

INSIDE THE DEAL

Rosewood purchase key in New World's plans

Hong Kong-based management firm finally adds its third brand

By Michele Howe
CONTRIBUTING EDITOR

DALLAS—At first glance, New World Hospitality's purchase of ultra-luxury hotel management company Rosewood Hotels & Resorts, completed on July 29, is just another transaction in a distressed market that favors hospitality investors. Look a bit closer, however, and the \$229.5 million deal is a lot more significant.

The acquisition of the privately held Dallas-based firm from previous owners Rosewood Corp. and Maritz, Wolff & Co., a private real estate investment fund, is a major strategic development in New World Hospitality's aggressive global expansion plans and, more importantly, is the revelation of the company's highly anticipated third brand.

In fall last year, when most hospitality companies were still battling to recover from the financial crash of 2008, the Hong Kong-based hotel management firm, a unit of Hong Kong conglomerate and investor New World Group, announced it was investing more than \$1.1 billion in development and expansion with

the aim of establishing itself as a major global hospitality player over the next five years.

In addition to developing its two existing brands, the flagship New World Hotels and its select-service hotel brand pentahotels, "we will be introducing a new premium brand," New World Hospitality chairman Sonia Cheng said at the time.

Fast forward eight months, and the plans to develop the company's own brand have been shelved and instead it is looking to conquer the high-end hotel market in Asia by taking a successful luxury brand, Rosewood, and launching it locally.

"We were looking at the development of a luxury brand," said New World Hospitality CEO Symon Bridle. "[But] when the opportunity came to discuss a possible transaction with Rosewood, we thought it was a really good fit and a very good way to bring a premium brand into our portfolio effectively immediately, which would then accelerate our overall position and direction to become a leading global luxury hotel company. It elevates us into a position we

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➔ **229.5 million**

The amount of money New World Hospitality paid for Rosewood Hotels & Resorts.



➔ Hotel deal

New World Development Co. bought the Rosewood Mansion on Turtle Creek in Dallas from Maritz, Wolff & Co. as part of a five-hotel package.

ROSEWOOD HOTELS & RESORTS

New York hotel meeting topics include brands, finding debt

U.S. financial uncertainty colors hotel performance, transactions, but increased rates put industry in a better situation than last year

By Andrew Scheivachman
and C. Elliott Mest
ASSOCIATE EDITORS

NEW YORK—In the shadow of the tumultuous debt ceiling negotiations in the U.S. Congress, hotel developers and advisors met July 27 to discuss the uncertain state of the U.S. hotel market at the New York Hotel Investment Summit held at Manhattan's Roosevelt Hotel.

There was an immediate consensus that certain brands had overdeveloped before the 2008

financial crisis, and are still not operating at peak profitability.

"There are too many brands out there," said Daniel Lesser, president and CEO of the recently formed LW Hospitality Advisors in New York City. "For a brand to be successful, it needs to reach critical mass. There are brands that are good brands that are not at critical mass and won't hit critical mass if they're not blended with other brands."

At the same time, while luxury and full-service hotels continue to

lead in rate, a lack of new development has resulted in under-represented brands struggling to grow.

"Luxury brands that need to expand are having trouble," said Michael Sonnabernd, managing partner of PMZ Realty Capital. "A lot of our clients have cut expenses to the bone over the last few years, and those that had a lot of financial distress have been pushed out."

"In the past year, you've seen rates really come out in major



The New York Hotel Investment Summit included a number of executives including Eric Bass, SVP of development for Morgans Hotel Group (left) and Erik Nylen, SVP of FelCor Lodging Trust.

HIM | ANDREW SCHEIVACHMAN

➔ by the numbers

DEMAND

Intraregional demand significant

On average, intraregional demand for Denmark, Finland, Norway, Ireland and Sweden represents around 30 percent of total international overnights.

OVERNIGHTS

Nordic region demand up

In 2010, total overnights to the Nordic countries increased 7.1 percent, with more than 5.5 million overnights being generated from the Nordic region.

BRANDS

Choice Hotels affects region

Across the Nordic region, the largest brand in terms of hotel properties is Choice Hotels Scandinavia, with 159 hotels and more than 24,000 rooms.

SUPPLIERS

The Big Three

More than 50 percent of room supply in Oslo, Norway, is controlled by Thon Hotels and Resorts, Rica Hotels and Radisson Blu.

Source: HVS-London

New York summit

Continued from page 6
markets,” said Richard Russo, VP of development at Morgans Hotel Group. “They’ve been really driving prices up in those markets. Certainly, over the next 12 months, you’ll see [real estate investment trusts] continue to be active although now financing is becoming more and more available.”

From the global brand perspective, cost-cutting measures have been effective and have led to further development.

“We’re seeing significant [revenue per available room] growth, and still getting the benefit of some cost-containment measures we put in place from 2008 to 2010,” said Mark Purcell, VP

of managed full-service development at Starwood Hotels & Resorts Worldwide.

When it comes to completing deals in today’s financial climate, the ability to close all-cash is key. Morgans, for instance, sold the Royalton and Morgans hotels in New York City to FelCor Lodging Trust.

“As a seller of hotels over the past couple months, we looked at surety to close,” Russo said. “RE-



PHOTO: ANDREW SHEVACHMAN

Russell Urban, SVP of development for HEI Hotels & Resorts, participated in the summit.

ITs can close all cash within 10 days.”

For Starwood, local financing is becoming a more important addition to the capital stack.

“This year we signed the Westin Denver Airport project, which was funded by general airport bonds,” Purcell said. “In certain other projects we’ll have public financing of some sort or contributions from the city. It’s another aspect to add to the capital stack to be successful.”

Lesser also noted the disappearance of commercial mortgage-backed securities loans from the marketplace because of the uncertain financial situation in the U.S.

“I had lunch with a major CMBS lender who articulated that at this point, they are holding onto cash and don’t see a whole lot of activity for the rest of the year,” Lesser said. “The Aug. 2 [federal debt limit deadline] date caused deafening fear in the market. I said you don’t make money sitting on cash, but they said you don’t lose money either.”

The financiers discussing the debt markets in a later panel were more bullish on the overall economy and availability of lending.

“I’m not sure I’d be going out and celebrating [the U.S. government] default, but there’s a lot more to be bullish on in regards to a successful restructuring,” said Jeff Dauray, VP of acquisitions for RLJ Lodging Trust. “If you rewind the clock 18 months ago to declining rates and occupancy with the credit markets shut down, it was a very different time to restructure a loan given the uncertainty.” **HM**

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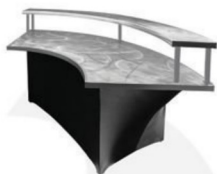


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