



GBR HOSPITALITY QUARTERLY NEWSLETTER

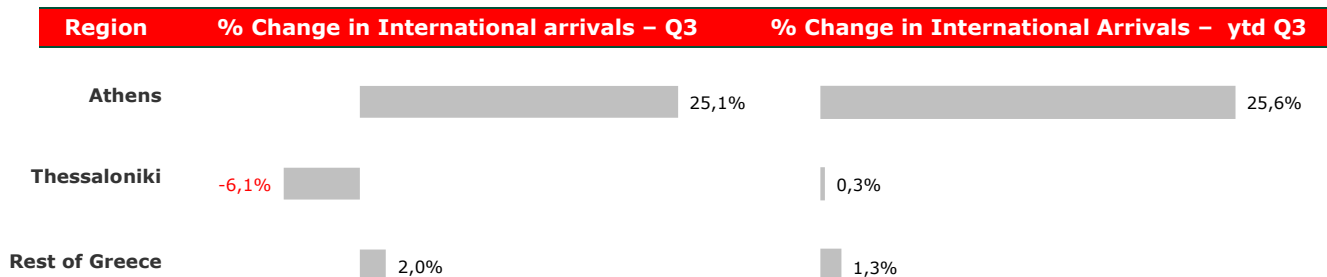
Greek Hospitality Industry Performance

2015 Q3

Introduction

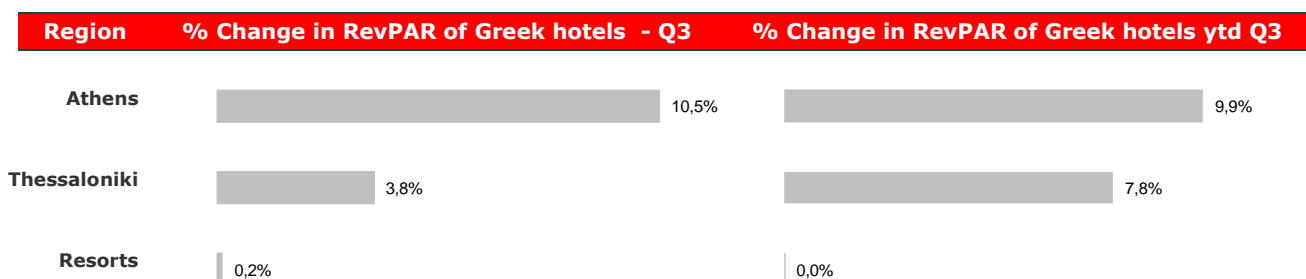
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2015 compared to 2014



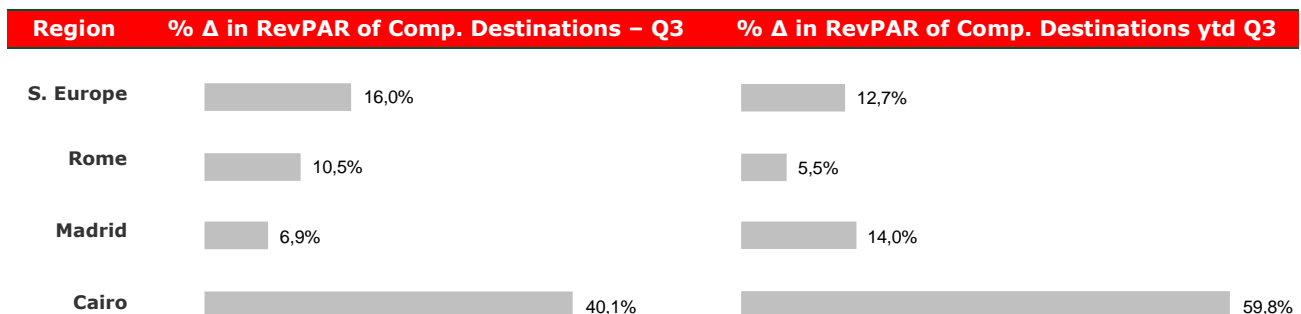
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2015 compared to 2014



