

# New lodger in budget motels

Emily Pettafor

Accor's Formule 1 budget chain no longer has the market to itself, with the fledgling Rest Inn planning a national roll-out.

Rest Inn, the brainchild of France's Villages Hotel, insurance giant FAI and an undisclosed local investor, opened its first motel at Coffs Harbour in September.

With a flat city rate of \$45 per room, 24-hour automated teller machine access and a no-frills decor, Rest Inn has set itself in direct competition to the Formule 1 brand.

A Rest Inn director, Mr David Thevenon, envisages five motels by the end of next year.

"We will grow conservatively. Our owners have deep pockets but we will keep an eye on the bottom line at every turn," he said.

The group has development applications pending on sites in Sydney but is keeping the details close to its chest.

Its second property, a 70-room motel at Dubbo, is slated to open in April, and the chain has gained approval for a 93-room property at Watpac's Airport Gateway estate in Brisbane.

Budget accommodation reaps far higher margins than its full-service competitors. A general rule of thumb is that for every dollar of profit in five-star hotels, budget chains make \$15, according to another director, Mr Rodolphe Comparot-Belin.

He believes Sydney could sustain eight Rest Inn motels, Melbourne five and Brisbane three.



The Rest Inn motel at Coffs Harbour, the first in a planned 40-property chain across Australia.

Ultimately, the chain has ambitions of 40 properties Australia-wide.

The fixed-tariff motel concept is widely known in Europe and the US but analysts say it needs more growth in Australia to provide economies of scale and build brand awareness.

Both the Accor and Villages Hotel chains set a cracking pace for expansion throughout France, initially opening a property almost every month.

Development costs for both budget concepts are under \$4 million, including land and

construction costs, meaning a low room rate can deliver profitability.

Both chains look for sites on main transport routes. "Critical to our success is the ability to find prime sites, but that is a challenge," Mr Thevenon said. "Land is expensive and we are competing with petrol stations and fast-food outlets."

Accor launched Formule 1 into the Australian market with a motel in Sydney's Campbelltown in 1994. Expansion had been slow until this year, with the French-backed hotelier

now aggressively seeking sites.

Securing development approval for a Melbourne property last month took the chain to five sites. It is understood to be negotiating sites in Wollongong, Newcastle, Canberra and Brisbane.

Formule 1 spans 470 motels in 11 countries, and Accor has set its sights on a 20-property presence locally.

Villages Hotel has 40 properties across France. Its founder originally created the Mercure brand, which he eventually sold to Accor.

## HUGE WATERFRONT ESTATE

Burraneer Bay 271 - 277 Woollooware Road

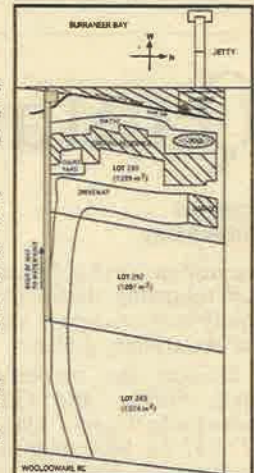
'Piedras Del Mar'

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VENUE: Ritz - Carlton Hotel, 33 Cross Street, Double Bay  
AUCTION: Wednesday 16th December, 1998 at 7.00PM

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