

# Next RH Guesthouse is 'teed up in Aspen,' company CEO says

RH, formerly known as Restoration Hardware, sets its eyes on Aspen for new luxury-hotel concept.

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**Rick Carroll** [FOLLOW](#)  
rcarroll@aspentimes.com



This architect's rendering depicts the RH Guesthouse at the Historic Crystal Palace.

*Courtesy image*

The CEO of luxury home-furnishing company RH told investors last week that Aspen's wealth makes it the ideal test market for the company's luxury-hotel concept that debuted earlier this month in New York City.

The Aspen location will be the company's second boutique hotel to open under the RH Guesthouse flag. During a second-quarter conference call for the publicly traded company, RH Chairman and CEO Gary Friedman said how the Aspen and New York locations fare will be telling.

Friedman said, "I know Aspen used to have 70 billionaires, and now it's 100 billionaires. And they like to have their own home there, but it's the people who go to Aspen. I think it's about as affluent of a small-town target market in the world. So we're going to learn a lot in Aspen. But my sense is — the good thing about New York is if it works in New York, it means it will probably work in other cities. And if it works in Aspen, it will work in other vacation destinations like (inaudible) or the Hamptons or Miami. And then New York will give us a sense for what cities it might work in, whether it's Paris or London, places like that."

The debut RH Guesthouse is located in Manhattan's historic Meatpacking District.

"I'm just so happy that we came to New York and we've done something so extraordinary because this, every time we do, we've figured out how to monetize the idea," Friedman said at the earnings call Sept. 8. "Look, we already have a second one teed up in Aspen."

## Hunt partnership



[RH announced in January 2021](#) its partnership with developer Mark Hunt on what is being billed as the company's first "RH Ecosystem," which pegged the opening of the RH Guesthouse in Aspen by the end of 2021.

The date for the Aspen opening has yet to be updated. [A website for the project](#) originally forecast a July 2021 opening.

Hunt is the managing member of three limited liability companies in which RH has equity investments. RH is a nonmanaging member of the LLCs. Hunt was not available for immediate comment Thursday.

"We have made in excess of \$100 million in capital contributions to the Aspen LLCs as contractually required," said a second-quarter regulatory filing made Sept. 8 by RH, which is based in Corte Madera, California, and used to be called Restoration Hardware.

The report said RH holds 50% membership in two of the LLCs and 70% in the third one.

A company can report equity investments on its financial statements when it owns significant equity in another corporate entity. An equity investment also gives the investor influence over the investee company, but it does not give the investor control.

According to RH's most recent Form 10-Q report, promissory notes of \$35 million and \$8.4 million are "outstanding with the managing member or entities affiliated with the managing member for the Aspen LLCs." Those amounts, which include accrued interest, were as of July 30 and Jan. 29, respectively. RH's second fiscal quarter ended July 30.

"Promissory notes related specifically to the Aspen LLCs are expected to be settled in cash and not converted into additional equity investment in the Aspen LLCs," the report said.

RH's net revenues for the second quarter increased from \$988.9 million in 2021 to \$991.6 million this year, while second-quarter income dropped from \$250 million to \$234.4 million, according to the report.

## **Downturn begun?**

The recession has arrived, Friedman said.

"Anybody who thinks we're not in a recession is crazy," Friedman said during the call. "The housing market is in a recession, and it's just getting started. So it's probably going to be a difficult 12 to 18 months in our industry. But these are the times where you can really capitalize. ... And the key is are you prepared for times like this. Are you prepared to capitalize on times like this?"

RH's Aspen ecosystem downtown projects include a boutique hotel with a bathhouse and spa, and a gallery and retail.

Construction on the RH Guesthouse at the Crystal Palace, billed as a boutique luxury hotel, and the accompanying bathhouse and spa began in 2019. The work continues now but was interrupted earlier in January by city stop-orders and a change in general contractors on the project, which is being built on the 9,000-square-foot lot where the Crystal Palace dinner theater operated from 1959 to 2008.

One selling point the company believes RH Guesthouses will offer are their discreetness. The company said in its second-quarter report its goal is to create a "new market for travelers seeking privacy and luxury in the \$200 billion North American hotel industry."

Friedman said "the size and scale of the Aspen one is, there's rooftop pool suites. They have an 800-square-foot room with two fireplaces and sleeping area, living area, two bathrooms. And then you've got an 800-square-foot rooftop terrace with your own fire pit, four chairs, two-day beds, two trees and your own pool."

Forbes described the New York hotel "as if you are entering a small New York residential building with a private entrance, no check-in desk, private rooftop and pool only for guests staying at the Guesthouse."

## **Other projects**

Elsewhere in the Aspen ecosystem at 434 E. Cooper Ave., home of the former Bidwell Building, construction continues on a two-story building that calls for a RH Bespoke Gallery and other retail spaces. Also on the 400 block of East Cooper, which is an outdoor pedestrian mall, Hunt owns the Red Onion building that is being remodeled into a restaurant that locals Samantha and Craig Cordts-Pearce have agreed to operate.

The above nearby level calls for a performance hub for the JAS Aspen Snowmass nonprofit. Those projects are unrelated to RH's undertaking but will be located on the same block as its gallery and retail space.

RH ecosystem projects outside of downtown include a home on Red Mountain and four single-family homes on the 500 block of East Hyman where the Boomerang Lodge once operated. No work has started there. A residential project is planned for 1235 E. Cooper Ave. All properties will operate under the RH banner.

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[rcarroll@aspentimes.com](mailto:rcarroll@aspentimes.com)

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