

## Hotels a Win for Ex-Athletes

### Hilton Likes Their Experience With Leadership, Teamwork, Handling Diversity

By KRIS HUDSON June 12, 2012

Hilton Worldwide Inc., seeking to expand the ranks of its investment partners, is finding surprising interest from one group in particular: former professional athletes.

Hilton, like many large hotel operators, doesn't own most of the hotels that carry its brand name. Instead, Hilton manages the properties, which are owned by investors, and expands its hotel offerings by encouraging investors to build new properties or convert existing hotels to the Hilton brand.

A fund run by former San Antonio Spurs center David Robinson and exbanker Dan Bassichis bought Hilton Garden Inn in Houston last October.

By targeting professional athletes as investors, Hilton is hoping they can bring enough buzz and excitement to individual hotel properties that they stand out in an increasingly competitive hotel industry. The company says retired athletes make ideal owners because they have experience with leadership, teamwork and handling diversity—and they have capital to invest.

African-American and Hispanic athletes are especially coveted because they sometimes carry the clout and influence needed to build in difficult markets, including inner-cities. "There are some good opportunities that they might be able to exploit better than others," said Bill Fortier, Hilton's senior vice president of development in the Americas. "We've had some success with other African-Americans who are [building in] redevelopment districts where the city" is encouraging minority participation.

Several minority players have scored some early victories in the business, including basketball legends Earvin "Magic" Johnson and David Robinson.

Mr. Robinson, the 7-foot-1-inch former San Antonio Spurs center and Basketball Hall of Famer who is African-American, has been an active buyer in the past year through his Admiral Capital Group and the real-estate fund it manages. The fund acquired a Hilton Garden Inn in Houston last October, bought the mortgage on a Renaissance hotel in Las Vegas in September and is preparing to buy its third hotel, an upscale property in the Dallas area, in the coming months.



Mr. Johnson, the former Los Angeles Lakers legend who is among the most successful former athletes-turned-real estate investors, is involved in a joint-venture investment fund that owns 12 hotels, including the Hilton Washington, D.C.

Former Houston Astros first baseman Glenn Davis, who is white, owns two Hilton-branded hotels in Columbus, Ohio, and is building a Marriott in Atlanta. "Everyone always asks me, 'What do you know about the hotel business? You're a baseball player,'" said Mr. Davis, who spent nine seasons as a first baseman for the Houston Astros and Baltimore Orioles. "You name the hotel, and I've probably been in it. I've spent half of my life in hotels."

Mr. Davis's investment fund, Cascade Group, has roughly \$50 million in assets under management and seeks returns of 12% to 15%, when using debt, on hotel investments. Mr. Davis says he first considered investing in hotels after he stayed at a Hilton Garden Inn in Atlanta in 2001 and liked the customer service and practical, clean rooms. "I said, 'This is it. People are going to gravitate to this. I like this hotel,'" Mr. Davis said in an interview.

Returns in the hotel business—which can range from 9% to 20% during normal economic times, based on the amount of debt used—typically top other classes of commercial real estate and are less risky than the type of businesses often linked to ex-athletes, like restaurants, night clubs and recreation businesses.

The challenge, though, is gaining hospitality expertise and millions of dollars of capital to buy the properties. Some retired jocks have tackled those issues by teaming up with seasoned hotel deal makers and raising investment funds.

For example, Mr. Robinson's business partner, Dan Bassichis, is a former investment banker who specialized in hotels and other commercial real estate at Goldman Sachs. Admiral Capital's \$125 million fund strives for investment returns of 15% to 20%, including debt, with hotel investments near the higher end of that range.

Even so, the hotel business can be volatile, and athletes are far from undefeated in their investments. Several clients of investment firm ProNet Capital LLC, including former New York Giants wide receiver Amani Toomer, former Washington Redskins linebacker LaVar Arrington and former basketball guard Nick Van Exel, invested a cumulative \$12 million in a Ritz-Carlton resort under construction in the Turks and Caicos Islands in the mid-2000s. The project, called Molasses Reef, ran out of financing in 2008 when its primary lender, Lehman Brothers Holdings, collapsed. The project's developers and investors still are working on recapitalizing it.

In 2008, tennis power couple Andre Agassi and Stefi Graf dropped plans to build a luxury Fairmont hotel as part of a friend's development near Boise, Idaho, that eventually went bankrupt.

In contrast to those false starts, Mr. Johnson has prospered in the hotel business. His joint venture with Canyon Capital Realty Advisors, called the Canyon Johnson Urban Fund, oversees \$4 billion of assets under management. He led an investment group that bought baseball's Los Angeles Dodgers franchise earlier this year for \$2.15 billion.

Among the Canyon Johnson fund's 12 hotels are a W in Austin, Texas, and the Hotel Icon in downtown Houston. Andre Johnson, Mr. Johnson's son and an asset manager in Canyon Johnson's hospitality division, said the fund likely will purchase another three to four hotels within the next six months. "There are so many distressed opportunities right now," Andre Johnson said. "It gives us an opportunity to come in at a low basis."