NY REAL ESTATE COMMERCIAL
JANUARY 19, 2011

RLJ Buys Doubletree

Bryan Derballa for The Wall Street Journal

The Doubletree Metropolitan is the third hotel that Robert L. Johnson's company has bought in Manhattan since 2008.

A company controlled by Robert L. Johnson, the founder of the Black Entertainment Television network, has cut a $335 million deal for a Midtown hotel known for its striking architecture.

The upscale Doubletree Metropolitan Hotel is the third hotel that Mr. Johnson's RLJ Development has bought in Manhattan since 2008. He also bought the Hilton Garden Inn at 63 W. 35th St. and the Fashion 26 Hotel at 152 W. 26th St. for more than $100 million each.

"These assets are compliant with our investment strategy to buy high-caliber real estate," RLJ Development President Thomas J. Baltimore Jr. said in an interview Friday. "In New York, we have significant demand growth and high barriers to entry."

The transaction, which closed late last month, amounts to a hefty gain for the hotel's sellers, Highgate Holdings, Goldman Sachs Group Inc.'s Whitehall Real Estate Funds and Rockwood Capital LLC. The Whitehall-led group bought the 755-room hotel in 2003 for $110.5 million, according to Real Capital Analytics, and spent $35 million renovating it.

New York's Tisch family of Loews Hotels Inc. built the hotel as the Summit hotel in 1961 on the site of the former Loews Lexington Theater. The site already was famous as the spot where Marilyn Monroe stepped upon a street vent, which emitted a gust that lifted her white skirt during filming of the 1955 movie "The Seven Year Itch."

The hotel drew widespread attention for architect Morris Lapidus' design, which featured an undulating glass facade evoking a vertical wave. The Tisch family renamed the hotel in 1991 as the Loews New York Hotel.

RLJ is paying $135 million in cash and putting $200 million of new debt on the property. The $125 million securitized mortgage and $125 million of mezzanine debt on the property is being paid off, Mr. Baltimore said.

Highgate, one of the largest hotel managers in New York City, will continue to manage the 50-year-old hotel at 569 Lexington Ave.

The deal comes as New York's hotels are outperforming the rest of the country thanks to strong tourism and business travel here. Manhattan hotels' occupancy in the first 11 months of last year—the latest data available—averaged 83.9%, more than four percentage points higher than the same period a year earlier, according to Smith Travel Research.

Similarly, Manhattan's average nightly rate increased 8.7% to $250.77. On Friday, rates offered online at the Doubletree Met ranged from $229 to $719, depending on the size of the room.

Based in Bethesda, Md., RLJ Development owns more than 140 hotels in North America. Mr. Johnson, the company's chief executive, founded BET and sold it to Viacom Inc. in 2000 for $3 billion.

His other ventures include car dealerships, banking and a minority interest in the National Basketball Association's Charlotte Bobcats franchise.

The Doubletree Metropolitan's last renovation included adding Hilton Worldwide Inc.'s Doubletree brand. Rooms were spruced up with slate-and-limestone bathrooms, brushed-steel finishes, ergonomic desks and 37-inch flat-screen televisions.

The price that RLJ Development paid fits within the range of recent hotel deals in Manhattan. The price-per-room price of $443,700 tops Manhattan's average price—$424,150—for the 12 months ended in September, according to Real Capital Analytics.

Highgate and Whitehall also have sold other properties in recent weeks. On Thursday, real-estate investment trust Sunstone Hotel Investors Inc. announced it bought the 62% interest in the Doubletree Guest Suites Times Square that it didn't already own from Highgate and Whitehall.

Sunstone paid $37.5 million for the equity stake and assumed the balance of the hotel's $270 million of debt.

Write to Kris Hudson at kris.hudson@wsj.com

http://online.wsj.com/article/SB10001424052748704029704576088041764209026.html