



GBR HOSPITALITY QUARTERLY NEWSLETTER

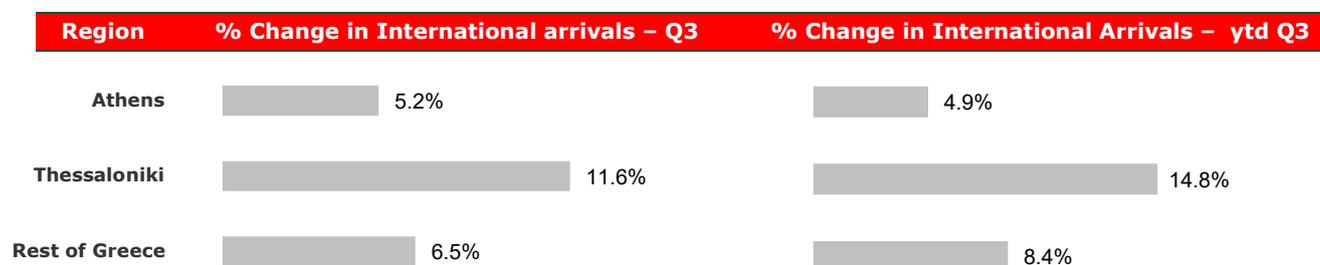
Greek Hospitality Industry Performance

2017 Q3

Introduction

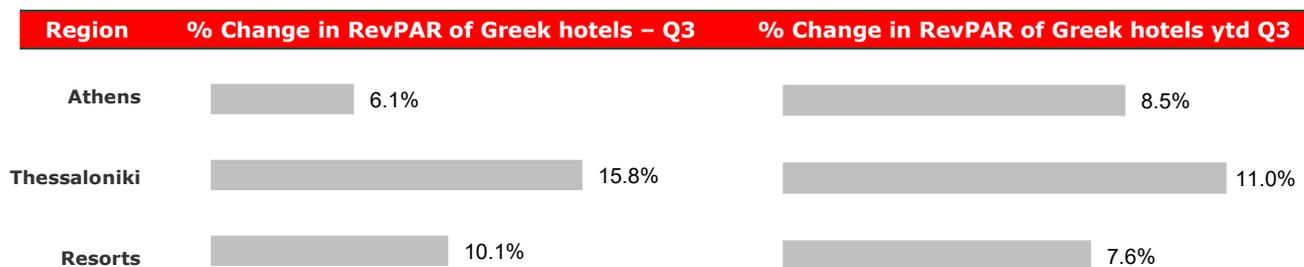
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2017 compared to 2016



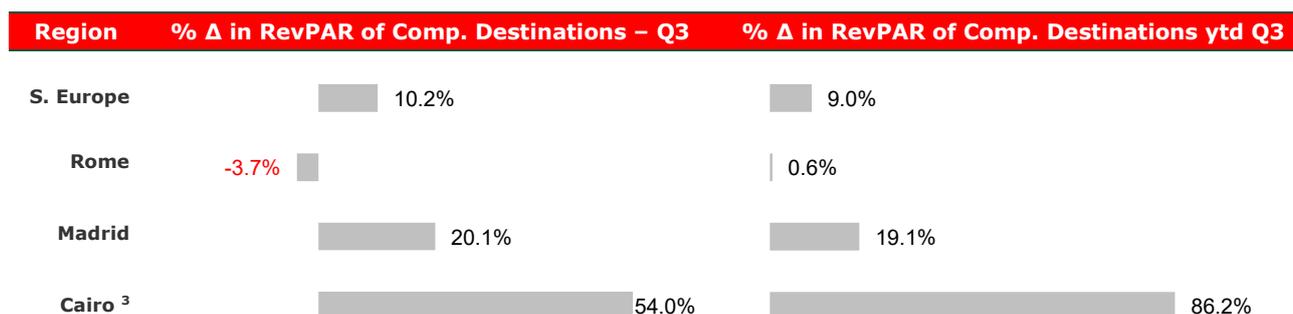
Source: SETE, processed by GBR Consulting

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 data refers to passengers on international flights, irrespective of place of residence, with the exception of the data for Athens.

