

Hotel Player Launches Debut Fund

A hotel investment firm headed by three former **Maritz Wolff** executives is raising its debut value-added fund.

Los Angeles-based **Integrated Capital** is seeking to raise \$200 million for the vehicle, which will primarily acquire hotels that are underperforming, in need of renovation or would benefit from re-branding, according to investors. Up to 20% of the capital can be used for development.

The vehicle, Integrated Capital Hospitality Fund 1, would have nearly \$600 million of buying power, when leveraged. Individual investments can range up to \$100 million. The fund, which has a 16% return target, will focus on properties that cater to business travelers.

Integrated Capital, which apparently plans to complete its fund-raising campaign by yearend, is kicking in up to \$5 million of the total equity. There is a 1.5% annual management fee, but no acquisition fee.

The company was founded in 2004 by managing partner **Kenneth Fearn**, who oversees fund raising and will source acquisitions. Partners **Daniel Kurz** and **Stewart Cushman** assist with fund raising and oversee due diligence.

The trio worked together at Maritz Wolff, the St. Louis hotel firm, from 1994 to 2004. They helped operate three vehicles in company's Hotel Equity Funds series.

Fearn, who two years ago was included in **Black Enterprise** magazine's "Hotlist" of African-American executives under the age of 40, plans to pursue properties flagged by Marriott and Hilton - companies that have developed a reputation for trying to increase minority ownership of their hotels. In that respect, his strategy will be similar to that of a value-added hotel fund series operated by **RLJ Development**, which is headed by **Black Entertainment Television** founder **Robert Johnson** and **Thomas Baltimore**.

Integrated Capital is also looking at the various InterContinental Hotel brands, including Holiday Inn. Marriott, Hilton and InterContinental all have well-regarded rewards systems for business travelers, which improves loyalty to the brands, and in turn, increases occupancy levels.

To date, Integrated Capital has acquired nine hotels - one of which it subsequently sold - and has one property under development. Of the properties, eight have Marriott brands and two have Hilton brands. The nine remaining properties, which Integrated has syndicated, will not be folded into the fund.

The properties are in Central and Southern California, the Washington metropolitan area and Fort Collins, Colo. The fund will likely look in those markets, as well as other urban, suburban and secondary markets nationwide. ❖