

# Hotel Business®

THE NEWSPAPER FOR LODGING DECISION MAKERS®

JCD Publications

VOL. 19 NO. 11 JUNE 21-JULY 6, 2010

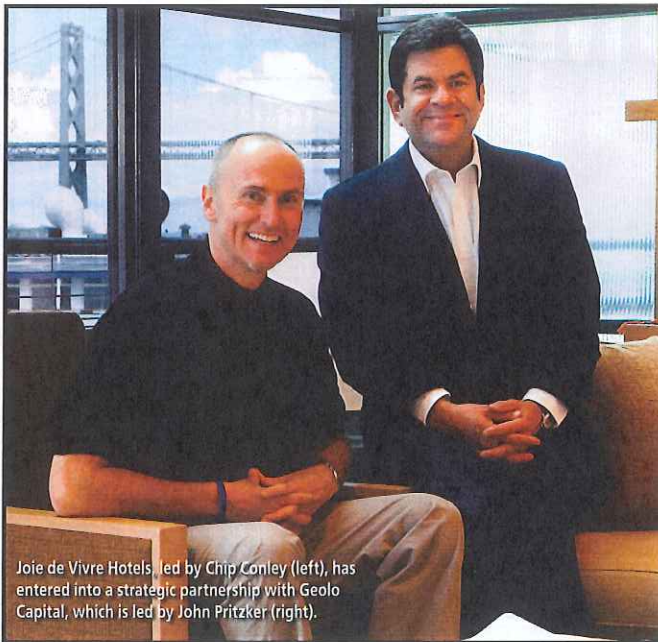
## BRIEFS

### Wyndham Hotel Group adds Tryp to portfolio

Wyndham Hotel Group has added a 12th brand to its portfolio with an agreement to acquire the Tryp brand from Sol Melia Hotels & Resorts. The brand, which includes more than 90 mid-to upper-level, limited-service properties internationally—will be known as Tryp by Wyndham upon completion of the deal.

### Starwood Capital invests in Hersha Hospitality

Starwood Capital Group has purchased a 49.9% interest in Hersha Hospitality Management. The price was not disclosed. The partnership will pursue select and full-service management opportunities nationwide. The venture also will make "strategic investments" in turnaround sub-urban assets.



Joie de Vivre Hotels, led by Chip Conley (left), has entered into a strategic partnership with Geolo Capital, which is led by John Pritzker (right).

## Joie de Vivre now flush with capital after Geolo deal

By BRUCE SERLEN

SAN FRANCISCO—As the transactions market has started to strengthen in the past few months, so too has the market for acquiring and/or creating strategic partnerships with management companies. One prime example this month is private equity investment firm Geolo Capital's agreement to take a majority stake in Joie de Vivre Hospitality, which manages 33 boutique hotels in California.

While holding a minority stake in some of the properties it manages, Joie de Vivre has never in its 23-year history had majority or whole ownership.

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## Carlson takes majority stake in Rezidor

By BRUCE SERLEN

MINNETONKA, MN—When Carlson recently upped its stake in the Rezidor Hotel Group to the point where it has majority ownership, it stood as an acknowledgement of the increasingly important role that Brussels, Belgium-based Rezidor has already been playing in Carlson Hotels' ambitious plans for the future.



Carlson has unveiled plans for its first Radisson Blu Hotel in the U.S., a 334-room property in the Aqua mixed-use development in downtown Chicago that's scheduled to open next year.

In March, for example, Carlson President and CEO Hubert Joly unveiled plans for Carlson to introduce Rezidor's upper-upscale Radisson Blu brand in North America distinct from Carlson's existing upscale Radisson brand. A centerpiece of Joly's Ambition 2015 growth strategy, the plan is intended to help reverse the Radisson brand's sagging fortunes, particularly in its key U.S. market.

Carlson's relationship with Rezidor began in the mid-1990s when the two companies signed a master franchise agreement that gave Rezidor the right to develop the Radisson brand in Europe, the Middle East and Africa. The agreement has since been expanded to include Carlson's Country Inns & Suites and Park Inn flags in those markets.

