

## Classic Waldorf Hotel to Be Guttled, Up to 1,100 Rooms Turned Into Condos

By CRAIG KARMIN

China's Anbang, acquirer of the New York landmark, is finalizing plans to shut the hotel for up to three years and convert as many as three-quarters of its rooms into private apartments.



China's Anbang Insurance Group which owns the Waldorf Astoria in New York City, says it plans to close the landmark hotel for up to three years to convert the majority of the hotel's rooms into private apartments. The WSJ's Lee Hawkins explains

The Chinese acquirer of the Waldorf Astoria is finalizing plans for an extensive overhaul that would shut the landmark New York hotel for up to three years and convert as many as three-quarters of its rooms into private apartments, people familiar with the matter said.

Anbang Insurance Group Co.'s restoration plan calls for closing down the 1,413-room property in the spring, removing as many as 1,100 hotel rooms and eliminating hundreds of hotel jobs, the people said.

When the Waldorf reopens, the hotel will feature between 300 and 500 guest rooms upgraded to luxury standards, the people said. The remaining units will be sold as condominiums.

The vast reduction in Waldorf hotel rooms will lead to the elimination of many room-service, housekeeping and other hospitality jobs. The Waldorf has about 1,500 hotel employees. The new owners and Hilton Worldwide Holdings Inc., which will continue to manage the property when it reopens, have reached severance agreements with hundreds of these workers at a cost of \$100 million or more, some of the people familiar with the matter said.

The insurer plans to meet with Waldorf representatives during the next couple of weeks to finalize its proposal for the property, some of the people said. "We continue to explore all options," an Anbang spokesman said. "We have no definitive plans at this time."

The redevelopment costs are expected to run to more than \$1 billion, said people familiar with the plan. Anbang already spent \$1.95 billion to acquire the property last year, the steepest price tag ever for a U.S. hotel.

The changes will radically transform an 85-year-old institution that has played a storied role in American political and cultural life. Occupying a full city block on Park Avenue, the Waldorf gained world-wide attention for its luxury suites, lavish parties and famous guests. Every president since Herbert Hoover has stayed there, and it has been a New York home to celebrities such as Gen. Douglas MacArthur, Frank Sinatra, and the Duke of Windsor after he abdicated his throne to marry American socialite Wallis Simpson.

Hotelier Conrad Hilton, who acquired control of the property in 1949, once scribbled on a photo of the hotel that it was "The Greatest Of Them All."

More recently, the hotel has struggled to live up to its history, and some guests and hoteliers say an upgrade is long overdue. The suites in the Waldorf's tower building have their fans, but complaints about the hotel's standard rooms are common.

President Barack Obama, who has previously stayed at the Waldorf, bypassed it for another hotel during a visit last year to Manhattan for the United Nations General Assembly. While the White House didn't offer a specific reason for the change, people familiar with the matter pointed to possible security concerns under Anbang's ownership.

Anbang has shared little publicly about its plans for the Waldorf and has mostly avoided press attention since its failed takeover effort for Starwood Hotels & Resorts Worldwide Inc. Marriott International Inc. acquired the rival lodging company after Anbang walked



The lobby of the Waldorf Astoria, shown in 2014. PHOTO: MARK LENNIHAN/ASSOCIATED PRESS

away from its \$14 billion offer for Starwood citing “various market considerations.”

Anbang Chairman Xiaohui Wu previously hinted at his company’s vision for the Waldorf Astoria early last year when speaking before an audience at Harvard University. He said he planned to convert hotel rooms to condos and suggested that there would be an element of exclusivity.

“A potential buyer needs more than money to qualify for our apartments,” he boasted to the Ivy League crowd.

Condo conversions of historic New York hotels have become increasingly common over the years, with developers finding that high-end residential sales often pay better than being a hotelier.

Morgan Stanley hotel analyst Thomas Allen wrote in 2014, when Hilton still owned the Waldorf, that based on sales at other luxury Manhattan condo buildings, a conversion of the historic hotel could help raise \$4 billion in condo sales under a best-case scenario.

But Manhattan’s high-end condo market has been under pressure over the past year, with prices falling and days on the market rising. The number of contracts signed for units at \$4 million or more during the first 25 weeks of this year fell 22% compared with the period last year, according to luxury broker Olshan Realty Inc.

“There’s just too much inventory that’s overpriced,” said Donna Olshan, the firm’s president. “We’re past the peak.”

A previous owner of New York’s Plaza Hotel battled the hotel union and preservationists when he converted hundreds of rooms to condos about a decade ago. After a sales slump following the financial crisis eased, some Plaza condos have sold for tens of millions of dollars.

When speaking at Harvard last year, Mr. Wu floated a Waldorf perk for those who wanted to join his company. “If you become an employee of Anbang, you will be entitled to a free dinner and a free room night when you get married,” he said.