

Accor targets franchising and Asian development

Australia is still the most profitable part of Accor's regional operations, writes **Ben Wilmot**.

Hotel group Accor is focusing on expanding its franchise operation in Australia as new developments remain tough to stack up against more viable local projects and other opportunities across the Asia-Pacific region.

Accor Asia Pacific's chairman and chief operating officer, Michael Issenberg, says that Australia is still the most profitable part of the hotel group's regional operations.

"The market did come through the global financial crisis trading well," he says.

Accor's hotels — mainly in the mid-market level but up to the five-star level — had occupancy levels of 70 per cent to 75 per cent during the first half.

While the group sees little opportunity to expand by developing new properties in Australia — Issenberg points to the constraints caused by hotels not being the highest value-use sites in Australian cities — it still sees opportunities locally.

"The growth in Australia is in franchising, marketing brands and distribution," Issenberg says.

Accor, already the largest mid-scale manager, has signed four new franchise hotels in the past two weeks. It gained an All Seasons hotel in Warrnambool, Victoria, a Mercure hotel in Maitland, NSW and another in Horsham, Victoria, which opens in September.

Another new Victorian development — to be known as the Mercure Rutherglen Resort — is proposed and seeking finance. Accor will manage the property.

Accor's strategy is to pick up properties in regional centres, not only in the cities.

Accor says its franchise model is working well with observers saying the potential for property owners to strike agreements with the hotelier is enormous. Accor is confident that its hotel management model will not be overly affected.

Issenberg argues that because of the state of the markets — where so few major portfolios are likely to



Michael Issenberg sees growth opportunities in Australia.

Photo: SAHLAN HAYES

change hands and few new properties are being developed — the hotel business in Australia will become less about property and more about hospitality expertise.

Globally, Accor is planning to cut the property it holds outright by selling about 450 hotels between 2010 and 2013. The group is the fourth largest in the hotel sector with more than 4100 hotels and nearly 500,000 rooms worldwide.

But that sell-down is unlikely to

have much of an impact in Australia, where many of the group's hotels are held in the separately operated Tourism Asset Holdings vehicle.

The shift in Australia to franchise development, while limiting investment, is in line with Accor's global "asset right" strategy. Eventually, 80 per cent of Accor hotels are to be run as franchises, leases or management contracts against the current 60 per cent.

By contrast, in Asia, property is at the heart of Accor's operations. Issenberg is working with developers and institutions to expand the number of Accor properties across Asia.

He says that Asia is in a different part of the hotel development cycle and the group wants to open and manage new properties. Issenberg, who was in Australia during the hotel booms of the 1980s and 1990s, has China as his top priority.

Accor recently said it will open four hotels carrying the luxury Pullman and Novotel banners in China. But it is also ramping up in the sector where a host of Chinese competitors have sprung up.

Issenberg says Accor will own and manage Ibis properties in China.

Accor is also working profitably in the new segment with institutional investors.

Last month the group sold the Ibis Singapore on Bencoolen it owned with LaSalle Investment Management to magnate Michael Kum.

Issenberg says the profile of hotel buyers is different in Asia where a host of individuals want to own properties. He says there are more opportunities in the sector in Asia, which has not developed a pan-regional brand.

Last month, Accor created a fund with InterGlobe to invest in new hotels in India and purchase other properties. The fund, co-owned by Pacifica Partners, has seven hotels worth about \$US325 million (\$363 million) and could launch as early as next year.

The focus is on upper-range hotels and Issenberg says that despite Accor being in India for five years it had been slow getting through its development plans. Accor is planning 43 hotels across the country.

Despite the focus on China and India, markets such as Thailand and Indonesia are also recovering and attracting Accor's capital.

The group had double-digit growth in revenue per available room in Indonesia in mid-scale and economy hotels, and last year teamed up with LaSalle to acquire the Sofitel Silom hotel in Bangkok.

"Asia is in such a different place in terms of the hotel development cycle," Issenberg says.

Tishman Speyer a 'buy'

Deutsche Bank analysts have given listed property group Tishman Speyer Office Fund a "buy" recommendation after its full-year results, which they said showed asset prices were stabilising. The US-focused fund was not expected to pay a distribution in the next few years but there was potential upside in the interim, including that of portfolio capital growth. Deutsche Bank has a 52¢ price target on the stock, which is now trading about 41¢.

Ainslie Chandler

Valvoline heads Norwest

Global car lubricant Valvoline will move its office from Wetherill Park to the Norwest Business Park. Valvoline is set to move to 2 Burbank Place, owned by Capital Corporation, at the Baulkham Hills complex. It has taken a long-term lease on 1014 sq m of office space with multiple options, Capital says. The seven-floor building has a net lettable area of 11,596 sq m. It is part of the \$75 million Burbank Corporate Centre, whose tenants include Subaru, Cadbury and the Watty Group.

Ainslie Chandler

Jones Lang changes

James Aroney, formerly of CBRE, has been appointed head of sales and investments for institutional and CBD markets. John Macree, a 10-year Jones Lang LaSalle veteran, has been appointed head of sales and investments for NSW metropolitan markets. Jones Lang LaSalle managing director investment and advisory group John Talbot said that having a strong and vibrant sales platform in Sydney was a key part of the firm's national strategy. "These changes will see us more effectively service the transactional needs of our clients across Sydney and NSW," he said.

Ben Wilmot

Attractive yields

The Australian listed property sector is set to offer attractive forward yields as the economy recovers, investment research group Adviser Edge says. After weakening earlier in the year, yields improved in May and June as share prices in the sector fell. Adviser Edge head of property Louis Christopher said. In the *Domestic Property Securities Review 2010* report, Mr Christopher said forward yields on Australian Real Estate Investment Trusts now looked positive compared with the wider equities markets. Weighted average yield forecasts across diversified, office, retail and industrial vehicles ranged between 5.7 per cent and 7.2 per cent. However, high debt levels, which were still around 60 per cent on a weighted average basis, remained an issue for the sector.

Ainslie Chandler

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