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hotelanalyst

Choice Hotels International has signed an agreement with Sercotel Hotels in Spain which will see the company expand across the country.

The move also gives Choice access to Sercotel's burgeoning growth in Latin America, as the Spanish group continues to swell its portfolio.

Choice Hotels said that its brands would leverage the hotel management arm of Sercotel Hotels "to provide hotel owners with a comprehensive solution and strong value proposition in international markets, specifically the force of Choice's brand awareness and distribution channels".

The strategic alliance could also see Choice expanding its presence in Spain and Latin America by adding select Sercotel Hotels properties to the Choice Hotels global hotel distribution network,. Guests at participating properties can also participate in Choice Privileges, Choice's hotel loyalty programme.

Pat Pacious, president & CEO, Choice Hotels, said: “Sercotel is one of Spain’s premier management companies and complements Choice’s global leadership in hotel and technology innovation. We believe that this alliance provides us a competitive edge in international markets, and in turn, enables us to enter new markets.”

Marisol Turró, president, Sercotel Hotels, said: “Teaming up with Choice Hotels is a natural fit. Both companies value quality and are committed to providing unmatched service to guests and franchisees. By combining the complementary attributes of Sercotel and Choice Hotels, we can continue to deliver a high level of service at our hotels, while benefiting from the global reach of Choice.

“This is especially true in the flourishing Latin American market where the combination of Choice’s powerful hotel brands and our Spanish hospitality management have great appeal.”

The past three years have seen Sercotel push into Latin America, describing “exponential” growth as it added Colombia, Ecuador, Cuba and Mexico, with 26 hotels across the region. “The expansion model we follow in Latin America is similar to the one we have historically followed, developing our marketing and brand proposal, while strengthening direct management,” said Javier Garro, Latin America president.

The company has, in line with other Spanish hotel groups, also been spending on its existing sites, with Turró commenting that last year was “a very positive year, we have

made an investment of around 12% of turnover to reform and update establishments, always looking for quality of hotels".

The chain, which was founded in 1994 by Turró, Javier Garro and Benjamín Sanz, has 135 hotels.

Ivar Yuste, partner, PHG Hotels & Resorts, told Hotel Analyst: "It looks on paper as though Sercotel will use the distribution capability of Choice – the piece they are missing is international distribution.

"Sercotel started as an affiliation model and then the owning family realised that they could include their own hotels. It is now a mixture of leased contracts, management contracts and affiliate contracts."

Spain continues to be a must-have destination for brands and investors. In 2017, the number of international tourists visiting Spain improved for a fifth straight year. The country attracted 82 million tourists, making Spain the world's second-most visited country after France and push the US into third place. Tourist spending has also hit a new record in 2017, rising 12.4% in the year from 2016.

According to JLL, in 2017, investment in the country's hotel market reached EUR3.6bn, 65% higher than in 2016, driven by both single asset and portfolio transactions. Revpar also climbed 8.8% to EUR85.29, according to STR Global

The country's occupancy and average room rates were well above its long-term averages and growth is expected to continue in 2018, with Barcelona and Madrid projected to deliver a revpar growth of 5.2% and 8% respectively, according to PwC figures.

But as tourist numbers increase, individual cities are starting to enforce restrictions. Barcelona has passed a law to limit the number of beds on offer and imposed a moratorium on building new hotels to curb tourism as visitors outnumbered residents. Restrictions such as are expected to further boost the market as demand starts to push prices higher. Sources close to Hotel Analyst suggest that Madrid will be the next city to look at cutting the expansion of hotels.

HA Perspective [by Katherine Doggrell]: With entrance into markets such as Barcelona becoming ever-more difficult, deals such as this are likely to proliferate throughout the sector and, for Choice, it is very much business as usual, with conversions its meat and two veg.

What may make this deal of greater interest to the sector plays into the current transactions frenzy underway in Spain. Yuste told us: "Strategically this is good for Sercotel, it raises its profile in the market so that, in three or four years it could put itself up for sale – and Choice could have the option to buy. Spain today, and for the next three to five years, is a selling market."

Choice has not been coy in its ambitions to acquire ever-more brands – this agreement could well be a trial run, particularly as Sercotel's Latin America growth rolls on. *(edit)*