Privately held Carlson started taking an equity position in Rezidor in 2005. From a 25% stake that year, Carlson's interest grew in increments to 44.4% by last year. The additional shares acquired this spring bring

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## NYU Conference nets some bullish predictions

By STEFANI C. O'CONNOR

NEW YORK—Like the murky mess of BP oil floating in the Gulf of Mexico, exactly how fast and where the economy may be shifting and the related impact on the lodging industry remained largely unclear for most attendees at the recent New York University International Hospitality Investment Conference. However, several chief executives of major lodging chains were optimistic the direction it's heading—unlike the oil spill—is a positive one.

"Regardless of past performance, this industry is learning to live in the moment, to accept that reality has changed," observed Lalia Rach, divisional dean and HVS professor within the Preston Robert

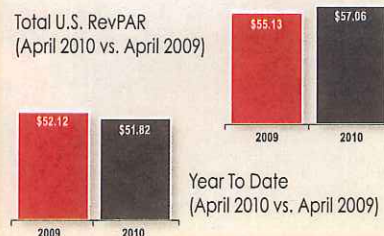
Tisch Center for Hospitality, Tourism and Sports Management, School of Continuing and Professional Studies at NYU, who moderated the conference's traditional kick-off, the CEO Check-In panel. Participating were Andrew Cosslett, CEO of IHG; Mark Hoplamazian, president and CEO of Hyatt Hotels Corp.; David Kong, president and CEO of Best Western International, Inc.; and Arne Sorenson, president and COO of Marriott International, Inc.

Rach sought to gauge the CEOs as to whether they were "mildly, moderately or wildly enthusiastic" about business travel for the remainder of the year. "I'm quite optimistic," said Cosslett, while adding that in itself was a British understatement.

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### U.S. Industry Performance

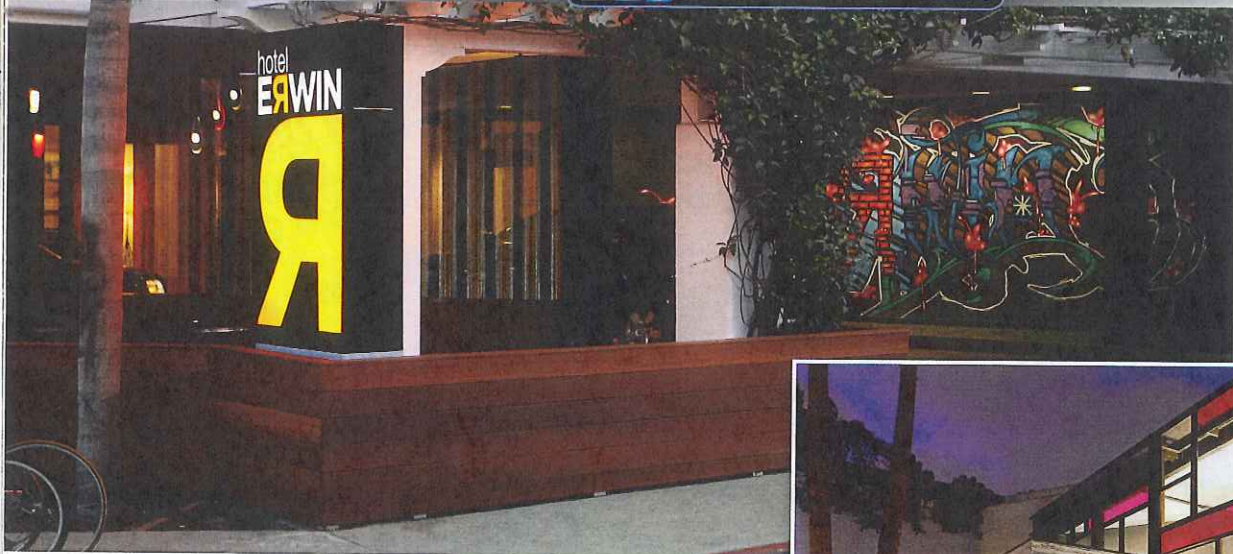


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Joie de Vivre's current portfolio includes the Hotel Erwin in Venice Beach, CA, (left) and Hotel Maya in Long Beach, CA (below).

