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## Contrarians Stand Tall in New Jersey

### Two Hotels, Making Long-Term Bets, Open in a Recession

By ANTOINETTE MARTIN

At the opening of the new \$150 million W Hoboken Hotel last month, the guests carried on as if it were 2006, or maybe even 2005 — back when profits flowed on Wall Street and affluence was the straw that stirred the hospitality industry's drink.

The party seemed a bit out of touch with reality. "The truth is that this is going to be a tough year for any hotel trying to establish its business," said John A. Fox, a hotel market analyst for PKF Consulting in Manhattan.

In the six months since Wall Street's profit-making engine seized up, Mr. Fox said, the hotel industry's revenue per available room has dipped 35 percent in the New York City area, which is five percentage points more than it fell in the first six months after 9/11.

While the drop in demand for hotel rooms in the area was more drastic in 2001, the supply of rooms was also tighter. In the last few years, Mr. Fox said, more than 3,500 hotel rooms have been added in Manhattan, the other New York City boroughs and the New Jersey waterfront.

The W is not the only large and sumptuous hotel to open recently on the New Jersey waterfront, even as demand has sharply contracted. The Westin Jersey City Newport had its own opening celebration in February.

The owners and operators of the new hotels insist that their properties have enough built-in appeal to attract a strong customer base and achieve healthy average occupancy rates of 70 to 75 percent.

That would be a stretch for any hotel in its first year, Mr. Fox said. But he added that "both builders have sophisticated financing. Their companies are diversified, and they can wait for the cycle to turn."

The W, built by Ironstate Development, is starting out strong as a social site, especially for wedding parties; almost every weekend is booked through the end of the year, said its general manager, Anna MacDiarmid. The hotel's Zyló restaurant and Chandelier Room bar, with river-to-sky views of Manhattan, both inside and on a heated porch outside, are regularly crowded with North Jersey hipsters.

The W, part of the Starwood Hotels and Resorts lineup, is the brand's first in New Jersey and the first major hotel in Hoboken.

In Jersey City, the LeFrak Organization built the Westin with 20,000 square feet of banquet and meeting space, an elegant executive board room and wireless-equipped desks in the guest rooms. The hotel has already begun to draw bookings for large conferences and trade shows.

The Westin's director of marketing and sales, Robert McIntosh, said that in a time of intense corporate cost-consciousness, the hotel's rates are attractive relative to Manhattan or luxury resorts. The top concern for many of those booking hotels is price per room. "I get 10 or 15 calls coming in every day: 'Is there a deal available?'" he said. "The trick for us as a new hotel is to set pricing so as to build a loyal customer base while at the same time not compromise the perceived quality of the product we offer."

Room rates always float to a certain extent, said Mr. Fox, the consultant. But generally, he said, rates for the New Jersey waterfront area run about 20 percent less than those in Manhattan, where the average nightly rate is around \$225.

At the 429-room Westin Newport, posted rates for double-oc-

cupancy rooms start at \$219, but dip as low as \$129 at less busy times or with negotiated discounts for corporate and conference business.

At the 229-room W, the posted starting rate is \$259, but is currently discounted to \$189 with perks attached, like free parking or free cocktails.

Market specialists say that the companies that built and manage the two hotels appear to have market strategies and financial status solid enough to weather the recession. Senator Frank R. Lautenberg was jubilant at the Westin opening, calling it the "LeFrak stimulus plan" for bringing jobs and revenue to Jersey City.

In the last 23 years, the LeFrak Organization has invested \$2.5 billion at the Newport, its massive mixed-use development in Jersey City. There are now nine rental towers, 885 condominiums, a 1.2-million-square-foot mall, eight office buildings, parks and a marina.

Three years ago, when construction of the Westin started, said James T. LeFrak, a principal at the family-run company, it seemed that demand for first-class rooms was nearly at the bursting point.

There was a hotel squeeze in Manhattan in 2006; the average occupancy rate for first-class hotels that year hovered at 85 percent, whereas now it is about 80 percent. In Jersey City, which

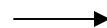
had three first-class hotels already, "there were times when occupancy hit 100 percent — not a reservation to be had anywhere in town," Mr. LeFrak said.

And nothing was available next door in Hoboken, either. The city, mainly known for its loading docks, rose from seediness to chic in just 15 years, starting in the early 1990s.

"We saw a fundamental need for a really unique upscale lodging product on the Jersey side of the Hudson waterfront," said David Barry, who is a co-principal of Ironstate with his brother, Michael. "Residential and commercial development had gotten way ahead of hotel development — and a product like this was highly overdue."

In a sense, Ironstate Development, formerly known as the Applied Development Company, is to Hoboken what LeFrak is to Jersey City. Its first development was the mixed-use Shipyard complex; the company's success there helped spur more than a decade of frenetic development by myriad developers.

Having a gorgeous new hotel, which was designed by Gwathmey Siegel & Associates, open in the teeth of recession was not exactly the game plan, Mr. Barry conceded. But he said he was encouraged that since the hotel opened its doors in March, bookings have come close to the projected 75 percent for weekends and holidays.





Richard Perry/The New York Times

The Westin Jersey City Newport, left, and the W Hoboken Hotel have opened in the last few months. Their owners and operators are confident, despite a slump in the hotel business.



Richard Perry/The New York Times

David Barry, left, and his brother, Michael, are the principals of Ironstate Development, builder of the W Hoboken Hotel.