



GBR HOSPITALITY QUARTERLY NEWSLETTER

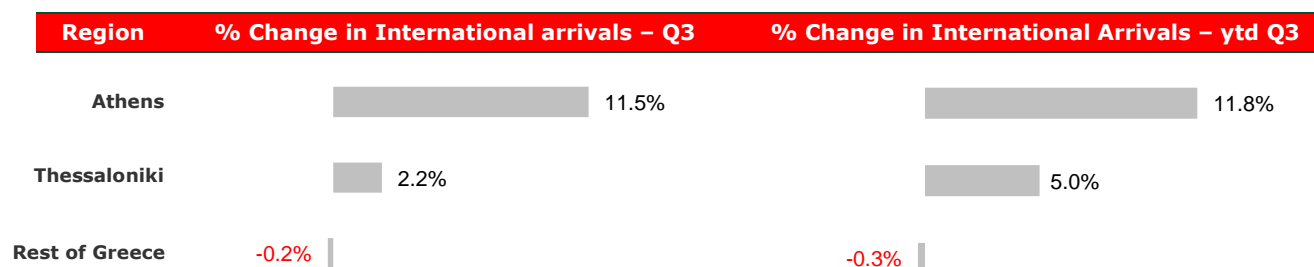
Greek Hospitality Industry Performance

2019 Q3

Introduction

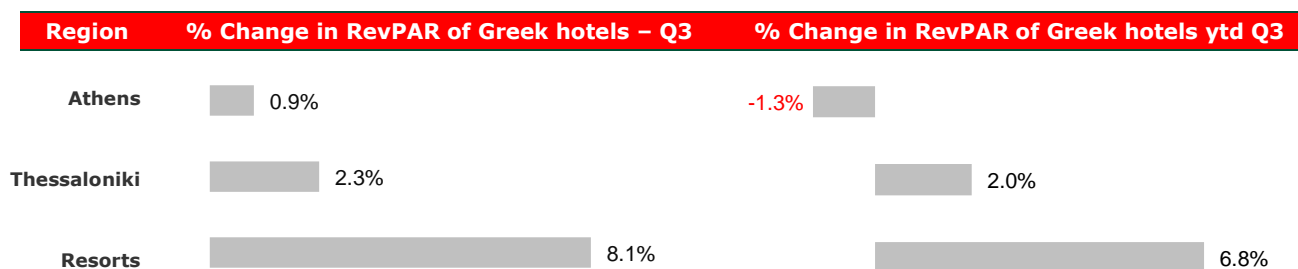
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2019 compared to 2018



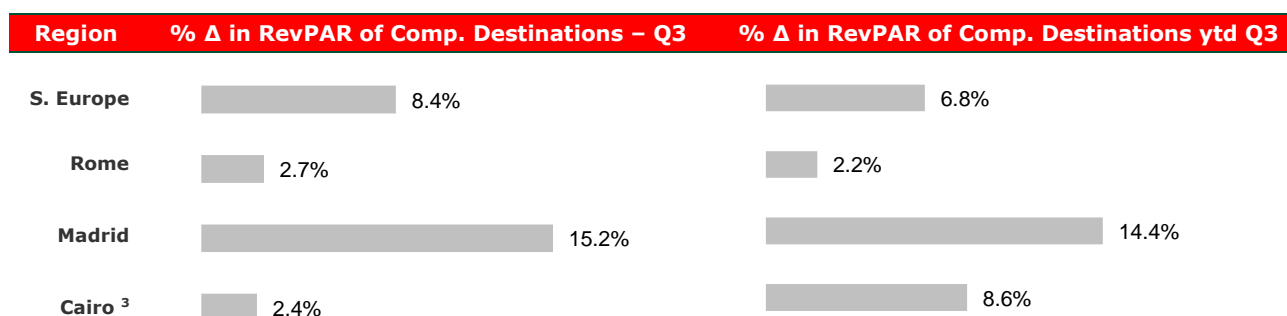
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2019 compared to 2018



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2019 compared to 2018



Source: STR Global, processed by GBR Consulting

¹ The data refers to passengers on international flights, irrespective of place of residence, with the exception of Athens. Data of Thessaloniki has been corrected due to maintenance works at the airport of Thessaloniki during Q1 2018 as some airlines were forced to reroute passengers to the airport of Kavala. We have added these international passengers to Thessaloniki.

