

Transactions

AccorHotels builds LatAm muscle with Atton acquisition

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AccorHotels' CEO of South America said the latest deal expands the French hotel company's strategy of growing in segments and in a region where it is already strong.



By [Terence Baker](#)
tbaker@hotelnewsnow.com
@terencebakerhnn

GLOBAL REPORT—On Monday, AccorHotels announced an agreement to buy Chilean group Atton Hoteles, its second acquisition of a hotel chain in as many weeks. The success of this buying spree hinges somewhat on how similar these deals are, according to one company executive.

“Always the same kind of deal, with local players; that is the secret of our success,” said Patrick Mendes, CEO of AccorHotels South America.

The French hotel company agreed to a [\\$105-million buy](#) of 100% of management and 20% of real estate of Atton, which has 11 hotels with a total of 2,259 rooms in operation—including one property in Miami—and three hotels in its pipeline. The Atton deal has been valued at €67 million (\$80 million) for the management and €22 million (\$26.3 million) for the real estate, according to an AccorHotels news release.

Chilean firm Algeciras has bought the remaining 80% of the real estate. In the agreement, [AccorHotels](#) has the right to sell its 20% to Algeciras after five years. “Algeciras ... is a very strong, respected partner,” Mendes said.

Both parts of the deal have to be agreed to by [Atton Hoteles](#)' shareholders, which is expected to be completed in the second half of 2018.

The agreement comes exactly 14 days after AccorHotels [bought Swiss hotel group Mövenpick Hotels & Resorts](#) for 560 million Swiss francs (\$559.8 million)

and a little more than a month since [acquiring South Africa's Mantis Group](#) for an undisclosed sum.

Strategy for Atton properties

Mendes said the strategy is to co-brand Atton Hoteles assets, which he said would benefit from the recognition of both AccorHotels and Atton.

“We will fund the two brands, and after two to three years, we will look at it all again,” he said. “We have also put into place CapEx plans.”

He hinted the hotels might eventually fall under one of AccorHotels' current stable of brands, most likely Novotel.

Mendes said he sees opportunities to expand the brand.

“Our strategy is to diversify across the region and not only focus in Brazil,” he said. “It is an opportunistic acquisition.”

According to the company's website, AccorHotels has 335 hotels in operation in Latin Americas with a further 166 in development, not including the Atton Hoteles deal.

Latin leap

The deal also presents opportunities for AccorHotels to branch out in a region and segments where it already has a large presence, Mendes said.

“Atton is a great company with assets of between 220 and 250 rooms in the upscale segment. We have been talking with them for many years,” he said, adding that Atton has five to six hotels in its pipeline that are expected to open in the next three years.

“This is a way for us to double our luxury, upscale and midscale presence in Latin American and Hispanic countries, in line with our global strategy of being bigger where we are already big,” Mendes said. “We are No. 1 in Chile, and we will improve our position as No. 1. Chile is a safe, stable economy, and Peru is almost the same. In Colombia, it was a more difficult 2017, but now it is stable, too.”

Outlook for Chile

Atton Hoteles has the most hotels in its portfolio in Chile. The country is currently enjoying a strong economy, partly as a result of avoiding the political crises seen in Argentina and Brazil, said Juliana Carbonari, a São Paulo-based associate of JLL's hotels and hospitality group who until recently lived in Chile's capital Santiago.*

But Chile is not without challenges, she said.

In recent years, a fall in commodity prices, notably copper, affected some hospitality projects in the northern parts of the country and contributed to a small decline in overall economic activity countrywide. In 2016, the country witnessed the devaluation of the Chilean peso against the U.S. dollar, Carbonari said.

“What happened in 2016, the crisis in Brazil, is that fewer Brazilian tourists came to Chile, and Brazil is one of Chile's main visitor sources,” she said.

According to data from [STR](#), parent company of Hotel News Now, Chile's hotels posted a 4.6% year-over-year rise in occupancy to 66.8% in 2017. For the same period, hotels in Santiago saw an 8.1% increase in occupancy to 70.5%.

For full-year 2017, Chile's hotels reported average daily rate dropped 4.7% to 76,501.56 Chilean pesos (\$122.37) and revenue per available room dipped 0.3% to 51,093.66 pesos (\$81.73).

In Santiago, ADR declined 5.5% in 2017 to 79,776.39 pesos (\$127.59), but RevPAR increased 2.1% to 56,203.36 pesos (\$89.89).

Carbonari confirmed hotel supply is a concern for Santiago, though she noted a general improvement in metrics last year.

“Upscale saw very strong demand,” she said. “The outlook for Chile is good. The scenario is more optimistic.”

She added some of that optimism is tied to the country's new president, Sebastián Piñera, who started his term in March and is considered more market-oriented.

Mendes agreed “the worst is behind us” in Latin America.

“It was a tough 2015-2017, essentially in Brazil and Argentina, for different reasons,” he said. “Brazil had the Petrobras scandal and impeachment, but in Brazil we can see a clear recovery. (AccorHotels) has seen better results in the last quarter, and it is predicted there will be 2.5% to 3% gross domestic product growth in 2018. We still think (Brazil) will be slow, certainly with elections coming in October (2018).”

**Correction, 15 May 2018: This story has been updated to correct where Juliana Carbonari is based for JLL.*