

DEAL OF THE WEEK

Marriott Bets on a Miracle on 34th Street

Company Is Building Renaissance Hotel Near New York's Penn Station

By Barbara DeLollis

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Rendering of Renaissance hotel in New York MARRIOTT INTERNATIONAL

Marriott International Inc. is betting that New York's gritty Pennsylvania Station neighborhood is ready for a luxury upgrade.

Last week, the company disclosed it had signed an agreement with a group of New York investors to put its Renaissance hotel flag on a 38-story tower under construction on 34th Street, near the nation's busiest railroad station.

The partnership includes Cayre Investments LLC., a New York private real-estate investment and development firm. The agreement was signed late last year, but has been kept under wraps until now.

Toni Stoeckl, a vice president for Marriott's lifestyle hotel brands, said the new four-star hotel will be the flagship location for the Renaissance brand, which caters to younger

business travelers who favor technology, culture and music. The chain, which Marriott acquired in 1997, is the company's answer to Starwood's W hotels, which have gained a loyal following.

The hotel, expected to open next year, will have 340 guest rooms and eight top-floor suites that Mr. Stoeckl said will appeal to artists who perform across the street at Madison Square Garden. Designer Jeffrey Beers, who recently worked on the \$160 million renovation at the New York Palace, another luxury Manhattan hotel, has been hired to design the Renaissance guest rooms and public spaces. The hotel also will have a 7,000-square-foot rooftop terrace.

"From a brand standpoint, the minute we heard about it, we pushed very hard," Mr. Stoeckl said. "Since then, we've been involved with the owner and the designer every step of the way. This is a great opportunity."

It is also a gamble. The Penn Station area is drab and crowded. The streets are lined with fast-food restaurants, souvenir shops, low-end apparel stores and plenty of inexpensive hotels, including Hotel Pennsylvania, which touts "breakfast for just \$1" on its website.

Marriott is betting that the Penn Station community will soon undergo a massive refurbishment and that this effort will give it a foothold early in the transition period.

"Our belief is that this is an up-and-coming area that is undergoing a fair amount of transformation," Mr. Stoeckl said.

Marriott made a similar move in the 1980s when it put up the giant Marriott Marquis in Times Square. At the time, critics thought the company was crazy to build a large hotel in a troubled area. Not even cabbies wanted to drive there so the hotel lured them with lunch boxes. Today, Marriott says the hotel is among its most profitable.

Marriott's latest move is designed to give Renaissance a higher profile. Even though the brand has 163 locations around the world, it isn't well understood.

"Renaissance has strong name recognition, but to many travelers not a clear image, so this could contribute to clarifying an image," said Bjorn Hanson, dean of New York University's hospitality school.

News of the hotel comes seven years after Marriott hired Tina Edmundson from the W chain to lead Renaissance's transformation. The chain then was a hodgepodge of airport hotels and large urban hotels. Today, the chain is trying to build a hipper reputation, with bars that serve trendy cocktails and a music that brings emerging acts to lobbies.

Marriott isn't the only hotel company investing in the Penn Station area. Steven Roth, chief executive of Vornado Realty Trust, the area's biggest landlord and Hotel Pennsylvania's owner, told analysts on the company's most recent earnings call that the company will invest "significant" money in the area—focusing in part on the Hotel Pennsylvania.

According to Lodging Econometrics, there are 6,840 rooms in various stages of construction between 25th and 41st Streets; most will be upscale hotels. "That's a largely underserved area for four-star hotels, so it could be a tremendous improvement for that market area," said Bruce Ford, a senior vice president at Lodging Econometrics.

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