recent top of the market strategies. For example, in 2013 an investment group purchased Manhattan's Sony Building for US\$1.1 billion and planned to convert the 37-story skyscraper into a luxury hotel and condominiums. Instead, this past spring the property sold for a reported US\$1.3 billion to foreign investors who plan to keep the property an office building.

On the other hand, during spring 2016, another Chinese entity, Greenland Group purchased a 41% stake in the Park Lane Hotel on Central Park South from a Kuwaiti investment company, and declared resurrection of a previously shelved luxury condominium conversion plan. This move contradicts an announcement at the beginning of this year by lead investor Witkoff Group that "velocity is not what it was" and that plans to demolish the hotel and build a 1,210 foot tower with 88 units was being abandoned. It will be very interesting to witness what ultimately occurs with both the Waldorf Astoria New York and the Park Lane Hotel New York.

Finally, I was struck by a recent *Wall Street Journal* piece "[Another Condo-Conversion Casualty](#)" stating "There

oughta be a law! To prevent our grand hotels from being turned into condos, that is.” In 1993, The Waldorf Astoria was designated a NYC landmark allowing for alterations to the property’s interior while restricting changes to the exterior including storefronts and entryways. While philosophically I agree it would be wonderful to preserve the existing hotel use of the entire Waldorf Astoria, practically the rights of private property owners to make their own economic decisions are a hallmark of America and part of the reason the world perceives this country to be the safest place on the planet to invest.

7/25/2016

 Post a comment

Name

Subject

Comment

SUBMIT CANCEL

Comments are limited to 2000 characters.

Note: Promotional messages or sales solicitations are not appropriate. Messages containing racist, sexist or vulgar language will be removed and can be cause for membership cancellation. For more information see [Terms of Use](#).

 Comments

The USA - a youthful upstart on the world stage (at 240years old) sadly seems to lack robust protective legislation for sites of historical significance. As such it willingly facilitates the pillage of it's heritage all for the profitable pursuit of the latest fad. In the UK, listed building status would have likely prevented the kind of change proposed at the Waldorf Astoria NYC and in the process preserved an iconic institution. Private ownership would have been something of a moot point providing Anbang had been made aware of any such legislative terms prior to purchase.

MONDAY, JULY 25, 2016 | CHRIS CLIFFORD

REPLY

**Saga is definately the key word**

I own a company that does a huge amount of business at the Waldorf-Astoria and this entire project makes little to no sense. While I have never owned a property this large, I have to think an entire closure hurts the economy as a whole. Logically, you cannot gut the entire interior all at once, so why not do it in stages. Keep a portion of the building open while remodeling the other portion. Closing the ballroom for 3 years hurts many people. There are no properties that come close to offering the class of service that they offer at the Waldorf. I hope they look at the failures of other properties that did this type of closure and reconsider the timeframe. Only time will tell.

MONDAY, JULY 25, 2016 | LYLE BROUS

REPLY