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COMMERCIAL REAL ESTATE

ROOMS WITH A VIEW

Hotels are being snapped up by savvy investors

By LOIS WEISS

THE city has been favored by a slew of hotel developments and sales as 50 million tourists have flocked to the city over the last year. In the early half of 2011, there was more available debt and real estate investment trusts had higher stock prices leading them to flock to the city to invest in hotels.

"During the second half there was not so much available debt and the REITS went into hibernation," says Tom McConnell, executive managing director of Cushman & Wakefield Sonnenblick Goldman.

Hotels that traded over the course of the year included the New York Palace Hotel for \$400 million; the newly developed YOTEL inside Related's W. 42nd St. MiMA apartment tower for \$315 million; the New York Helmsley for \$313 million through Darcy Stacom at CBRE, and the sale of the Paramount Hotel for \$275 million to RFR Holdings.

One of the most talked-about sales was the transfer of the historic Hotel Chelsea to investor Joseph Chetrit for \$80 million in a deal brokered by Douglas Harmon of Eastdil Secured.

Additionally, Highgate Holdings was an active buyer and seller of several hotels with partners.

"Our hotels are doing very, very well due to the price of the euro and we have a mayor that is very tourist-friendly, if not real estate tax-friendly," says Joseph Moynihan of the Moynihan Group who recently developed the W Downtown hotel and condo tower which looms over the World Trade Center site.

Hotel development sites are still in vogue, with three hotels going up on W. 36th St. alone, says Peter Hauspurg, chairman of Eastern Consolidated, who is in the midst of selling several hotel development sites.

Ten years ago, there were no branded 'select service' hotels in Manhattan. "Now between Sam Chang and John Lamb, and 10,000 hotel rooms later, we have a thriving select service hotel group," says McConnell.

Many of these new hotels are west of Fifth Avenue and south of 42nd Street. The rezoning improvements give developers more room but require mixed-use properties which, coupled with the inability to use the full floor area ratio (FAR) for residential purposes, caused the economic solution of hotels, McConnell explains.

Attorney Gary Rosenberg, a partner with Rosenberg & Estis, says developers are struggling to fit multiple uses into these properties. Where they would have in the past built a residential tower with 20 percent earmarked as affordable units and been able to use the 421a tax abatement program, they can no longer do so.

Instead, they need to add much more retail and create two lobbies — one each for the hotel and residential apartments, with two elevator cores going through the base and two different heating and air conditioning systems, which all contribute to higher development costs.

Additionally, Rosenberg noted that while residential lenders understand the long-time 80/20 and 421a government programs and the rental apartment market, they are uncomfortable financing hotels that need to resell their rooms every night and are requiring more equity in the entire project, not just for the hotel portion.

"One of the reasons these hotels are going up is the zoning," says Rosenberg. "It wasn't that everyone had this grand expansion plan to build hotels."

TOP 10 HOTEL SALES

1

NEW YORK PALACE HOTEL \$400,000,000

455 Madison Ave., 899 rooms
Buyer: Northwood Investors LLC
Seller: Brunei Investment Agency



Christian Johnston

2

RADISSON LEXINGTON HOTEL \$335,000,000

571 Lexington Ave., 712 rooms
Buyer: Diamond-Rock Hospitality
Seller: JV Blackstone Group/Goldman Sachs/Highgate Holdings

10

HOTEL CHELSEA \$80,000,000

222 W. 23rd St., 250 rooms
Buyer: Chetrit Group
Seller: N/A
Source: LW Hospitality Advisors



Halimayt Seldman

3

DOUBLETREE METROPOLITAN HOTEL \$335,000,000

569 Lexington Ave., 755 rooms
Buyer: RLJ Development LLC
Seller: JV Highgate Holdings/Whitehall Goldman Sachs/Rockwood Capital LLC

9

ALGONQUIN HOTEL \$82,000,000

59 W. 44th St., 174 rooms
Buyer: Cornerstone Real Estate Advisors
Seller: HEI Hotels & Resorts



Algonquin Hotel's cat Matilda, now under new management...

4

YOTEL \$315,000,000

570 10th Ave., 669 rooms
Buyer: JV IFA Hotels and Resorts/Kuwait Real Estate Co./United Investments, Portugal.
Seller: Related Companies

8

COOPER SQUARE HOTEL \$90,000,000

25 Cooper Square, 145 rooms
Buyer: JV Ironstate Development Company/Andre Balazs
Seller: Westport Capital Partners LLC



Lorenza Chingilo

7

FOUR POINTS BY SHERATON \$112,000,000

326 W. 40th St., 244 rooms
Buyer: Gehr Group
Seller: N/A



Molly Dwyer

6

PARAMOUNT HOTEL \$275,000,000

235 W. 46th St., 597 rooms
Buyer: RFR Holding
Seller: JV Walton Street Capital/Highgate Holdings

5

NEW YORK HELMSLEY HOTEL \$313,300,000

212 E. 42nd St., 775 rooms
Buyer: Host Hotels & Resorts
Seller: Helmsley Enterprises, Inc.



Source: LW Hospitality Advisors

Jonathan Resnik