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Starwood's Crystal Vision

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Trying to tap into Manhattan's hot market for luxury apartments and high-end hotels, Starwood Capital Group's Baccarat Hotels and Resorts is launching a plan to develop a project across from the Museum of Modern Art.

The \$403 million development will include 115 hotel rooms with some rates that Starwood said will exceed \$800 a night and 64 residences that the real-estate investor hopes will be among the city's most expensive on a square-foot basis.

The hotel looks to capitalize on the tony image of Baccarat Crystal, the French manufacturer of fine glassware that Starwood acquired in 2005.

The hotel will feature Baccarat chandeliers, a boutique store selling crystal with price tags up to \$10,000, and crystal museum pieces that will rotate through the lobby.

"We're going to marry Louis XV with the modern era," said Barry Sternlicht, Starwood Capital's chief executive officer and chairman of Baccarat. "We will be catering to high-end couples and business travelers who may be shopping on Fifth Avenue."

While Mr. Sternlicht said Starwood and its partners are putting up to \$161 million of equity into the project, he will be shopping for a construction loan at a time when lending has been scarce for new hotel projects. The company hasn't scheduled a groundbreaking. [Read More](#)

Mr. Sternlicht gained renown as a hotelier for creating what is now Starwood Hotels & Resorts Worldwide Inc. HOT -1.26% by combining brands such as ITT Sheraton and Westin as well as creating the trendy W brand.

He has planned for years to forge Baccarat into a chain of luxury boutique hotels, but several early projects ran aground, such as one in Hawaii that didn't gener-



Archpartners

An artist's rendering of Starwood Capital Group's Baccarat Hotel, set to open in midtown Manhattan in 2014. The \$403 million development will include 115 hotel rooms and 64 high-end residences.

ate enough condominium sales and another in Anguilla that ran short of financing.

The first Baccarat is expected to open in Rabat, Morocco, in 2014, shortly before the Manhattan hotel is slated to open.

Starwood is entering a heavily populated Manhattan hotel market but one with limited high-end options, said some hotel analysts.

"New York City has about 90,000 hotel rooms, but five-star hotels are lacking in Manhattan compared to

other cities like Paris or London," said Tom McConnell, a hotel analyst with real-estate broker Cushman & Wakefield.

Starwood faces new competition for high-end hotel guests and residents. In about two years, Park Hyatt plans to open a new hotel a few blocks away in the lower floors of a luxury condo building that is under construction by Extell Development Co.

CIM Group and New York developer Harry Macklowe are planning a new luxury condo building at the former Drake hotel site on Park Avenue, and Hines is planning a Jean Nouvel-designed office, hotel and residential tower on 53rd Street adjacent to the Museum of Modern Art.

Starwood acquired the rights to the site from hotel developer Orient Express, which had a contract to buy the land from the New York Public Library but never closed. As part of the sales agreement, Starwood has agreed to rebuild the library below the hotel.

Starwood has deals to license or operate Baccarat hotels under development by third parties at several sites in China, one in Dubai and a few in Japan. The Manhattan hotel will be Baccarat's flagship. But the brand probably will have only a few other locations in the U.S., Mr. Sternlicht said.

Much of its growth will be in Asia. "I think our price points, our design and our heritage really will appeal well to the Asian customer," Mr. Sternlicht said.

Other five-star brands also are focused on Asia.

The Chinese luxury market is forecast to add 12,468 rooms this year, according to Lodging Econometrics, amounting to growth of nearly 18%. By comparison, the U.S. luxury-hotel market is expected to add only 795 rooms this year for a 0.6% growth rate.

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