

MANSION

THE MARKET | CONDO HOTELS

Checking In and Never Leaving

These days, buyers who want to live like Eloise can find condos in luxury hotels at dramatically reduced prices



Tower Residences Dallas (2)

BY KRIS HUDSON

GRAMMY-NOMINATED pop singer Cristian Castro likes the fresh sheets, room service and spa at the W Hollywood hotel in Southern California. But he doesn't just stay there. He lives there.

The 37-year-old singer from Mexico paid \$925,000 in cash last month for a two-bedroom condominium at the W. The selling price was a big discount from the unit's \$1.25 million listing price last year, before the W's owner cut prices on the project's 143 condos by up to 35%.

"Honestly, I think I did well with my investment," said Mr. Castro, who intends to make his W condo the primary of his four residences. "I just couldn't believe the prices in this building."

Across the U.S., developers of condominiums attached to luxury hotels—most of which completed construction as the recession took hold—are lowering prices to jump-start sluggish sales. As a result, buyers aspiring to live the life of Eloise, the children's-book character who called New York's Plaza Hotel home, now can do so for up to 50% to 60% off boom-time prices. For that, they get the cachet of a brand such as Four Seasons or Ritz-Carlton, free access to the hotel's facilities and discounts on services such as house cleaning, room service and valet.

One of the W Hollywood's owners, Marty Collins, chief executive of Gatehouse Capital Corp., was pragmatic about lowering the W's prices last year to an average of \$625 per square foot from more than \$800. "At some point, if you've had a big market correction, you have to meet the market" on price, he said. The project so far has sold 53 of its 143 condos, with 10 more under contract.

At the W Atlanta Downtown Residences, now owned by a private-equity firm that bought the project's loan from the Federal Deposit Insurance Corp. in 2010, prices were cut early this year an average 53% per square foot to \$343. The W had sold



TEXAS TOWER Two views of the Tower Residences at the Ritz-Carlton in Dallas, where a 10% price reduction was offered on a dozen of its condos for a limited time. All 12 sold in the promotion.

only one of its 74 condos before repricing the units. Since then, it has sold 10, with another three under contract.

Owners of the Four Seasons Hotel Denver, after restructuring the project's debts early this year, reduced prices by up to 60% on the downtown tower's 102 condos. A three-bedroom unit previously listed for \$3 million now can now be had for \$1.8 million. Since the change, the Four Seasons has sold 71 condos with another 11 under contract.

In Texas, Crescent Real Estate Equities Limited Partnership, which owns the Tower Residences at the Ritz-Carlton in Dallas, has avoided price cuts on 95 units in the project's second tower—for the most part. Earlier this year, 10% price reductions were offered on a dozen of its condos for a limited time. All 12 were sold in the promotion.

Ritz-Carlton Hotel Co. LLC, owned by Marriott International Inc., averaged about \$400 million a year in Ritz-branded condo sales during the boom. That figure dropped by half during the recession, but has since climbed back to nearly \$375 million a year, said Gary Gosztonyi, Ritz-Carlton's vice president of development. Ritz gets fees from that revenue,

which is collected by its developers.

In New York, Bizzzi & Partners Development LLC considered offering the 164 condos at its 60-story Setai Fifth Avenue hotel in Midtown for an average of \$2,500 per square foot when it began marketing them last year. Instead, the first units sold at the Residences at 400 Fifth Avenue atop the hotel went for an average of \$1,600 to \$1,800 per square foot, and prices this year have surpassed \$2,000. So far, 106 Setai condos have sold, and another 20 are under contract.

Sales have picked up even in South Florida, previously buried in unsold condos. At the Mondrian South Beach Hotel Residences, 42 condos have sold this year for an average of \$612 per square foot, according to Condo Vultures LLC, which tracks South Florida condo sales. In 2009, the Mondrian sold 21 condos at an average price of \$1,006 per square foot.

There is no official tally for sales of condos attached to luxury hotels, often called luxury-branded residential projects. The format was popular with developers during the real-estate boom because it allowed developers to use proceeds from condo sales to finance most of the construction of their projects' luxury hotels,

which can cost \$1 million per room or more. Buyers were willing to pay premiums of up to 35% above market rates for condos that offered access to the attached hotel's services, as well as the panache of the Ritz-Carlton, Four Seasons or St. Regis brands.

However, the recession obliterated the ranks of luxury-condo buyers—both domestic and international—leaving behind loads of unsold inventory and construction loans that couldn't be repaid. Many lenders now say they won't finance such projects unless condo sales are only a minimal part of their plan.

Developers and sales executives say widespread discounts have brought in a new wave of buyers. Like Mr. Castro, they have the money to buy their second or third home outright, and the reduced prices are drawing them in. "Mortgages still [require] 20% to 30% down," Mr. Gosztonyi, of Ritz-Carlton, said. "The mortgages are there, but the terms aren't agreeable to buyers. Cash buyers are up as a percentage."

