



COOLER VISION

WELL-CONNECTED NIGHTCLUB AND RESTAURANT IMPRESARIO SAM NAZARIAN WANTS TO BUILD A HOTEL BUSINESS THAT MOVES BEYOND THE FOUR WALLS.

By Jeff Weinstein, editor in chief

Sam Nazarian wants to be at the top of the next generation of hotel trailblazers. He wants to be a next-generation combination of Ian Schrager and Issy Sharp with the ability to better mesh and control what he considers the three most important operational components that feed success: lifestyle design, exciting food and beverage and a more timely customer recognition program that can best be described as seamless reservations and concierge services.

The mostly West Coast-centric Nazarian is the Tehran-born son of Qualcomm Co-Founder Younes Nazarian and the founder and CEO of SBE, a Los Angeles-based luxury hospitality, real estate development

and lifestyle company with hotel, restaurant, nightclub and real estate divisions. Nazarian, 35, had seven sizeable hotel investments — ranging from boutiques via the Viceroy brand to flagged airport hotels — before he even dipped his toe into what has become a high-profile and successful restaurant and nightclub business. To date, he says he has personally been a part of 22 hotel acquisitions and 13 dispositions.

Nazarian's initial foray into hotel operations came in 2008 when he opened the Philippe Starck-designed SLS at Beverly Hills right into the teeth of the Great Recession. After struggling and having to refinance US\$70 million in debt to stabilize the asset, he says business is much

better — a business which, not surprisingly, has always been buoyed by a thriving F&B component.

Prior to opening the SLS (style, luxury, service), in 2007 Nazarian acquired the Sahara Hotel & Casino in Las Vegas for a reported US\$300 million. At the time of this interview, Nazarian said he was close to restructuring the deal with lenders and along with partners expected to convert the Sahara to an SLS Las Vegas by early 2014. However, weeks later it was announced the Sahara was closing, with Nazarian saying he is evaluating all options for the property and that he has not wavered in his commitment to re-imagining the Sahara as an all-encompassing mixed-use resort and casino.



Nazarian has also acquired the Ritz Plaza Hotel in Miami (which he says will open after a delayed US\$70 million renovation as the second SLS hotel in March 2012) and the Four Points Sheraton at Los Angeles International Airport. He launched in October 2010 The Redbury Hotel, a hip, extended-stay hotel in Hollywood, California, and is planning a second in New York City, and sees it as a brand vehicle along with SLS. He wants SLS hotels to expand to Chicago and New York City, for starters.

While there have been some obvious missteps with hotels, SBE recently received a US\$35 million investment from Colony Capital — serving as a confidence builder for Nazarian and further validation of his ability to succeed in a crowded marketplace. In fact, he believes

SBE can reach 10 to 12 hotels under the SLS and Redbury flags within four or five years.

At the same time, he is developing a relationship with MGM Resorts International with announcements to create the Hyde Lounge Bellagio set for a New Year's Eve 2011 grand opening, as well as a partnership that extends a global reward platform.

HOTELS recently caught up with Nazarian to learn more about his hospitality philosophy as well as his plans to further develop his hotel portfolio.

HOTELS: What inspired you to become a hotel operator in addition to owner?

Sam Nazarian: First, I was a student and customer of boutique

hotel pioneers such as Ian Schrager, Andre Balazs and Barry Sternlicht with W. I was enamored by the acumen of design, the interplay between the hotel and food and beverage, and the exclusivity model that if you want to get into my bar you have to stay in my hotel.

What continues to enamor me is the growth and the expectation of customers and the lifestyle of customers that allow one operator to be accountable and have the skill set to execute so the customer does not feel that he's going into somebody else's restaurant at somebody else's hotel with somebody else's ownership structure.

The Chinese wall that currently exists between the alignment and motivation of a lot of different operators in one building has become more and more evident, and

the need for a new approach in our industry has become more and more evident.

We are on the same precipice as we were 24 or 25 years ago when boutique hotels became an important part of popular culture. The need for a new idea is going to be very effective in the hotel industry moving forward.

H: What must happen in the hotel business to create real buzz and differentiation?

SN: The way in which hotels by definition need to be timeless and inclusive, not exclusive. The feeling that being a part of a community as we've all seen evident in the world of social networking today is crucial, not just for a 17-year-old who sits on his or her device at home, but also for the business traveler who wants to instantly understand rate, how many points he gets and what his friends think about the experience.

And what else besides the four walls of that hotel does that person get? We think access being the currency is a crucial part of value.

