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Will the Waldorf be China's Rock Center?

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(Photo by Spencer Platt/Getty Images)

The symbolism was priceless. David Rockefeller, the embodiment of American capitalism, had come out of retirement to bail-out Rockefeller Center in 1995. Merely six years earlier, Japan's Mitsubishi Group had purchased the complex, long viewed as the Hope Diamond of real estate. This investment failure by one of Japan's premier trading groups was the most dramatic sign that Japan's once rising sun was now setting. Mitsubishi lost US\$2 billion in that debacle and Japan lost its luster as a global financial behemoth which it has never regained.

Just three years ago, China's mysterious Anbang Insurance bought the Waldorf Astoria, the Hope Diamond of New York hotel properties, for about US\$2 billion in a deal that baffled real estate professionals who couldn't understand how the numbers could work but also signaled China's emergence as a global financial behemoth astride two hemispheres, dominant in Asia and now a dominant player in New York City, the world's most desired destination for real estate investment capital.

Yesterday, the Chinese government took over Anbang, citing irregularities in its financial practices, and

the illusive chairman of Anbang was indicted for fraudulent fund-raising. These actions come on the heels of broader effort by Beijing to rein in China's oversized financial firms and heavily restrict what had become a robust network of shadow banking and frenetic overseas investment.

Will the Waldorf Astoria, now empty and surrounded by scaffolds, be China's Rockefeller Center? The famous hotel which used to host the United States President upon visits to New York, sits strangely silent, with no outward sign of the massive redevelopment that was promised.

The fate of this jewel of New York is now in the hands of the Chinese government, nominally the committee appointed to reorganize Anbang over the course of a year, or possibly two. China is certainly a big enough economy to absorb a US\$2 billion loss to save face, and Chinese companies are subject to significantly more control than Japanese companies ever were.

But the symbolism is nonetheless powerful. Another rising Asian sun set its sights on a jewel of New York real estate, overpaid, and stumbled. Time will tell if this is a temporary reversal or the beginning of a larger retreat, a setting sun. Meanwhile, the Waldorf remains shrouded in darkness besides the bright lights of its neighbors on Park Avenue and just across Park from where JPMorgan Chase, once headed by David Rockefeller, will begin later this year to turn its world headquarters into a new soaring 70 story tower, a symbol of the continued strength of Mr. Rockefeller's American financial institution.