

JBR HELLAS LTD.

Business Consultants

A member of Horwath

Franchise Consulting Services

Group in association with Eversheds

31, Voukourestiou str.

106 73 Athens, Greece

Tel. +30-210-36 05 002

Fax. +30-210-36 06 935

www.jbrhellas.gr



The State of the Athens Hotel Industry

Dr. Aris Ikkos, Director
Stefan Merkenhof – Senior Consultant

JBR Hellas, www.jbrhellas.gr, is a firm of Strategic and Financial consultants

Athens is the vital commercial and financial centre of Greece, situated in Attica, on the southern tip of the Greek mainland. It covers just under 3% of the territory of the country, but is home to some 40% of the country's population or about 4.5 mn people, of which the city of Athens has some 750,000 inhabitants but daily hosts about twice that many commuters.

Ninety seven percent of the land mass of Athens is covered, giving an intensive population density of 6,700 per square meter. Prior to the Olympic Games this resulted in overall poor quality of life in the city: secondary streets were badly pot-holed, garbage frequently piled high despite daily collections, many buildings were grimy often heavily plastered with fly posted bills or graffiti, sidewalks were blocked by many unlicensed hawkers and illegally parked vehicles etc. etc.

Today, however, thanks to the organisation of the Olympic Games, the City has been transformed in a surprisingly pleasant environment as we all have seen on television last August. Still, things need to be done, but

- Athens now has an extremely efficient public transport system consisting of metro, light railway, tram and buses
- Also the award winning new Athens International Airport "Elfteherios Venizelos", consistently ranking as one of the world's top airports in terms of service and efficiency, is now accessible by metro in ½ hour from the city centre
- 160 km of roads have been resurfaced

- Sidewalks are now accessible to people with disabilities
- Squares have been redesigned with greenery, fountains, terraces etc.



Athens International Airport –
Eleftherios Venizelos



Tram back in Athens



Syntagma Metro Station



Plaka

All this has contributed to the great success of the Athens Olympic Games, where Athens was placed in a very positive context with a renewed image of the city. The question though is if the Attica Hotel industry is benefiting from this.

Athens Hotel Industry

According to the Hellenic Chamber of Hotels there are 373 hotels (all accommodation types) in the prefecture of Attica¹ bearing 21,791 rooms and 40,420 beds. In the table below the numbers per category are displayed:

¹ we have excluded in this total the islands of the Saronic Gulf (Aegina, Hydra, Spetses, Poros and Salamina), Methana and the island of Kythira, which officially belong to the prefecture of Attica.

Category	Number of hotels	Number of rooms	Number of beds
5*	21	4,940	9,253
4*	51	5,032	9,279
3*	64	4,251	7,802
2*	159	5,841	10,771
1*	78	1,727	3,315
Total	373	21,791	40,420

It immediately becomes obvious that 64% of the total accommodations consist of 2* accommodations and below, representing 35% of the rooms and 35% of the beds.

In 2004 25 hotels opened their doors including the 5* hotels Athens Imperial, King George, Plaza Resort, Holiday Inn Attika Avenue, Life Gallery, Cape Sounion and Athina Grand Hotel. In the 4* category Kanigos 21, Theoxenia Palace House and Vouliagmeni Suites opened their doors.

The table below gives a complete overview of the number of hotels opened in 2004.

Category	Number of hotels	Number of rooms	% increase in rooms
5*	7	833	10%
4*	3	120	1%
3*	8	464	6%
2*	6	136	1%
Total	25	1,553	4%

In other words, significant supply has been added, particularly in the 5* and 3* categories and, as we shall see below, this has contributed to the pressure on rates and occupancies. This effect has been strengthened as the marketing effort for Athens as a destination has left a lot to be wanted in the wake of the Olympic Games success.

