



GBR HOSPITALITY QUARTERLY NEWSLETTER

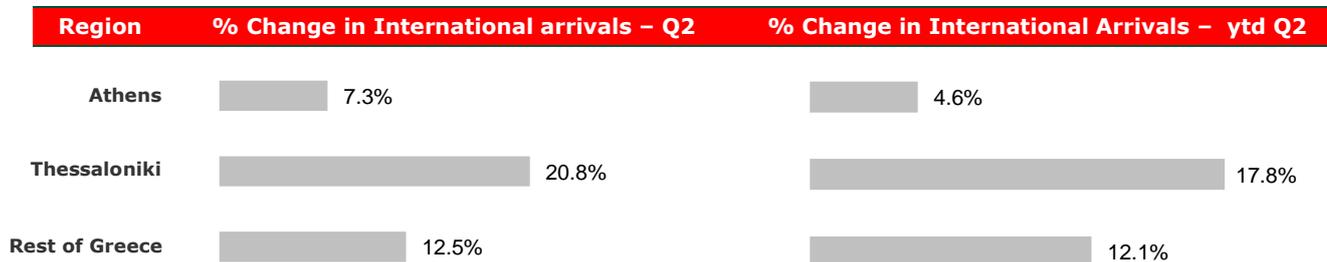
Greek Hospitality Industry Performance

2017 Q2

Introduction

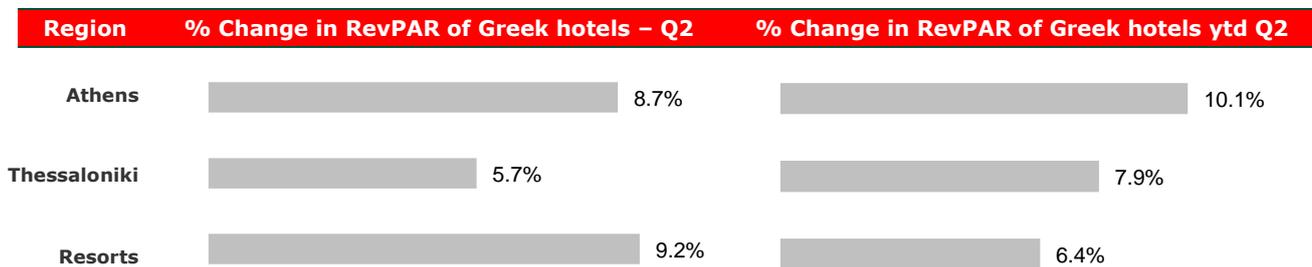
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2017 compared to 2016



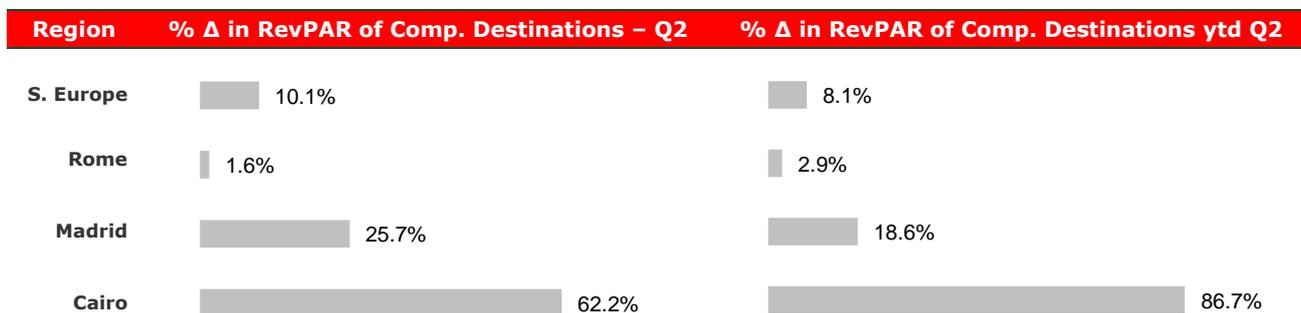
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2017 compared to 2016



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2017 compared to 2016



Source: STR Global, processed by GBR Consulting

¹ The international arrivals statistics are based on SETE calculations compiling the data from 19 major airports of Greece, representing 95% of foreigners' arrivals by plane in Greece and 66% of total foreigners' arrivals. Thessaloniki airport does not distinguish between arrivals of Greeks and foreigners.

² RevPAR: Revenue per Available Room; for Greek resorts, calculations are based on TRevPAR (i.e. Total RevPAR).