H: How would you like to treat

loyalty programs with your brands?

SN: The way we plan to move forward with our corporate and individual partners is called SLS Founders, which gives them access to the city in which they are spending the night. With one call to a centralized host from a group planner, travel agent or wholesalers we have the capability to deliver experiences, whether it be a spa treatment, a night out or venue buyout for a convention. That is an example of what we are creating for clients now in markets like New York, Las Vegas and Miami. Their room key gives them access to the city, and they can charge their experiences back to one folio, which nobody in Los Angeles and nobody in the country really outside of the gaming world can offer.

We are spending close to US\$3 million over the next two years to try to build the lifestyle CRM, the overarching application that allows our customers in real time to take advantage of customized offers through business intelligence software. That is something we'll roll out in the first quarter of 2012.

H: How is the hotel industry doing on the F&B side, and where does it need to be?

SN: Ultimately, the execution is more important than the name brand. The quality of service and product and the timelessness of that product are more important than having a celebrity chef. If you find the celebrity that commits to both and is aligned with what you are trying to create as an overall experience it's a win-win situation. A food and beverage product that includes and embraces the community versus excludes the community through velvet ropes and people with clipboards in front of your hotel is an exclusionary product which makes you cyclical, trendy and ultimately will make your hotel experience all about how trendy you are at that particular time.

H: Why did you make a 15-year deal with Philippe Starck?

SN: The contract we signed with Philippe in 2006 was after already working with him for four years. Philippe, to me, is as much a person who is our research development partner as he is a design partner. Philippe's ability to see things in the third dimension has allowed him to continuously reinvent himself in products like the Royal Monceau in Paris and the Faena hotel in Buenos Aires.

He is continuously dedicated to relooking at the same solution but with a different lens every time. Philippe is our creative design partner, which now allows us to work with notable people like Matthew Rolston and notable upcoming designers in collaboration.

Philippe gives me the visibility and the real-time sense of what's on the cutting edge. He has been at



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the forefront of design, which also brings a level of credibility to our work.

H: How are your hotels — specifically the SLS and Redbury — performing?

SN: They're doing much better than the forecast for 2011. We've seen a very big pop back up. We're talking about rooms sold because F&B is through the roof. Last week (early March) for the first time in our comp set at SLS we were number one in RevPAR, which includes the Four Seasons and Chateau Marmont.

H: What is your growth story for potential developers?

SN: There is unbelievable desire by private equity right now to buy assets — especially in the New York market — because of the unbelievable RevPAR growth. What we have the capability of doing is looking at shovel-ready projects that are back in development and offer new content, a new program and a partner that can take a project and by ourselves bring it to fruition very quickly. That's really what the essence of our company is. We look at a property, find the best use of that asset and are able to fulfill all the skill sets needed to finish the project and activate it on a world platform.

H: Are you looking to acquire — with or without partners?

SN: Definitely. One of the fastest ways of us getting to scale is being able to look at platforms that have reach in markets that are very hard to get scale — whether it be London, the East Coast or in our backyard. Being able to take down



or reimagine a set of properties, a company or a corporate culture and add to it leadership and vision is definitely part of our growth pattern in the near term. We're looking at as many of them as we can, and through that process we are learning a lot more about the industry, what is there, what people are doing and, more importantly, what they are not doing.

H: Who else are your hotel heroes and mentors?

SN: The one from a vision standpoint, I have to say, is obviously Issy Sharp. I personally don't know him, but I feel like I do because I've read his books and learned about his unbelievable 40-year commitment to excellence and owning a space. Steve Wynn, who I do know very well, has a commitment to excellence. I was in his office within the month and saw he was a part of every decision and really understands that it's his name on that building, and that's the point.

H: What do you see as the next hot thing in hotels?

SN: We coined the phrase “smart luxury” about a year-and-a-half ago, and I think being smart as an operator doesn't offend your customer base because you know your customer base is smart. So the smarter you are, the more embracing and humble you are and the more confidence you have in your service, not of arrogance but of confidence leading to hospitality. At the end of the day we are here to give an experience, and I think the industry has gone away from that.

The industry wants to throw you so many offers to gain your loyalty and forgets that all it has to do is make guests have a good time and appease all the criteria important to them. At the end of the day, you are a host, and that personality — whether you have five hotels or 500 — needs to resonate. That is what is going to make the next trend: How do you scale that into a culture that Issy Sharp created 40 years ago when he thought about a company called Four Seasons?