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

- During Q3 2017 international arrivals of non-residents at the Athens International Airport increased significantly during August and September compared to the same months last year. Up to September 2017 arrivals increased by 4.9% y-o-y. Traffic from all main source markets of the airport increased, but a group of 6 countries – Israel, Lebanon, Belgium, Denmark, Turkey and Russia - recorded increases YTD August of up to 97% compared to the same period last year.
Because of the increased demand for Athens, performance of the Athenian hotel sector further improved with an increase of RevPAR of 8.5% y-o-y up to September 2017.
- The airport of Thessaloniki received 11.6% more passengers during Q3 2017 compared to same quarter last year, leading to an YTD September 2017 increase of 14.8% y-o-y. The Thessaloniki hotel sector benefited and improved both occupancy levels and room rates. During Q3 2017 RevPAR increased 15.8% y-o-y, while up to September 2017 an increase of 11% y-o-y was recorded.
- Except for Karpathos, all other airports at main resort locations increased the number of international arrivals during Q3 2017. During the first three quarters of 2017 international arrivals at the main airports of the Dodecanese increased 7.2% y-o-y (mainly due to Kos), Crete 7.2% y-o-y, Ionian Islands 9.6% y-o-y and the Cyclades (airports of Santorini and Mykonos) 10% y-o-y. The Total Revenue per Available Room of the resort hotels in Greece improved by 10.1% y-o-y during Q3 2017, leading to a YTD Q3 2017 performance of 7.6% y-o-y.
- Performance of Southern Europe overall remains robust. Rome showed a decline of RevPAR during Q3 2017, but that was because the European Society of Cardiology congress was hosted last year during August, while the event was held in Barcelona this year. Madrid has improved its RevPAR by 19.1% y-o-y up to September 2017, while also Cairo continues its upward trend both in terms of occupancy and ADR levels.

Changing brand landscape in the Athens hotel market

- Today's international hotel brand landscape in Athens consists of Accor (Novotel & Sofitel), Carlson Rezidor (Radisson Blu), Intercontinental Hotels Group (Crowne Plaza, Intercontinental & Holiday Inn), Starwood Hotels & Resorts (the Luxury Collection), Hilton Hotel & Resorts, Wyndham Hotel Group, Melia Hotels International, Best Western and Hapimag. In total, these brands operate currently 18 hotels in Athens with a total of 3,087 rooms.
 - In September, it was announced that luxury hotel chain Four Seasons will undertake the management of the completely redeveloped Astir Palace located at the Athens Riviera. The new hotel will debut as **the Four Seasons Astir Palace Hotel Athens** in May 2018, right in time to host visitors of the international shipping exhibition Posidonia, which will take place in Athens during 4 – 8 June 2018.
- 
- Astir Palace**
- The new owners of the former 314-room Athens Ledra hotel, Hines and Henderson Park and the Yiannis Daskalandonakis Group, are in discussion with various international brands. However, we could not confirm press reports of a deal with Hyatt, who indeed is looking for a presence in Athens as currently they only operate the Hyatt Regency in Thessaloniki.
 - Home Holdings, the new owners of the **Athens Hilton**, is also in discussion with international hotel brands for the operation of the hotel including brands of the Hilton Group. The contract with Hilton expires in March 2018.
 - Finally, as is known for a year, **Marriott** returns to Athens as the 5-star Metropolitan hotel and **Accor** might open its first **Ibis hotel** opposite the archaeological museum.

Other deals and developments in Athens

- Lampsá SA (Laskaridi Group), owners of the Grande Bretagne and current operators of the adjacent King George hotel was the highest bidder in the tender for a long-term lease of a **property located at Panepistimio St, near Syntagma** with an annual lease of € 960,000

for 30 years plus an addition of 25%, if the annual turnover exceeds € 9 M. The 9-floor property of 13,244 sqm used to house the Agrotiki Bank and is planned to be converted into a 180-room 4-star hotel, to be opened in 2019.

- The Aviation Share Fund has reached a lease agreement with Stelios Ioannidis for the lease of the former 208-room **La Mirage hotel at Omonia Sq.** The lease agreement has a duration of 40 years and amounts € 28,000 per month. The property will re-open in May 2018 as a 4-star hotel.
- In August Grivalia Properties REIC announced that Grivalia Hospitality SA has reached a binding pre-agreement to acquire 80% of Nafsika SA to commercially exploit the **Asteria** property in the coastal southeast suburb of Glyfada in the "Athens Riviera", which was in operation until 1990. The property is owned by the Hellenic Public Properties Company (ETAD) and the deal will be finalised at the beginning of 2018.
- Inestia Hospitality, part of the Kokkalis Group, has concluded a deal for the lease of a **property located opposite the Old Parliament**, central Athens. The agreement involves a monthly lease of € 40,000 for the first 20 years with an option for another 20 years. The 4,160 sqm property will be converted into a 45-room boutique hotel and will be opened in 2019. In Athens, Inestia Hospitality also operates O&B Boutique Hotel in Psirri and the MET34 Athens Hotel at Mitropoleos St, central Athens.
- Probank is in the process to sell the former **5-star Iridanus Hotel**, which is currently not in operation. The 39-room property located at Peiraos St has a minimum price tag of € 6.3 M. Probank is also selling a 2-star property of 24 rooms in Kypseli, further north of Athens.
- Finally, there are plans for a **second hotel at the Athens International Airport.** The new unit will be located next to Ikea in the retail park of the airport and will likely be a budget hotel.