Commentary

- International arrivals at the airport of Athens increased by 4.6% y-o-y during H1 2017. Subsequently, occupancy levels and room rates increased at Athenian hotels, resulting in an improvement of RevPAR of 10.1% y-o-y during H1 2017.
- In Thessaloniki arrivals from abroad showed a significant increase of 20.8% y-o-y during Q2 2017 resulting in an increase of 17.8% y-o-y of H1 2017. Occupancy and room rate levels improved in Q2 2017 compared to the same quarter last year resulting in an increase of RevPAR of 7.9% y-o-y during H1 2017.
- Arrivals at 17 airports at resort locations also increased considerably with an overall increase of 12.5% y-o-y during Q2 2017. Especially, the airports of Kos and Zante showed significant increases of international arrivals by 22.6% and 21.3% respectively during Q2 2017 compared to same quarter last year.
- Based on data of June 2017, performance of resort hotels seems very promising for this year. During Q2, when not all resort hotels are fully in operation, the Total Revenue per Available Rooms increased by 9.2% compared to Q2 2016, while the TRRevPAR of the first 6 months was 6.4% higher than same period last year.
- On an international level, the hotel sector of Southern Europe is performing very well with an increase of 8.1% y-o-y in RevPAR during H1 2017. Madrid boosted its RevPAR by 18.6% y-o-y during H1 2017, while Rome recorded a mild improvement of 2.9% y-o-y. The city of Cairo is benefiting from Egypt's economic recovery as RevPAR was up nearly 87% y-o-y during H1 2017 (measured in local currency).

Economy bounced back in Q1, but investments remain volatile

- GDP rose by 0.4% in Q1, bouncing back from a sharp 1.1% decline in Q4 last year. Consumption was the main driver of activity, rising 0.4% of the quarter as the economy was again supported by the continued reduction in government arrears.
- On June 15, the Eurogroup politically endorses the payment of the third tranche amounting € 8.5 B after Greece legislated a further fiscal tightening amounting to 2% of GDP to be implemented in 2019 and 2020. The first part of € 7.7 B was disbursed by the ESM on the 10th of July, of which € 6.9 B will be used for debt servicing needs.
- The reduced uncertainty helps investments, but remains volatile with increases in transport investment, but declines in housing investment during Q1. In this respect, it worth noting that nearly 7 years since the first law was introduced on the fast-track process for investments, only a handful of the projects that entered the scheme have been completed and not one has started operating.

In most cases the implementation has been delayed, not due to the non-application of the law, but because of the inability to fund them. A project that is going ahead is the Itanos Gaia project of Minoan Group Plc after the Council of State dismissed at the end of June the appeals that were made. The € 267 M project for the development of a luxury resort at the Cavo Sidero peninsula in Lassithi, Crete entered the fast track framework in December 2012.



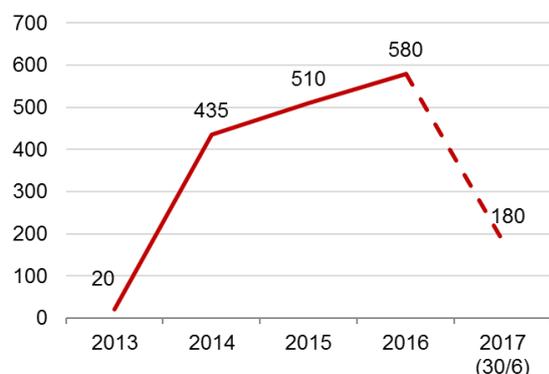
Itanos Gaia, Lassithi, Crete

- Other fast track tourism resort projects that are in various stages of development are "Kilada Hills" in Argolida (Peloponnese), "Kerameia Xiou" on the island of Chios, "Elounda Hills" in Crete and RSR Eagle Resort in Evia.
- Meanwhile, the Atalanti Hills project for the development of a large-scale tourism resort received approval of the tourism and environment ministries and is now awaiting approval of the Council of State.
- Finally, to attract investments to Greece confidence in political processes and institutions need to be boosted, NPLs must be managed, the housing market should be restructured, the structure of the financial sector should be changed and a stable tax system must be adopted. The Greek Association of Tourism Enterprises added that a Special Spatial Plan for Sustainable Tourism Development is needed to facilitate the necessary investments.

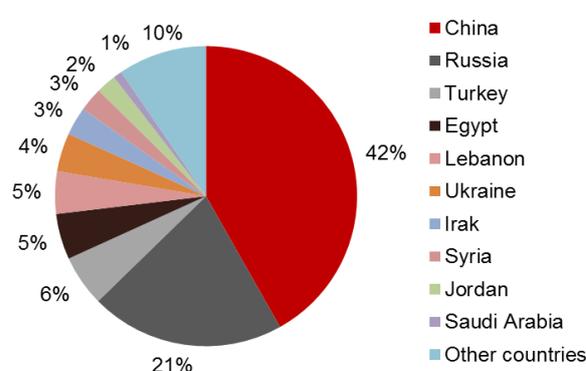
Golden Visa Program

- Another form to boost investment is by offering the opportunity to obtain a residence permit for investment activity. Even though the law provides this possibility, not much have been achieved according to the Ministry of Economy and Development.
- On the other hand, the Golden Visa program for real estate purchases in Greece has been successful with a total of 1,725 issued visas to foreign real estate investors in the period 2013 - June 2017.
- Chinese real estate investors are representing 42% of the total issued visas (722 visas), followed by Russia with 359 visas with a market share of 21% and Turkey with a share of 6% with 95 visas.