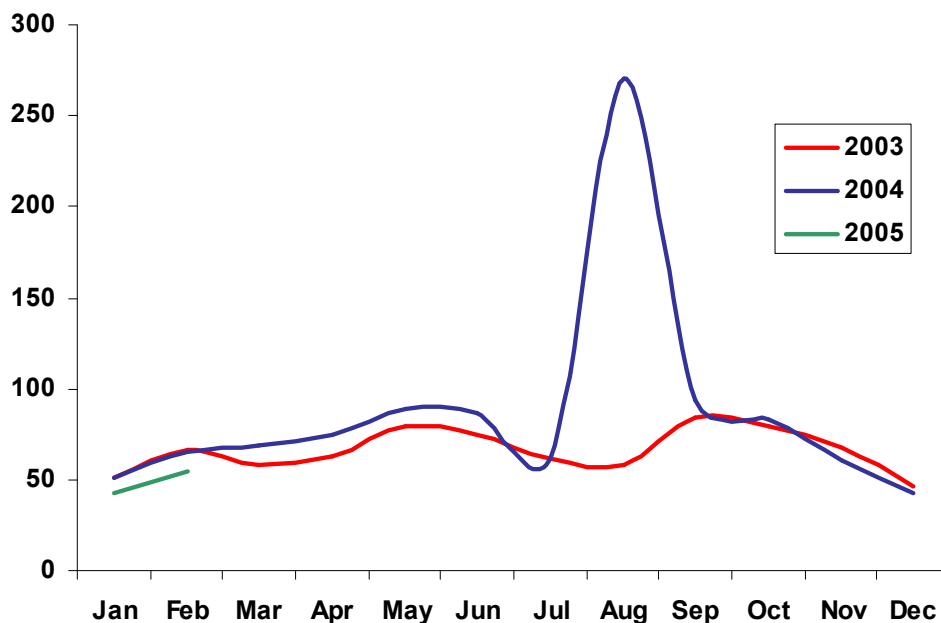
Performance

According to data of EXA, the Athens Hotel Association, prepared by JBR Hellas, the performance of the Athens hotel industry in the last period is as follows:

	2003	2004	2005 (YTD - Feb)
Occupancy	62.6	63.2	54.1
ARR	105.2	132.1	102.0
RevPAR	65.8	83.4	55.1

In graph 1 below the seasonality is also displayed in the form of RevPAR for the years 2003 – 2005.

Graph 1: Athens Hotel Association – Development of RevPAR in the years 2003 - 2005



From the above data one could conclude that with the exception of the Olympic month of August 2004, it is business as usual in the Athens Hotel industry. Or worse, data of the first two months of 2005 show that the industry performs worse than similar months of the years 2004 and 2003. January 2005 showed a RevPAR of Euro 42.60, representing a decline of

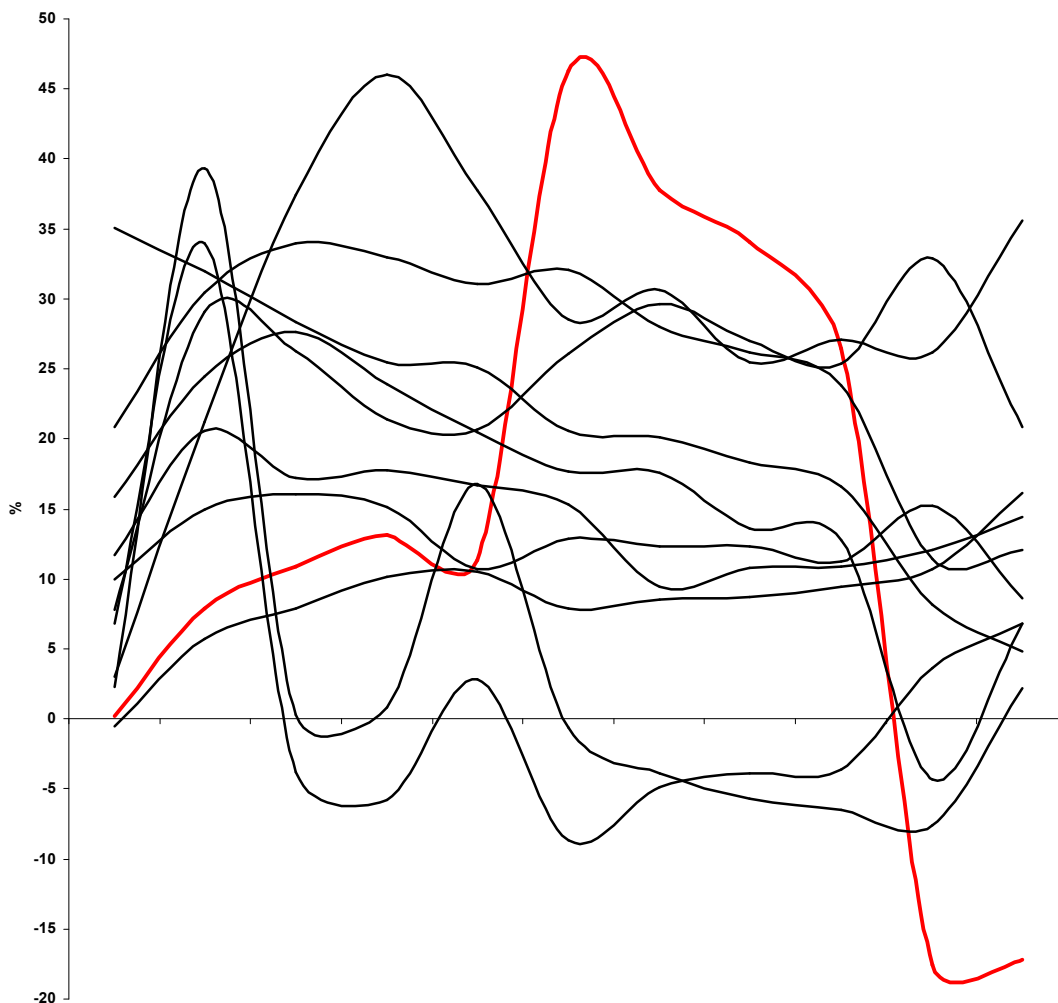
17.1% in comparison with January 2004 and 16.6% with January 2003. Also February shows declines: 16.2% and 17.4% for February 2004 and 2003 respectively.

