

Barrack's Colony Capital Invests \$35 Million in Hotelier, Club Owner SBE

By Nadja Brandt - Jan 12, 2011

Billionaire investor Thomas J. Barrack Jr. said his [Colony Capital LLC](#) is investing \$35 million in luxury hotel, nightclub and restaurant owner SBE to fuel an expansion of the company.

The equity infusion by closely held Colony, which manages \$30 billion, may help lead to an initial stock sale by SBE in three to four years, said Sam Nazarian, chief executive officer of the Los Angeles-based hotelier.

“We have to solidify our brand outside our home base in other markets and have to show growth of four or five of our key brands,” Nazarian, who played himself on [HBO](#)’s “Entourage,” said in a telephone interview. “If all that is in place, an IPO could fall somewhere in the 2014 to 2015 time frame.”

Few hoteliers provide their guests unique experiences, Barrack said. He said he expects SBE to follow in the footsteps of companies that do, such as [Raffles Hotels & Resorts](#), [Amanresorts](#), Four Seasons Hotels Inc. and Kerzner International’s [One&Only](#) chain. Colony owns the Raffles Hotel in [Singapore](#) and is part of a group that purchased Kerzner in 2006.

“We’re looking for unique sectors that tie back eventually to scarcity, that wrap around an individual expertise and differentiating vision,” Barrack, Colony’s founder and CEO, said in a telephone interview.

Colony will hold a minority stake in SBE, which operates properties including the [SLS Hotel at Beverly Hills](#), the Ritz Plaza Hotel in south [Miami Beach](#), Katsuya sushi restaurants and the nightclubs Industry and MI-6. Barrack and Richard D. Nanula, a principal at [Santa Monica](#), California-based Colony and chairman of film studio Miramax, will join SBE’s board.

Jackson’s Neverland Ranch

Barrack, 63, started Colony in 1991 partly to buy assets in the wake of the U.S. savings and loan crisis. It has invested in real estate around the world, including Neverland Ranch, the former home of singer [Michael Jackson](#), who died in 2009.

Colony, which specializes in buying distressed assets, also was among investors that agreed in July to buy Miramax from [Walt Disney Co.](#) for \$660 million in cash. In August, lenders took control of [New Jersey's](#) Meadowlands Xanadu shopping mall from a group led by Colony after construction stalled.

“Our intent is to be a large capital facilitator to enable SBE to embark on a shopping spree through the rubble and wreckage of a stretched industry, and do those bold things that others would not consider,” Barrack said.

Nazarian, 35, said he plans to complete the purchase of a hotel development site in downtown [Manhattan](#) within 60 to 90 days. He wants to build SLS into a chain of high-end boutique hotels that include such corporate amenities as ample meeting space to attract business travelers.

High-End Redbury

He also is expanding SBE's new high-end, extended-stay brand, [the Redbury](#). Occupancy at the [Los Angeles](#) location is expected to be more than 75 percent in the first quarter, with average room rates of about \$275, Nazarian said.

A rebound in U.S. business and leisure travel is attracting hotel investors after the industry in 2009 suffered its worst slump since the Great Depression. Occupancies at U.S. chain hotels with the costliest rooms climbed to 68 percent January through November from 62 percent a year earlier, according to [Smith Travel Research Inc.](#), based in Hendersonville, [Tennessee](#). That compares with occupancy of 65 percent across all lodging sectors in the top 25 U.S. markets.

Nazarian also wants to buy management companies in the hotel, restaurant and food and beverage industries over the next 12 to 18 months.

“If you find the right entrepreneurial spirit, this is ultimately what creates value in a market such as the one we are currently in,” Barrack said.

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