Issued visas 2013 – 2017 (up to June)



Top 10 countries of total issued visas



Source: Enterprise Greece

- According to estimates of Enterprise Greece € 1 B has been invested in the Greek real estate market through the Golden Visa Program. Finally, a total of 4,193 visas were issued over the same period for the family members of investors.

Hotel openings

- In Q2 2017 the 90-room **Athenaeum Grand Hotel** opened as a 4-star hotel, located at Syngrou Ave near the Panteion University in Athens.
- In July, the 4-star **Kubic Athens hotel** opened. The owners of the property, the Unified Supplementary Insurance and One-Off Benefits Fund (75%) and the Public Servants Provident Fund (25%), signed a 24 years' lease agreement with the company Pythagorion SA, which also operates the Pythagorion hotel and the Museum hotel in Athens. The hotel concept is based on cutting-edge technology where the check in procedure will be done electronically and guests will be able to control in-room temperature, curtains and lighting through an app or in-room tablet.
- At the former Paradise hotel in Vouliagmenis the 4-star 50-room **Athenian Riviera Hotel & Suites** opened last month and another small boutique hotel opened under the name **Athens Lodge** in Karaiskaki St in the heart of the Athens city centre offering 17 rooms.
- In Thessaloniki, the 5-star Les Lazaristes hotel of the Domotel group was closed on the 22nd of May, but re-opened in June with the new name **Lazart Hotel** under the management of Zeus International, who made the deal with property owner Hellas Capital Leasing.
Zeus International, which opened the 108-room Wyndham Loutraki Poseidon hotel and the 207-room Ramada Loutraki Poseidon in May (see [newsletter Q1 2017](#)), also opened in June the former Thraki Palace Thalasso Spa Hotel & Conference located in Alexandroupolis as the 149 room **Ramada Plaza Thraki hotel**.
- Following the opening of Casa Cook Rhodes in 2016, the second 100-room **Casa Cook hotel** opened on the island of Kos in the Dodecanese. The lifestyle brand of Thomas Cook should attract new customers for the tour operator.

Deals and latest developments in the hospitality sector

- The **Athens Ledra hotel** was sold to Hines for Euro 33,05 M, which means Euro 105,255 per room

based on 314 rooms. The former 5-star Ledra Marriott was forced to shut down in May 2016 due to a € 6.5 million debt to Alpha Bank. After three rounds of failed auctions in 2016, Alpha Bank lowered its starting price from Euro 47.8 million (Euro 152,000 per room) to Euro 36.5 million, but a fourth auction in Q1 2017 also failed. Marriott left Athens at the end of 2013, but will return in 2018 by renovating the Metropolitan Hotel, part of Chandris Hotels into the 5-star **Athens Marriott Hotel** with 366 rooms.

- At the end of May, Eurobank announced that it will sell the 5-star **King George** hotel at Syntagma Square. The non-binding first round of the 102-room historic property with a deadline of July 12th, attracted much interest of local and international investors. Eurobank has leased the hotel in 2012 for a 20-year period to Lampsas SA, who also owns the adjacent historic Grande Bretagne hotel. Lampsas has the right of first refusal on the King George.
 - Grivalia Properties announced mid-July that - together with their Joint Venture partner Macedonian Hotel SA (35%) - they are the preferred bidder in a tender by Eurobank Ergasias SA for the acquisition of the historic listed asset of **Olympos Naoussa** at Nikis Avenue in Thessaloniki. The offered amount is € 5.5 M. With the knowledge of Macedonian Hotel SA, better known as the Tor Hotel group, which already operates the City Hotel and the Excelsior in Thessaloniki as well as the Eagles Resort in Halkidiki, the property will be transformed into a luxury boutique hotel.
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- Real estate investment company NGB Pangaea, formerly known as MIG Real Estate SA, has signed a franchise agreement with Marriott International for the operation of a property in the city of Patras under the **Moxy hotel** brand. The property formerly housed the Moreas hotel, which was in operation until the mid-80's.
 - The Hellenic Republic Asset Development Fund launched an electronic tender of the sale of the 3-star **Iniohos Hotel**. The 134-room property is located near Omonia Sq in the centre of Athens and has a total size of 6,048 sqm comprising of 2 basements, a ground floor, mezzanine, 9 upper floors and a rooftop space. The deadline of the tender is on 31st of October.
 - The owning company of the **Costa Navarino resort** in the southwestern Peloponnese, Temes SA, has announced an expansion plan consisting of two new 5-star hotels and villas. Total investment is estimated at € 250 M.

GBR Consulting is the leading hospitality and tourism consultancy in Greece. Its experience includes market and financial feasibility studies as well as valuations and development plans for Hotels, Resorts, Spas, Marinas, Casinos & Gaming, Conference Centers & Arenas, Theme Parks, Golf Courses etc.

GBR Consulting is affiliated to Atria, the Greek arm of CBRE, providing together a specialized service for Tourism Properties Transactions.

GBR Consulting possesses a database with financial data for over 1,000 hotel establishments in Greece and has a datashare agreement with STR Global, the world's largest databank of hotel operational data.

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