

# MONEY & INVESTING



## New Dance With 14000

Dow Rebounds, Gets Closer to Record **TUESDAY'S MARKETS C4**



## A Marriage Made in Dell

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DJIA 13979.30 ▲ 99.22 0.71% S&P 1511.29 ▲ 1.04% NASDAQ 3171.58 ▲ 1.29% 10-YR. TREAS. ▼ 11/32, yield 2.013% OIL \$96.64 ▲ \$0.47 EURO \$1.3582 YEN 93.65 See more on C5 and at WSJMarkets.com

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# THE PROPERTY REPORT

DEAL OF THE WEEK | By Kris Hudson



Starwood Capital is planning a 1 Hotel Brooklyn Bridge with 193 hotel rooms and 123 condos.

## A Hotel-Condo Revival

Developments that combined luxury hotels with pricey condominiums got hammered during the downturn, but now a revival of these projects is under way in a handful of major U.S. cities popular with international buyers.

The market is gaining momentum from the dwindling supply of unsold condos in previously glutted markets, such as South Florida, and the influx of cash-laden buyers from South America, Asia and elsewhere. Meanwhile, developers are aiming to avoid past mistakes by building only in top markets and including fewer condos in each project.

Among those leading the nascent comeback is Barry Sternlicht, chief executive of **Starwood Capital Group**, a private-equity firm with \$22 billion in assets under management. In its latest move in the business, Starwood and its partners are unveiling plans to convert the former Gansevoort Hotel in Miami's South Beach into a 1. Mr. Sternlicht's new line of luxury, eco-conscious hotels, with 417 hotel rooms and 163 for-sale condos, by 2014.

All told, Starwood Capital and its partners intend to spend more than \$1 billion on four U.S. projects under the firm's new Baccarat and 1 brands, including a 1 Hotel Brooklyn Bridge with 193 hotel rooms and 123 condos on the Brooklyn waterfront; a Baccarat on 53rd Street in Manhattan with 114 hotel rooms and 61 condos; and a 1 hotel at 1414 Sixth Ave. near Manhattan's Central Park with 229 rooms and no condos.

At the South Beach project, slated to open in 2014, Starwood Capital and partners will begin marketing the condos for sale this spring at prices averaging \$915 a square foot, or \$1 million or more per residence. At the 53rd Street Baccarat, also set to open in 2014, sales will begin next month. Prices of the Tony Ingrao-designed condos there will start at \$3,200 a square foot. The Brooklyn project is slated to open in 2015.

"New York and South Beach are probably the two strongest hotel markets in the nation, and they are some of the strongest resi-

dential markets in the country," Mr. Sternlicht says. "You probably couldn't make this work anywhere else in the country today, and I don't think you should try."

Other hotel companies are venturing back into the market. **Marriott International Inc.** has eight hotel-and-residence projects under planning and construction in the U.S. and the Caribbean. "In the right markets, we're seeing a comeback in this," says Timothy J. Grius, senior vice president of development for Marriott. "That's New York, Hollywood. Miami probably is the best market."

Even **Hilton Worldwide Inc.**, which sat out the surge in hotel-residence development during the boom years, is planning to test the strategy with one project in the U.S. and one in the Caribbean. A Hilton representative declined to say exactly where the projects will be built.

Buyers of condos attached to luxury hotels, often called branded residences, get access to the hotel's services, such as room service, for an extra charge. They also get the cachet of living atop a Four Seasons, Ritz-Carlton or St. Regis, something for which many buyers are willing to pay 20% to 30% more than the market average price.

Much of what doomed the hotel-residence industry during the recession was overbuilding and too heavy a reliance on condo sales. Some projects started during the boom were built in secondary markets that ultimately didn't attract as many luxury-condo buyers as top-tier cities.

In addition, developers included far more condos in their projects than hotel rooms, in the hope that proceeds from the condo sales eventually would pay much of the projects' construction debt. That strategy failed when the recession forced many condo buyers out of the market.

Mr. Sternlicht gained renown in the hotel industry by building **Starwood Hotels** into a global brand, reviving its Westin hotels and creating its trendy line of W hotels. Now, Mr. Sternlicht, who left Starwood Hotels in 2005 to again lead Starwood Capital, is betting on the condo markets in New York and Miami.

Robert Mervel Architects