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2015 compared to 2014



Source: STR Global, processed by GBR Consulting

¹ The international arrivals statistics are based on SETE calculations compiling the data from 13 major airports of Greece, representing 95% of foreigners' arrivals by plane in Greece and 72% 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 tourist arrivals at the airport of Athens continued their upward trend in Q3 2015 with an increase of 25.1% compared to the same quarter last year, while the increase YTD Q3 2015 is 25.6%.
- However, occupancy levels at Athenian hotels did not follow this trend as occupancy improved with just 5.7% up to September 2015. In September occupancy dropped compared to the same month last year. According to the Athens Hotel Association peer-to-peer platforms such as AirBnB are one of the main causes. The number of apartments in Athens listed on AiBnB has increased by a third since March 2015 to around 3,600 properties. In addition more than 700 private and shared rooms are available in Athens on AirBnB.
- Arrivals at the airport of Thessaloniki dropped by 6.1% in Q3 2015 and as a result occupancy levels decreased during same period. However, RevPAR showed an increase of 3.8% in Q3 2015 due to significant rises in room rates.
- The RevPAR of resort hotels in Greece is on par with last year as a result of slightly lower occupancy levels and slight increases in the revenue per room. These numbers are in line with international tourist arrivals at the airports on Rhodes & Kos in the Dodecanese and the airports of Iraklio & Chania in Crete, which are in Q3 2015 at similar levels as last year. The airports of the Ionian Islands (Corfu, Zakynthos & Kefalonia) show slight increases in the same period, while the international airports on Santorini & Mykonos in the Cyclades increased their international arrivals with 11% during Q3 2015.
- On an international level, Rome and Madrid improved their performance in Q3 2015 compared to the same quarter last year, mainly as a result of increases in room rates.

International tourist arrivals +11%, travel receipts +7%

- Based on Bank of Greece data up to August 2015, 17 million tourists visited Greece, and they spent a total of € 10.4 billion, representing increases of 10.6% and 7.1% respectively compared to same period last year. SETE, the Association of Hellenic Tourism Enterprises, estimates that a total of 26 million tourists will visit Greece this year, spending € 14.5 billion.
- Tourists from the UK increased by 25%, but their spending by 34%, while German arrivals increased by 23% and their spending by 10%. This is the first time in years that British tourists outspend their German counterparts.
- Arrivals and receipts from Russia dropped significantly by 62% and 68% respectively. American arrivals and travel receipts, on the contrary, were up by 36% and 34% respectively.

Milder than previously expected GDP contraction

- The Greek economy is currently going through a new slowdown, but the expected drop in output is expected to be milder, with analysts expecting a drop of 1.4% compared to earlier estimates of 2.3%. Eurobank predicts that this new economic downturn will prove temporary with the economy having the potential to return to positive quarterly growth from Q3 2016 onwards.
- A resumption of positive growth is only possible if current negotiations with official creditors on the first review of the new bailout program will be successfully completed including the stabilisation of the banking system through recapitalisation of domestic banks, which could lead to a significant relaxation or even full removal of capital controls during H1 2016.
- Furthermore, Greece will pick up its privatisation program with a target to raise € 3.5 billion in 2016, which includes the ports of Piraeus and Thessaloniki, the Greek railways, the Greek gas-grid operations and the 14 regional airports. It is expected that preferred bidder Fraport Ag Slentel will obtain the management of the airports before the 2016 summer tourist season. In October Germany's Fraport renewed its offer, which previously consisted of a lump sum of € 1.2 billion and annual rental fees of about € 22.9 million for a period of 40 years.

Continued investment interest in the Greek hospitality sector

- July 2015 Bank of Greece data revealed that hotel enterprises are not servicing € 2.8 billion out of a total of € 7 billion in loans, representing 40% of the total. According to press reports about 30 groups are responsible for € 1.8 billion of the NPLs, i.e. 65% of the total NPLs. Excessive borrowing and inefficient management are believed to be the main reasons for the poor performance.
- As a consequence and considering the robust performance of the tourism sector overall, the expected bank recapitalisation and stabilisation of the economy in H1 2016, investors closely follow the Greek

hospitality market as banks could proceed to sell off loans, seek partnerships to manage and operate hotels or sell the entire operation in cooperation with the owners.

- The 4-star Eden Beach Resort with 240 rooms on a 49,000 m² site was acquired recently by Saudi Arabian investors. The property is located on the coastal road joining Athens with Sounion, at a distance of 47 kilometres from Athens City. The hotel consists of 3 buildings and has 3 conference rooms. The new owners will proceed with extensive renovations and may proceed with further investments in the Greek hotel sector outside Attica.



Eden Beach Resort

- In September Marriott announced that it will re-enter the Greek market as Domes of Elounda will be the first Greek and Mediterranean resort included in Marriott's Autograph Collection. The Domes of Elounda, located in Crete and a member of the Ledra Hotels and Villas group, boasts 78 luxurious suites and 40 villas and recently completed an expansion of over € 10 million, which included 28 Domes Luxury Residences with private swimming pools.

- In Athens, the 4 star Domotel Kastri opened its doors with 86 rooms and a large training and conference centre. Hotel operator Domotel entered a 15 year agreement with Piraeus Bank, the owner of the building. Four other units are in development in Athens and 3 closed hotels are planned to re-open.



Domotel Kastri

- Finally, press reports mention that Four Seasons Hotels will enter the Greek market through the management of a hotel in Mykonos, which is planned by Greek and foreign investors.

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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