Prospective buyers at the W in downtown Atlanta are referred to a handful of preferred lenders, including the Private Bank of Buckhead. That bank requires buyers to prove at closing that they have enough cash to cover 12 months of payments if their mortgage is less than \$1 million, and 24 months if it is more than \$1 million. Prospective buyers can get a three-, five- or seven-year adjustable-rate mortgage to cover up to 80% of the condo's value if it is the borrower's primary residence.

At the St. Regis Bal Harbour Resort in Miami Beach, which owner Starwood Hotels & Resorts Worldwide Inc. opened in March, prices for 289 condos range from \$2.2 million to \$8 million—up to 10% lower than in 2010. Another small discount is offered to buyers who can pay 40% to 50% of their condo's cost in cash. "If you are willing to put up more money, we are willing to negotiate," said Serge Rivera, Starwood's co-president of the Americas division.

THE SUITE LIFE

There are two ways to live in high style at a hotel-condominium: book a suite or buy the space outright. Here is a rough breakdown of 'nightly rates' for a guest and for a homeowner who keeps the unit for seven years.

W Hollywood



STAY
\$8,000
A NIGHT

The 1,663-square-foot Extreme Wow Suite, pictured above.

BUY
\$1,135
A NIGHT

Three-bedroom, 2,614-square-foot condo listed at \$2.9 million.

Four Seasons Denver



STAY
\$6,000-\$10,190
A NIGHT

A presidential suite, above, can have up to three bedrooms. Price varies by season.

BUY
\$718
A NIGHT

Three-bedroom, 3,120-square-foot condo, listed at just over \$1.8 million.

W Atlanta Downtown



STAY
\$2,950
A NIGHT

The 1,750-square-foot Extreme Wow Suite.

BUY
\$352
A NIGHT

Three-bedroom, 2,761-square-foot condo, listed at \$899,900. View from a unit shown above.

Note: The nightly rate for a condo purchase assumes the home buyer keeps the property for seven years. The average is approximate and does not include factors like interest rate, closing costs, monthly homeowners' fees, utilities and furnishings.

Illustration by Mikey Burton for The Wall Street Journal. T-B: W Hollywood, Four Seasons Hotels and Resorts; W Atlanta

SPREAD SHEET



A Motivated Seller by Any Other Name...

Words to List By

The phrases that sell—or stall—property listings

WORDS USED IN LISTING	EFFECT ON TIME TO SELL	EFFECT ON FINAL SELLING PRICE
Beautiful	15% faster	5% higher
Move-in condition	12% faster	Insignificant
Landscaping	20% faster	6% higher
Starter home	9% faster	10% lower
Handyman special	50% faster	30% lower
Good value	5% faster	5% lower
Motivated	30% longer	8% lower

Source: 'House Prices and Time-Till-Sale in Windsor,' a study of 20,000 homes in Ontario, Canada, 1997-2000, by Paul Anglin

WANT TO SELL your house fast? It's not what you say, it's how you say it.

Houses that real-estate agents describe as "move-in condition" sell 12% faster than homes listed without those words. "Starter homes" sell 9% faster. But be careful: A house called a "handyman special" sells about 50% faster, but the final price is 30% lower than listings that lack those words.

For the past decade, Paul Anglin, associate professor of real estate at the University of Guelph in Ontario, has been studying the effect of

certain words in house descriptions.

One of the worst offenders is "motivated" sellers, which both lowers the sell price and slows the sale. Oddly, frantic pleas of "must sell" have no effect on sell time or price, Prof. Anglin says.

In a 2005 National Bureau of Economic Research study, words that depict distinct attributes—"granite," "maple" and "gourmet"—correspond with higher sale prices. Words deemed "superficially positive"—like "clean," "quiet," "fantastic" and "charming"—

are either ineffective or even hurt prices.

In a separate study, words that describe specific attributes are more likely to boost the selling price: Mentioning "garage" increases the sale price by 9.8%, "fireplace" by 6.8% and "lake" by 5.6%, says Thomas Thomson, a professor of real estate and finance at the University of Texas at San Antonio who co-wrote "Real Estate Agent Remarks: Help or Hype?"

Don't mention minor improvements without citing more substantial ones. Brag-

ging about your home's recently painted walls or new carpet may decrease the final sale price, Prof. Thomson adds. These phrases may lead buyers to form overblown expectations, and they are disappointed after actually viewing it.

"It's like putting lipstick on a pig. If you put lipstick on a pig, it's still a pig," he says.

—Sanette Tanaka

Online»

How well can you sell? Take an online quiz at WSJ.com/Mansion.