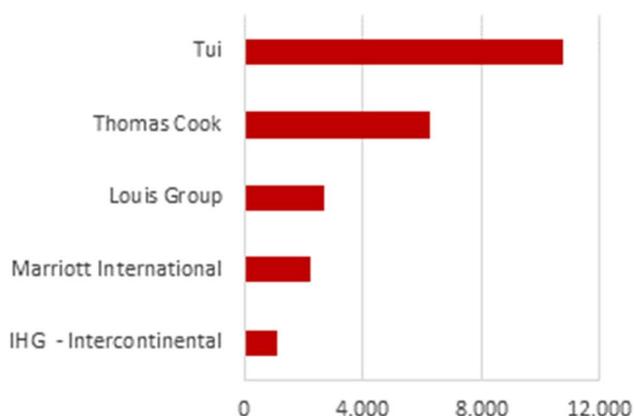


Property at Kolokotronis St, opposite Old Parliament

Tour operators dominate the Greek international brand landscape

- Preliminary results of the 2017 Hotel Brands Report show that tour operators have enlarged their dominance in the Greek hotel market. In the top 5 of international brands Tui and Thomas Cook obtained the first and second position based on room count.

Top 5 international brands



Top 5 national brands



Source: GBR Consulting, based on room count

- The top position of Tui is based on properties carrying one of the brands of Atlantica, Tui Family Life, Sensimar, Club Magic Life, Club Marmara and Robinson. In August Tui announced that it acquired Stella Polaris SA, a subsidiary of the Greek Karatzis Group and owner of land on the southern coast of Crete, to open a third Robinson Club in Greece.

- Thomas Cook is active in Greece with its brands Sentido, Smartline, Sunprime, Sunwing and Casa Cook. After Casa Cook Kos and Casa Cook Rhodes, the tour operator announced that a third Casa Cook will be opened in Crete.
- Cyprus based Louis Hotels operates 9 hotels in Greece of the 4-star category. Marriott International, who acquired Starwood last year, has 11 hotels carrying the brands Sheraton, The Luxury Collection, Westin and Autograph Collection Hotels, while the Intercontinental Group has 4 properties carrying Crowne Plaza, Holiday Inn and Intercontinental.
- The largest national brand remains Mitsis Hotels with 18 properties and nearly 5,900 rooms, followed by Grecotel with 25 hotels and nearly 5,100 rooms and Aldemar with 7 resort hotels and 2,582 rooms. Helios Hotels is known of its 4 hotels in Crete, the Nafplia Palace and Amphitryon hotel in Nafplio and the Grand Resort Lagonissi in Attica. Sbokos Hotel Group operates 6 hotels in Crete and Rhodes.

Substantial investments necessary to maintain course

- Data up to August 2017 shows that tourism arrivals have increased 9.9% y-o-y, while tourism receipts increased by 9.1% y-o-y to a level of € 10.5 bn. It is likely that the target of € 14.5 bn of tourism revenues will not be achieved this year, but revenues will bounce back from the € 12.8 bn recorded in 2016, when a drop of 7.3% compared to 2015 was noted. Revenue in August was particularly strong with an increase of 16.4% y-o-y.
- To maintain this growth path, the Greek Tourism Confederation has estimated that € 5 – 7 bn of new investments are necessary. According to press reports 250 project plans budgeted at € 900 M have already been submitted to the Ministry of Economy, while other projects of a total value of € 3.2 bn are in the pipeline.
- The tourism sector remains one of the Greek economy's main drivers, but there is still considerable work to be done to ensure that Greece finally transitions to a durable and sustained recovery, and to make a clean exit from the current adjustment programme in August 2018, also opening the way for a further restructuring of Greek official debt.

Recent recovery of economy remains on track

- Recent economic data suggests that in Q3 the economy will at least match the 0.5% quarterly pace of GDP growth recorded in the first two quarters of this year. The monthly industrial production data point to a solid expansion in production in Q3, while the Economic Sentiment Indicator noted a three year high at the end of Q3. Meanwhile, retail sales picked up sharply in the early summer. Based on this Oxford Economics forecasts a GDP growth of almost 1% in Q3.
- However, this year sees further significant fiscal consolidation with tax rises and pension cuts, while the banking sector continues to struggle with € 102 bn of Non-Performing Exposures or 50.6% of total loans, of which half of these representing corporate exposures. Banks have committed to cut their overall NPE stock to € 66.7 bn by the end of 2019.
- As a recent example, we note that Eurobank will auction the 343-room Hydra Beach hotel in Ermioni on 15 November 2017 for a minimum price of € 19.2 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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