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BUSINESS

Hyatt Heir Checks Back Into Hotel Industry

By KRIS HUDSON

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Pritzker family scion John Pritzker is getting back into the hotel industry by buying a majority stake in an operator of boutique hotels in California and establishing a \$150 million fund to buy additional small hotels.

Mr. Pritzker's Geolo Capital on Friday bought a majority stake in Joie De Vivre Hospitality Inc. at a price both sides declined to disclose. Founded in 1987, Joie de Vivre manages 33 small, upscale hotels, 14 of which it owns. Geolo's majority stake, which is less than 60%, includes only Joie De Vivre's hotel-management operations and brand, not the real estate.



John Pritzker, right, with Joie De Vivre CEO Chip Conley, left, and Geolo partner Gary Beasley. *JOIE DE VIVRE*

Mr. Pritzker had worked for 26 years at Hyatt Hotels Corp., the hotel chain his family

built, but left to pursue other investments in 1988. The Pritzker family is in the midst of

a 10-year plan to divest many of its holdings, including its huge Hyatt stake. Mr. Pritzker, 56, is the son of Hyatt founder Jay Pritzker.

Hyatt manages four boutique-style hotels with more in development in the U.S. under its new Andaz brand. Mr. Pritzker says the potential competition poses no conflict of interest. "Joie De Vivre may be a competitor [to Hyatt] in certain markets, but that's not a conflict," he said.

Joie De Vivre founder and Chief Executive Chip Conley began scouting for financial partners a year ago to gain capital for expanding his company outside California. That process attracted Geolo, which prevailed over other suitors, including boutique-hotel companies, private-equity firms and national hotel brands, Mr. Conley said.

"We have very like-minded ideas about the guest experience, the notion of authenticity, what people are looking for and how to treat your staff," Mr. Pritzker said in an interview. "And the partnership gives us a branded platform that we can build on."

As part of the deal, Mr. Pritzker has contributed \$150 million of his own money to a Geolo fund for buying boutique hotels across the U.S. and adding them to the Joie de Vivre collection. Boutique hotels typically offer a maximum of 150 rooms and feature local decor and atmosphere more than do larger hotels that carry national brands.

With the \$150 million equity fund and the addition of debt financing, Geolo and Joie De Vivre expect to buy \$300 million to \$500 million of hotels within three to five years. The acquisition program stands to expand Joie De Vivre to 50 hotels and to double its annual revenue of \$240 million, Mr. Pritzker said.

"We'll be looking broadly at the three- to five-star hotels," said Gary Beasley, a Geolo partner. "We're primarily looking at gateway cities. Boutique hotels are our sweet spot, but we will look at larger hotels and resorts."

Geolo will find it has plenty of company in seeking to buy hotels. "There is clearly a lot of competition for hotels now as people believe there is going to be a significant increase in hotel profitability over the next four to five years," says John Arabia, a hotel-industry analyst with Green Street Advisors Inc.

Mr. Pritzker, however, argued that the acquisition frenzy is more subdued for boutique hotels than for larger trophy hotels, convention hotels and business hotels flying the flags of national brands. Boutique hotels tend to be more challenging because they are tailored to their local markets without standardized décor and staffing plans.

Geolo already sampled the hospitality market before investing in Joie De Vivre, having bought the 450-acre Carmel Valley Ranch in Carmel, Calif., last July. That property will be added to the Joie De Vivre collection that already includes the Hotel Angeleno in Los Angeles, the Citizen Hotel in Sacramento, Calif., and the Hotel Vitale, which is in San Francisco.

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