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FT Wealth Property sector

Waldorf Astoria bids to sell homes despite Manhattan market doldrums

New owner Dajia hopes hotel's cachet will translate into sales of renovated luxury apartments



The Waldorf Astoria's Park Avenue entrance © Noë & Associates/The Boundary

Lindsay Fortado MARCH 3 2020

Manhattan's flagging market for luxury homes is being put to the ultimate test, with the sale of apartments in the Waldorf Astoria hotel, possibly New York's most glamorous address.

The art deco building has been synonymous with fame and fashion for nearly a century, counting royalty, stars of entertainment and politicians among its guests, and hosting some of the city's grandest parties. Composer Cole Porter used to live here, as did former US president Herbert Hoover and the Duke and Duchess of Windsor. Frank Sinatra sang in the glittering ballroom.

Its current owner, the embattled [Chinese insurer Dajia](#), hopes the hotel's cachet will translate into sales of renovated luxury apartments after it spent more than \$1.95bn purchasing the building in 2014 and a further \$1bn on reconstruction.

Dan Tubb of Douglas Elliman, an estate agent with exclusive rights for marketing Waldorf properties, is convinced buyers will overcome the weakness of the luxury market, where sales have slumped and prices have dropped amid reports of oversupply. “Because of that global awareness and love for the property, I believe there’s going to be a greater passion for this building than really any other residential property in the city,” he says.

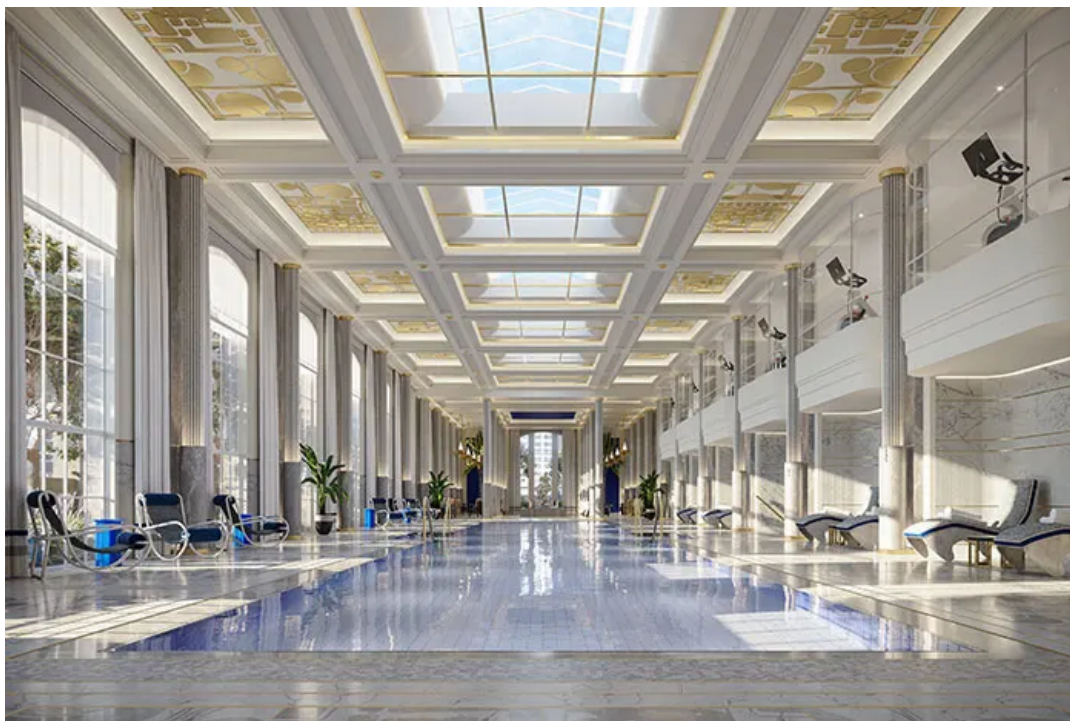


Actor David Niven and future US first lady Jackie Kennedy at a 1956 gala in the ballroom © Getty

Other agents are not convinced. Andrew Brenta, president of New York-based broker UbiQ NY, which has a mostly international client base, says he has yet to receive any inquiries about the development. “Probably due to its location and a saturated luxury market, I have had no interest — literally zero,” he says.

Dajia, formerly known as Anbang, is converting the historic 1,413-room hotel into one with 375 rooms, plus 375 residences for purchase, marking the first time anyone will be able to own a home in the Waldorf. The apartments, which are slated to go on sale before the spring, will hit the market in the midst of one of the worst luxury [property slumps in Manhattan](#) in recent years. Sales of apartments priced above \$5m were down nearly 38 per cent year on year in the fourth quarter of 2019, according to data from Douglas Elliman.