## Joie de Vivre set to add investment capacity to operational expertise

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Under the new agreement, Geolo will provide the capital for Joie de Vivre to acquire \$300 million to \$500 million in hospitality assets over the next five years.

Joie de Vivre's geographic horizons will broaden as well. Chip Conley, Joie de Vivre's founder and CEO, and John Pritzker, Geolo's founding partner and director, plan to look nationwide for acquisitions as well as joint ventures and third-party management agreements. Pritzker has become chairman of Joie de Vivre, while Conley continues as CEO. Conley retains a significant ownership interest in the company.

According to Conley and Geolo Capital partner Gary Beasley, the business plan calls for doubling Joie de Vivre's revenues and growing the owned and/or managed portfolio to 50 to 60 hotels in the five-year window. They will be targeting hotels in key gateway cities and resorts.

Given Joie de Vivre's prominence in the San Francisco Bay area, it makes sense for the company to first approach San Francisco feeder markets as potential destinations to expand. "We have lots of guests who are familiar with us in places like Manhattan, Chicago, and Seattle. They also happen to be three great cities for boutique hotels," Conley explained.

Considering the difficulty in financing new construction today, the company will focus on taking over existing boutique hotels or renovating hotels

that have the potential to be a boutique. "That will be an influencer too," Conley continued. "There are just some markets where there are better existing opportunities to get into the market because real estate prices have come down. We've never had the ability to be able to write a check on a moment's notice before. We'll have it now."

For Geolo Capital, which has specialized in hospitality investments, the deal represents something of a new chapter. "We're equally excited about Joie de Vivre's management business and its potential as an owner," Beasley said. "We think there's an incredible opportunity to build on the brand and to take it national."

Geolo is aware that, after a long financing dry spell, the competition for suitable assets is starting to heat up. "We're looking for assets with an edge. As we look, we're aware that we're competing with REITs and entities with very low cost of capital," Beasley explained. "What we think we bring to bear is creativity—that we're able to buy assets that can be repositioned in a smart way and add value, as opposed to just competing on cap rate."

Depending on the asset, Geolo is prepared to be flexible. "We're prepared to play across the capital stacks, so we're

clearly looking to acquire 100% of certain assets. We're also happy to joint venture with others. We'll do sliver equity for management contracts," he continued. "That gives us flexibility."

Given his 23-year history at the helm of Joie de Vivre, Conley believes he can identify properties that have the potential to be successful boutique hotels. "We're able to look at a property and say, 'We know how to unlock the value that may not be quite as obvious to the rest of the real estate community,'" Conley said.

This includes former Holiday Inns and other mid-price properties that have conversion potential. "There are going to be opportunities here in the next few years as owners come to the end of their franchise agreements and realize they're still paying substantial franchise fees at a time when the majority of their business is coming from the online travel agencies," Conley noted.

The timing for acquisitions right now is tremendous, according to Conley. "The opportunity on the real estate side is going to be so profound in the next few years that it behooves us to make sure we escalate our efforts pretty quickly," he said.

One property already set to join the portfolio is the Carmel Valley Ranch

in Carmel, CA, which Geolo Capital acquired last July for approximately \$20 million from the Blackstone Group. Geolo is now in the process of investing \$25 million in upgrades to the 400-acre resort.

One thing that won't change is the use of the Joie de Vivre name as the sub-brand or endorser as opposed to a hotel's actual name. "If anything, its use as an endorser may get stronger," Conley noted.

On the other hand, Conley said he may consider taking one of the more distinctive hotels in the portfolio and using its name on hotels in multiple locations. A Joie de Vivre competitor, the Kimpton Hotel & Restaurant Group, has successfully employed this strategy with its Palomar and Monaco brands.

Now that he has a deal in hand, Conley noted that Geolo Capital was hardly the first suitor to come calling. "We'd been approached before about a strategic partnership of some sort by some of the big worldwide brands, but always declined," he reported. "But last year with the downturn, the time seemed right to start talking to people. We actually had conversations with 17 different groups, though none ended up with a deal."

That changed when Geolo entered the picture. "When we met with John and Gary, it was one of those things where a deal seemed to make more and more sense with each passing week," he said. "There's a cultural fit between the two organizations we realized would be one of our greatest benefits."



Gary Beasley  
Geolo Capital