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

³ The percentage change of Cairo is based on the RevPAR in local currency

Commentary

- Based on data up to September 2019 international arrivals at the 19 main airports of Greece increased by 3.3% y-o-y. **Athens clearly outperforms the other airports** with an increase of 11.8% y-o-y. Occupancy levels in Athens showed a small decline, while room rates increased marginally. As a result, **RevPAR declined 1.3% y-o-y YTD September**, but hotel supply in Athens has increased significantly in the upper categories over the past years and especially in the centre of Athens. Detailed analysis will be presented by the Attica Hotels Association later this month through a new report on guest satisfaction and hotel sector performance, conducted by GBR Consulting.
- The airport of Thessaloniki recorded an increase of 5% y-o-y YTD September 2019. Occupancy at hotels in **Thessaloniki** declined slightly, while ADR increased a few percentage points, resulting in **an improvement of RevPAR of 2.0% y-o-y YTD September 2019**. In terms of supply we recorded a number of new openings in Thessaloniki and a pipeline of about 15 new hotel projects, mainly covering existing buildings which will be transformed into boutique hotels. These new units are expected to upgrade the hotel product in Thessaloniki.
- **The resort hotels showed a strong performance during Q3 2019**. Total Sales per Available Room increased by 8.1% during Q3 leading to a YTD Q3 performance of 6.8% y-o-y. The 5-star resorts showed the highest improvement of RevPAR with 8.7% y-o-y, followed by the 3-star resorts of 6.3% y-o-y, while the 4-star resorts remained flat with 0.5% y-o-y YTD Q3.
- The city of **Rome** registered an increase of RevPAR of 2.7% y-o-y during the third quarter and 2.2% y-o-y YTD September 2019. **Madrid** recorded a stunning growth of RevPAR of 19.8% y-o-y up to September 2019. After the Champions League final in June, the city hosted several other major events including the Madrid Pride – MADO 2019 and the 20th Annual European Congress of Rheumatology (EULAR). Hotel supply has remained stable in 2019.

Significant increase in tourism receipts

- Data up to August 2019 of the Bank of Greece shows that international arrivals increased by 3.6% y-o-y, in line with the increase at the airports as presented above, while **tourism receipts increased by a 13.8% y-o-y** not taking into account the cruise sector. In other words, **expenditure per arrival during the reviewed period increased from € 539 in 2018 to € 592 in 2019**.
- In general, it seems that a number of high spending tourists have replaced low spenders. This becomes also evident by the significant increase of **Americans**, who are high spenders. American arrivals YTD August 2019 increased by 11.1% and their expenditure increased by 13.3%. Part of the increase of traffic at the Athens airport can be attributed to the US, but also to high spending **Australians** and **Canadians**. As mentioned above, further details will be presented later this month. In addition, traffic from Asia and particularly **China**, contributed to the increased demand in Athens and the overall increase in travel receipts according to market sources. Also, the expenditure per arrival of **Russian and British tourists** has increased significantly this year.