The market downturn has been caused by oversupply of the most expensive properties, economic jitters among buyers and the expectation that prices may have further to fall. A pullback by foreign buyers, including wealthy Chinese and Russian investors, and tax changes that have negated some incentives to purchase a home rather than rent, have accelerated the slump.



A pool that will be for the exclusive use of apartment residents © Noë & Associates/The Boundary

An updated New York City mansion tax, which took effect in mid-2019, added a sliding scale of charges on purchases of homes costing more than \$1m. In addition, tax reforms by US president Donald Trump put a limit on how much state and local tax could be deducted from federal taxes, making it more expensive to live in high-tax states such as New York.

Garrett Derderian, managing director for market analysis at New York-based real estate broker Core, says there will “certainly be some buyers who only want to purchase in the Waldorf given the name recognition and historic nature of the building itself, which may result in an initial bump of activity”. But he warns: “I do not anticipate this building bucking the trend in terms of the overall market direction. Competition is exceedingly tough in this space and price point, and many new developments at similar price points offer a [wider] range of amenities.”

Derderian adds that the location in a predominantly commercial district — among the corporate headquarters of Park Avenue — as opposed to an upmarket residential neighbourhood, could be a hurdle.

However, Dajia and its agent hopes the Waldorf apartments will buck the market. “When I speak to people about what I’m doing they light up and tell me their stories [of staying at the hotel]. That is an immediate differentiator between this building and the rest of the buildings on the market,” says Tubb. He says he has received inquiries from prospective buyers “in every continent except Antarctica”, many looking for pieds-à-terre, plus New Yorkers hoping to buy a piece of history. Some have expressed interest in what were rooms or suites occupied by celebrities known to have stayed at the Waldorf.

Dajia has created a range of smaller, cheaper apartments, starting at \$1.7m, in addition to larger, more luxurious options, including two penthouses in the hotel’s two pinnacles. More than half of the 375 units will be studios or one- or two-bedroom apartments, with an average size of 1,700 square feet, making them more affordable.

The hotel was originally opened in 1893 on Fifth Avenue but was later demolished to make way for the Empire State Building. It was rebuilt at its current location in 1931, occupying a full city block between Park and Lexington Avenues and 49th and 50th Streets on the east side of Midtown Manhattan. Debra Schmidt Bach, curator of decorative arts at the New-York Historical Society, says the Waldorf’s historic use of cutting-edge technologies sets it apart.

The location in a mainly commercial district could be a hurdle

The hotel was the first with telephones in every guest room and one of the first to offer room-service dining. In 1939, it was also one of the first in the world to add air conditioning. The original hotel had a roof garden that could be converted to a skating rink in winter, and was among the first to have

a men’s barber shop and women’s beauty salon on the premises.

The 1931 building was the first skyscraper hotel, at 47 floors, and had its own private underground railroad platform, where dignitaries such as US president Franklin D Roosevelt could arrive in secrecy. It was also one of the first places in the US where women were allowed to dine or have tea publicly, and where women were allowed to smoke.

“The hotel was expensive to stay in, so it really attracted an upscale and wealthy clientele,” says Schmidt Bach. “It wasn’t built to attract businesspeople, so it became associated with a different social milieu.” The hotel retained a level of glamour through the 1970s into the 1980s but, by the time it was landmarked by the city in 1993, “it had seen better days and there were many other hotels that were newer,” she says.



The building's new residential lobby © Noë & Associates/The Boundary

Dajia has hired French architect Jean-Louis Deniot to design the apartment interiors, which he has given an updated art deco look. The building will have a private porte cochère entrance, and personal concierge closets for secure, discreet package deliveries.

The building's future ownership may depend on how well sales go. Dajia started life as Anbang, an acquisitive private group run by chairman Wu Xiaohui, who built a debt-fuelled global banking, insurance and property empire, and bought the Waldorf from hotel chain Hilton Worldwide.

But Anbang ran into financial difficulties and was taken over by the Chinese government in 2017. Wu was accused of fraud and later sentenced to 18 years in prison. Beijing, which created Dajia last year to take over assets from Anbang, is now in talks with investors over the sale of its 98 per cent stake in the whole group, as well as stepping up sales of Dajia assets, including the Waldorf properties.

Andrew Miller, chief executive of Dajia US, says the state aid has helped the company achieve stability. It is "very firmly committed" to completing the Waldorf project, he says. "There is a broader recognition within the company and beyond of its importance." The coming months will show whether property buyers agree.

This story was amended on March 5 to clarify that Dajia is a new company created to take over Anbang's assets and not a renamed Anbang.

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