

Sam Nazarian now the West Coast's most powerful nightclub operator

Purchase of Syndicate Hospitality, the largest L.A. competitor to Nazarian's SBE, nearly doubles his company's night-life holdings, bringing the total to 12 venues.



Sam Nazarian, shown in August, has been on a heated shopping spree since 2008 that he considers "the best two years of my career." A year ago his company, SBE, operated 17 hotels, restaurants, lounges and nightclubs. Today it has 25. (Lawrence K. Ho / Los Angeles Times / April 13, 2011)

By Jessica Gelt, Los Angeles Times
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Sam Nazarian has sealed his reputation as Los Angeles' King of the Night.

SBE, his Los Angeles hospitality group, which owns the Bazaar by Jose Andres, Hyde Lounge, Gladstones and the Redbury and SLS hotels, has acquired its largest Los Angeles night-life competitor. The purchase of privately held Syndicate Hospitality nearly doubles SBE's night-life holdings, making Nazarian the most powerful operator of clubs on the West Coast, with 12 venues. Nazarian adds MyStudio, MyHouse, Eden and Crimson/Opera, all based in Hollywood, to a portfolio that includes popular venues such as the Colony, Industry and the Abbey.

Terms of the deal were not disclosed, and neither Syndicate founder David Judaken nor Nazarian would discuss details of the financial transaction. Nazarian has been on a heated shopping spree since 2008 that has continued unabated through the recession and that he considers "the best two years of my career."

A year ago, SBE operated 17 hotels, restaurants, lounges and nightclubs. Today it has 25. By April of 2012, Nazarian said, his privately held company will own or operate 35 venues. That total will include a soon-to-open West Coast outlet of Manhattan's beloved hot dog stand Papaya King; a bohemian live-performance venue named the Sayers Club, headed up by the pioneer behind the exclusive Bardot music sessions; a lounge called the Library in the Redbury; a new Italian restaurant called Mercato di Vetro; and an SLS Hotel (along with a second location of the Bazaar) in Miami.

"My drive is to be the best in the lifestyle space across all platforms," said Nazarian, 35, drinking Diet Cokes and smoking American Spirits on the Bazaar Terrace one recent morning. "We can be everything to everybody. We're looking to cover the \$100 check averages as much as the \$5 check averages."

In January, billionaire Thomas Barrack's Santa Monica investment firm, Colony Capital, injected a \$35-million vote of confidence into SBE, hoping to help spur its continued expansion into New York, Las Vegas, Los Angeles, Miami and Houston with an eye toward an eventual public offering of the company, which has about 3,600 employees. Nazarian declined to talk about the company's financial performance, but he projected \$150 million in food and beverage revenue this year.

A month ago, industry observers thought that even the bullish Nazarian wasn't immune to the ravages of the recession when he announced plans to shut down the iconic Sahara Hotel in Vegas, acquired in 2007 for an estimated \$300 million. At the time, Nazarian would not comment on the closure, but he now says the plan from the beginning was to close the hotel for renovation. He said he was committed to reopening it in 2014 as an SLS Las Vegas, with six restaurants and two nightclubs.

"We've spent \$30 million in design development drives; we're shovel-ready," said Nazarian, who formed his company in 2002 with proceeds from real estate investments as well as a wireless telecommunications company he sold. "If we were admitting defeat we would have admitted it."

What is Nazarian's recipe for success in the most competitive corners of the risky hospitality business — what he calls his "special sauce"?

"Access is currency," said Nazarian, who was born in Iran but grew up in Beverly Hills. "Whether you're a group like Pfizer, or you're a couple in town for the weekend, you now have the capability to book your whole weekend — including where you stay, what you eat and where you go afterward — with one phone call. We can really manicure your experience."

What he aims to prove through his expansion is that his all-inclusive business model is exportable. He believes he can transfer homegrown L.A. brands like SLS, Redbury, Cleo, Hyde and the Bazaar to sophisticated "feeder markets" in other cities, and eventually internationally. London is a prime target.

Nightclubs are a crucial piece of the puzzle because their customer base is young and hip. If Nazarian can introduce them to SBE at age 21, he said, he can keep them until they are 65. Nightclubs also help Nazarian keep his finger on the pulse of the latest trends. His system allows for a 36-month window before a night-life "concept" is closed down and a fresh one introduced. With the addition of Syndicate, SBE and its night-life chief, Costas Charalambous, will be able to bring a new product to the market every 36 months.

This constant churn is exactly why Judaken, 40, decided to sell the company he began building in Los Angeles at the age of 26.

"It was getting redundant, systematically, and I felt that I was more involved with construction than hospitality," said Judaken, who will concentrate on his events business now that he's sold Syndicate.

He said he's exiting at the top of his game.

"I was in the strongest financial shape I've ever been in," Judaken said.

He said SBE's new strength should enable it to undercut bottom-line, short-term-oriented operators who don't care about the quality of Hollywood night life.

"It's SBE's industry to lose," Judaken said. "They are truly going to be a powerhouse, and it's just a function of how they maintain the existing businesses and roll out the new ones that will define their future."

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