Major tourism development projects moving forward

- In Attica the Hellenic Gaming Committee announced at the beginning of October that two investment schemes have submitted offers for the right to develop and operate Europe's first Integrated Resort Casino for a period of 30 years as part of the Hellenikon project at the Athens Riviera. The Integrated Resort Casino covers the development of a 5-star hotel of at least 2,000 beds, a casino with a surface of at least 12,000 sqm, a conference and exhibition center of at least 12,000 sqm and a public gathering area for sports and/or cultural events. **The two bidders are US-based Mohegan Gaming & Entertainment (MGE) in cooperation with Greek construction company GEK Terna and Hard Rock International**. The winning bid will be announced towards the end of this year.
- The construction of the **ultra-luxury One & Only Kea Island Resort** has commenced. The project of Kerzner International Holdings Limited and Dolphin Capital Partners involves the development of 75 resort villas and a limited number of One & Only private homes for purchase on the 60-hectare beachfront site.
- Another Dolphin Capital project, the **Kilada Hills resort** in Ermioni in the Peloponnese, was unlocked by the signing of the building license just a few days ago by the Greek Minister of Development and Investments. The first phase covers the development of the golf course.
- The **Elounda Hills** of Mirum Hellas for the development of a multi-use resort at Agios Nikolaos in Crete seems to move as plans are now in the hands of the Council of State after a joint-ministerial decision was signed just a few days ago.

- **Temes, the developers of Costa Navarino** announced that it is planning for the opening of 8 new 5-star hotels in regional unit of Messinia in the Peloponnese with a total of 1,821 rooms in three areas:
 - Navarino Bay: construction has commenced of a 99-room and 192-room hotel. The first will carry an international luxury brand. Both hotels are planned to open in 2021. Since October 2011 the 18-hole Bay Golf Course has been in operation in this area and recently Temes opened the Bay Clubhouse.
 - Navarino Blue: 4 new hotels are planned for this area with a total capacity of 1,300 rooms and will be part of the third development phase
 - Navarino Hills: since November 2018 two new 18-hole golf courses are under construction in an area of 5,000 stremma and are planned for opening in 2021. In addition, two new hotels will be constructed with a total capacity of 230 rooms

Currently, in the area of Navarino Dunes the 321-room Romanos and 445-room Westin hotels are in operation together with the Dunes 18-hole golf course.

- In October the pre-approval of the two Special Spatial Plans were announced by the Ministry of Environment & Energy. One for the **Evergolf project in Elounda - Crete**, a development of Golf Residence SA, owned by the Vassilakis and Sbokos family and one for the **Cavo Plaka project** in the area of Sitias, Crete, a project of Dolphin Capital and construction company J&P.

Transactions

- Only one major deal was announced during Q3 2019. **Blackstone Real Estate Partners Europe** reached an agreement for the acquisition of five hotels from the Louis Group for a total enterprise value of € 178.6 million. The five hotels are located in Corfu (Corcyra Beach and Grand Hotel), in Zakynthos (Zante Beach and Plagos Beach) and in Crete (Creta Princess). They have a total of 1,464 hotel rooms. The hotels will continue to be operated by **Louis Group** under the management of HIP, who has a portfolio of 60 hotels.

New vision necessary for the tourism sector

- Tourism bodies such as SETE, the Greek Tourism Confederation, are indicating that the sector needs a new vision and a new strategic focus.
- A shift should take place **from destination promotion** – with a focus on attracting more visitors – **to destination management**, where visitors, residents and businesses have a shared interest. Greece needs to take advantage of new trends, developments in technology, new markets, changing travel requirements and new influencers.
- One element will remain unchanged: **Greece’s main tourism product “Sun & Beach”**, which needs to be enriched with elements such as culture and gastronomy.

Government aims to kickstart economy

- The Greek economy is expected to continue its mild recovery in 2019, with GDP growth forecast remaining at 1.7%, below the 1.9% outturn in 2018. And while the New Democracy government hopes to kickstart capital spending in a bid to spur faster growth, many international economists are cautious.
- Oxford Economics sees GDP growth picking up only modestly to 2.0% in 2020. The proposed 2020 budget includes personal and corporate tax cuts, which should support domestic demand, especially in household and investment spending. But the weak external environment, which is likely to persist, and the ever-present crisis legacies will prevent more robust growth from taking hold according to Oxford Economics.

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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