

Accor: Development of Ibis and Formule 1 Networks in Brazil

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Partnership Agreement with Walter Torre To Drive Faster Development of Ibis and Formule 1 Networks in Brazil

Accor today announced that it has signed a partnership agreement with Walter Torre, one of Brazil's leading real estate investors, to develop a network of 20 Formule 1* and Ibis hotels in Brazil by 2010. The project represents nearly 5,000 rooms and a total investment of about EUR200 million.

Strengthened leadership in Brazil

Present in Brazil since 1976, Accor leads the country's economy and budget hotel markets with the Ibis and Formule 1 brands.

There are currently 45 Ibis hotels in Brazil with a total capacity of 7,000 rooms. After opening its first establishment in Sao Paulo in 1999, the brand extended its coverage to other major Brazilian cities. According to the partnership agreement, 13 new Ibis hotels will be built in 10 cities, mainly Rio de Janeiro, Brasilia and Sao Paulo.

From its first 300-room hotel in Sao Paulo in 2001, Formule 1 has created a local network of seven large hotels with a total capacity of 2,000 rooms. Based on the agreement, 7 new Formule 1 hotels will be built in 7 cities, including Rio de Janeiro, Brasilia and Porto Alegre.

The stepped-up development in Brazil is part of the Group's 2006-2010 expansion plan, which calls for a total of 200,000 new rooms around the world, representing an aggregate investment of EUR2.5 billion. Fifty percent of the rooms will be located in emerging countries like Brazil, India, China and Russia.

As part of the expansion plan, the Group has earmarked EUR150 million for investment in Latin America.

A strategic partnership with a major real estate operator

The strategic partnership will lead to the creation of a joint venture to be 80%-owned by Walter Torre and 20% by Accor. The new unit will be in charge of hotel development and construction in the country's major cities.

Accor will then operate the hotels under a variable leaseback agreement based on a percentage of total revenue with no minimum guaranteed rental payment. The 15-year contract can be renewed up to four times upon Accor's sole request (on a per-unit basis) for a total potential lease period of 75 years.

For Accor, the three-year investment will come to approximately EUR70 million, corresponding to the initial contribution of capital and equipment. Once up to speed, the project is expected to generate a 20%-plus return on capital employed.

* Formule 1 hotels were first developed in Europe as an economic lodging solution with bathroom facilities outside the room. Today these units are mostly concentrated in France under the hotel F1 banner. The new Formule 1 establishments located outside France, particularly in Brazil and Australia, feature rooms with a toilet and bathroom, similar to Etap Hotel in Europe.

The transaction constitutes the first major long-term partnership with a Brazilian real estate investor. It enables Accor to create a lasting alliance with one of Brazil's largest real estate operators and to continue deploying its innovative asset management strategy, designed to sharpen its focus on hotel operations, primarily by investing in economy hotels in emerging countries.

Accor's Brazilian hotel base is currently comprised of 140 Sofitel, Novotel, Mercure, Ibis and Formule 1 units, with a total capacity of nearly 23,000 rooms. The new partnership has enhanced the Group's position as a leader in the Hotels business in Brazil.

Accor, the European leader and a major global group in hotels, as well as the global leader in services to corporate clients and public institutions, operates in nearly 100 countries with 150,000 employees. It offers to its clients over 40 years of expertise in two core businesses:

- Hotels, with the Sofitel, Pullman, Novotel, Mercure, Suitehotel, Ibis, all seasons, Etap Hotel, Formule 1 and Motel 6 brands, representing 4,000 hotels and nearly 500,000 rooms in 90 countries, as well as strategically related activities, such as Lenotre.
- Services, with 30 million people in 40 countries benefiting from Accor Services products in human resources, marketing services and expense management.

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