This means that so far the Athens Hotel industry has not benefited at all from the Olympic Games. We have to take into consideration though that, as indicated above, more than 1,500 rooms were added to the Attica hotel offer, more than ½ of which in the 5* category.

To complete the picture of the current status of the Athens Hotel industry, we have benchmarked the performance of Athens (categories 3*, 4* and 5*) with a number of key city destinations including Vienna, London, Paris, Berlin, Munchen, Rome, Amsterdam, Barcelona, Madrid and Istanbul.

Without going into detail of the performance of the various individual destinations graph 2 does show that currently Athens (red line) is making a hard landing after the Olympic Games. In February 2005 it firmly took the bottom position in terms of RevPAR (YTD) performance.

Graph 2: Percentage change in RevPAR (YTD data) from February 2004 – February 2005



Athens' ARR in February (YTD) ranks at the bottom of the list with just above Euro 100, followed by Istanbul and Berlin with Euro 111 and Euro 116 respectively. Athens occupancy for the same period ranks in 7th position with 53.4% leaving Berlin, Vienna Rome and Istanbul behind.

Outlook

The successful staging of the Olympic Games has vastly improved the country's attractiveness as a destination in general and three out of four potential tourists declare that they would like to visit Greece. Nevertheless, this will not necessarily be translated into an increase in arrivals and the country needs a "marketing and quality revolution" in order to remain competitive.

Competitiveness is one of the difficulties for Greece at the moment with new Mediterranean destinations such as Turkey, Egypt, Morocco and Croatia coming up. The high labour costs in Greece in comparison to these non Euro zone countries is one of the factors negatively influencing Greece's competitiveness as well as inadequate service level and the lack of affordable and clean restaurants and cafes. An average price of a cappuccino of Euro 3.50 certainly belongs to Europe's top price range. Athens, therefore, has to reposition itself as an 'experience' destination.

For this, Athens has much to offer. With its 'redesigned' city, its unique archaeological sites, beautiful islands within 1hour's reach, its clean beaches (EU 'Blue Flag' carriers), extensive shopping, vibrant night life and much more, the city has everything to become a top city break destination. However, the lack of a proper E-Marketing strategy attracting those city breakers and low cost airlines landing at Athens International Airport could withhold the individual traveller to come to Athens. However, the government has started negotiations with the company in charge of the Athens Airport to prolong their contract, with an intention to lower charges and attract low cost carriers.

Moreover, in an encouraging move, Athens' 5* international hotels recently joined forces to market themselves and the city internationally. Also, a study we are currently carrying on behalf of the Athens Hotel Association, incorporating extensive market research among Athens' hotel guests, will form the springboard for developing the tourism of Athens.