

LEADERS IN
Hospitality
 Gansevoort's Growth



An Interview with Michael Achenbaum,
 Co-Owner and Partner, Gansevoort Hotel Group LLC

EDITORS' NOTE Michael Achenbaum earned a history degree from the University of Michigan and master's degrees in law and business from New York University. Prior to his real estate ventures, Achenbaum held positions at Bear Stearns and Nomura Securities. Achenbaum has worked with his father since 1999, and together they have codeveloped more than \$1 billion in property. Actively involved in charity work, Achenbaum founded the George Mitchell/Archie Wilkins Scholarship at the University of Michigan, which provides financial assistance to local students who participate in the university's Big Sibling program. Achenbaum is also dedicated to being a Big Brother to two underprivileged boys in New York.



Michael Achenbaum

COMPANY BRIEF With the 2004 opening of Hotel Gansevoort, Gansevoort Hotel Group, LLC, (GHG) developed the first urban resort in New York as well as the first luxury hotel in the city's Meatpacking District. The boutique brand is expanding with the opening of Gansevoort South in Miami's South Beach and Gansevoort Park in Manhattan. In addition, the company has signed three third-party management deals and is negotiating others.

GHG is a subsidiary of WSA Management Ltd., a real estate development and management firm whose principals have more than 65 years' combined experience in the real estate trade, and have developed and/or owned more than six million square feet of office and industrial space, 2,000 apartments, and 2,000 hotel rooms. WSA's specialty is locating underutilized assets, whether vacant land or existing buildings, and transforming the property to meet its highest and best use. The firm typically seeks ground-up construction opportunities, but also has completed substantial renovation projects.

Has today's economic climate had a major impact on the Gansevoort Hotel Group, and how challenging is it to pursue new projects in this type of environment?

The original New York Hotel Gansevoort has a very loyal customer base, and its numbers held firm to the very beginning of November 2008. We saw that our projections weren't necessarily being met, but 2007 numbers were being met. Everyone in the industry

is nervous as to what's to come in 2009, but our bookings are pretty solid, and we're aggressively outselling the competition. We think our numbers will be pretty competitive with what we did in 2008, but maybe down 5 percent.

How do you define the market for that property with regard to where it's located?

It's defined less by location and more by the fact that it's a stylish hotel with a great restaurant and bar venue and some cool retail. Our customers

are bankers – a lot of hedge-fund individuals, but we also have a tremendous following in all types of media and fashion. Our hotel tries to straddle the fence of being young and stylish and vibrant, but at the same time, it provides service to the level that *Forbes Traveler* has ranked us one of the top 400 hotels in the world.

How challenging is the local restaurant market, and do you need to cater to the local community to be successful?

We're big fans of bringing in an outside operator expert, and either sharing in their profitability or getting a really fair and adequate base rent with some upside. We have a lot of people who come from the direct area, but we also have a ton of New Yorkers from all over the city and the metropolitan area.

Do high-end properties need to offer the full spa experience?

We believe you do; not everyone else does. Guests with the level of financial wherewithal that our clientele has have an expectation that all types of services will be available to them. They may not use them every single time, but they want the option.

What are your plans to expand into additional markets?

We've signed Toronto, Chicago, and Turks and Caicos for third-party management agreements with major developers. In Chicago, it's with developer Mike Reschke at the Prime Group; in Toronto, it's with Mazyar Mortazavi at TAS DesignBuild; and in Turks and Caicos, it's with Rob Ayers for a deal that will be opening this February 2009.

The deals in Chicago and Toronto are waiting on financing, and that is the reality of the market. But the reason we chose the development groups we did is that they're the type of

development groups that can deliver – even in a bad market – because of their experience.

With so many projects going on, how challenging is it to budget time, and do you have a specific focus in your role?

It's hard right now. My focus is on finding deals, financing those deals, designing those deals, and making sure that when I do visit the properties, I point out to my senior operations people what I find inadequate and that which I like. Learning to delegate is the only way you can grow effectively.

Did you know the dynamic with your father would work, and what happens when you disagree?

It's a very different dynamic now, 10 years later, than when I started working with him. I had a really great background educationally, but that has nothing to do with the real world. My experience level justifies a lot more daily control.

My father is very involved in the numbers aspect of things and we have mutual involvement in choosing deals that are owned deals; the management deals are more my thing. On the construction side, because he has 50 years of experience and he's quite brilliant at it, I'm not terribly involved, though I'm very involved in the design aspect of it. In areas that involve marketing, tenant, and restaurant selection and the guest experience, he's a little bit more hands-off.

When we don't agree, there is a process to which we go. I tend to back down if my father is adamant, because there's nothing equal in a partnership with your father.

How challenging is it for you to turn the business off, and are you able with your father to not talk about the business?

I'm far better able to do it than some other people in my family who are involved with the company. However, my father can really turn it off, because he's done it for 50 years. I often have a very difficult time turning it off. And my family gets frustrated with me, but from my perspective, there are deals I'm closing that we wouldn't otherwise get if I weren't doing it.

The BlackBerry is a great invention but also a detriment to lifestyle. It's always with you, but if it wasn't always with me, I'd be stuck in the office. So you can pick and choose your battles on that. ●

The rooftop pool at Hotel Gansevoort at dusk