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Park Lane Hotel Draws No Bids Near \$1 Billion Price



The 47-story Park Lane Hotel on Central Park South, which sits on Billionaires' Row. Credit: Hiroko Masuike/The New York Times

By **Charles V. Bagli** Nov. 1, 2017

What if they held an auction and nobody bid?

Last week, offers were due in the auction of the 47-story Park Lane Hotel on Central Park South, which sits on what the seller argues is one of the best locations in the world, a stretch of Midtown Manhattan that has become known as Billionaires' Row. It came with development rights that would allow a new owner to build a taller, sleeker skyscraper with ever more expensive apartments offering unobstructed views of Central Park.

"No bids came in," or at least none that came anywhere near the \$1 billion the seller was looking for, according to three people who had been briefed on the auction but were not authorized to discuss it.

The dearth of bids reflects the softness of the real estate market, [particularly at the upper end](#). And Asian and Middle East buyers who had been so eager in recent years to scoop up New York real estate trophies — the Waldorf Astoria Hotel, the Plaza Hotel and the Sony Building — have left the building.

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“I think it’s the world’s greatest site for development,” said Jeffrey Davis, director of the hotels and hospitality group at JLL, a real estate firm not involved in the sale. “The problem was timing.”

But the Park Lane also comes with a very complicated back story.

One of the current owners of the hotel, [Jho Low](#), is at the center of an international scheme in which the Justice Department contends that [billions of dollars were stolen from a Malaysian development fund](#) and used to acquire a hotel in Beverly Hills, mansions, condominiums, a yacht, jewelry, art and the Park Lane.

The whereabouts of Mr. Low, whose friends included movie stars like Leonardo DiCaprio, Wall Street bankers and heads of state, are unknown.

But the Justice Department initiated a civil forfeiture action in 2016 to seize many of the assets purchased in the course of the fraud, including the Park Lane.

Under a cooperation agreement with the Justice Department, the owners of the Park Lane, led by the developer Steven C. Witkoff, [agreed to sell the hotel](#). The government planned to put Mr. Low’s share in escrow as a criminal investigation into the fraud proceeds.

Mr. Witkoff and his partners — the developer Harry Macklowe and the investment firms New Valley L.L.C. and Highgate Holdings — bought the hotel in an auction in 2013, paying \$654 million, of which they put up 15 percent.

Mr. Low initially agreed to put up the remaining 85 percent, including a \$100 million nonrefundable deposit. At the last minute, however, Mr. Low took a 55 percent stake in the building and brought in Mubadala Investment Company, a fund based in Abu Dhabi, for the final 30 percent.

Their plan was to raze the Park Lane and erect an undulating glass tower designed by the Swiss architects Herzog & de Meuron that would rise 855 feet, using development rights from adjoining properties. Every apartment would have views of Central Park, and the five penthouses would have outdoor swimming pools on the exterior galleries.

With developers erecting super-tall luxury towers with \$100 million penthouses on nearby 57th Street, the Park Lane project, known as 38 Central Park South, looked like the next big thing.

But in July 2016, Mr. Low failed to put up his share of a loan payment on the Park Lane mortgage. Almost simultaneously, the Justice Department filed a civil complaint seeking to recover more than \$1 billion in assets. Nearly a year later, Mr. Witkoff worked out an agreement with federal prosecutors to sell the Park Lane.

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In the intervening time, the red-hot real estate market, including condo sales at the new towers along Billionaires' Row, slowed. With new ultra luxury buildings continuing to open, lenders today are reluctant to finance new projects.

Potential buyers could continue to operate the Park Lane as a hotel. Its 628 rooms are often sold out. And the hotel's location opposite Central Park, between Fifth Avenue and the Avenue of the Americas, remains highly prized. The owners have claimed that the hotel generates enough revenue to pay its \$480 million mortgage.

But real estate experts say potential buyers could be nervous about the continuing role of the Justice Department, and there is a widespread sense that the market for hotels has cooled.

"No one wants to be the last to buy a hotel in this cycle," said Chad Crandell, chief executive of CHMWarnick, which oversees hotels owned by Asian and Middle Eastern companies, including Anbang Insurance, the Chinese company that paid \$1.95 billion for the Waldorf in 2014.

The booming real estate market had been fueled in part by foreign investors, particularly those from China and the Middle East, who regard New York as a safe haven amid turmoil in the rest of the world.

"The whole transaction market has softened," Mr. Crandell said. "There's a lot of uncertainty."

Hotel prices in particular peaked in 2015, when the South Korean Lotte Group paid \$805 million for the New York Palace and China's Sunshine Insurance Group paid more than \$230 million for the lavish 114-room Baccarat Hotel on West 53rd Street, setting a record for price per room.

"The Park Lane's a victim not of pricing or location, but purely of timing," said Mr. Davis. "And that's unfortunate."