

The State of Athens Hotel Industry

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GBR Consulting, www.gbrconsulting.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. 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 "Eleftherios 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 –



Tram back in Athens

Eleftherios Venizelos



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 has benefited from this.

Athens Hotel Industry

According to the Hellenic Chamber of Hotels there are 506 hotels (all accommodation types) in the prefecture of Attica (year 2005) with 29,226 rooms and 54,363 beds. In the table below the numbers per category are displayed for the years 2003 - 2005:

	Hotels			Rooms			Beds		
Category	2003	2004	2005	2003	2004	2005	2003	2004	2005
5*	19	24	26	4,859	5,825	5,967	9,130	10,985	11,269
4*	55	60	64	6,565	6,596	6,906	12,203	12,224	12,830
3*	86	90	89	5,923	6,177	5,887	10,986	11,449	10,867
2*	225	230	231	8,379	8,467	8,445	15,489	12,336	15,566
1*	113	97	96	2,331	2,099	2,021	4,488	4,026	3,831
Total	498	501	506	28,057	29,164	29,226	52,296	51,020	54,363

The following table presents data of the City of Athens only, thus excluding the greater Athens area, Piraeus etc.

Category	Hotels			Rooms			Beds		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
5*	12	13	14	3,522	3,834	3,948	6,559	7,182	7,408
4*	24	29	33	3,399	3,743	3,989	6,205	6,848	7,304
3*	40	44	43	3,100	3,316	3,232	5,675	6,055	5,894
2*	104	102	102	4,144	3,944	3,914	7,650	7,248	7,182
1*	72	64	64	1,568	1,549	1,396	3,037	2,816	2,648
Total	252	252	256	15,733	16,296	16,479	29,126	30,149	30,436

Regarding Attiki as a whole still 65% of the total accommodations consist of 2* accommodations and below in 2005, representing 36% of the rooms and 36% of the beds

Throughout the years 2003 – 2005 seven 5* hotels have opened their doors: Athens Imperial, King George, Plaza Resort, Holiday Inn Attika Avenue, Life Gallery, Cape Sounion and Athina Grand Hotel. The 4* category grew in the same period from 55 to 64 hotels, the 3* from 86 to 89, while 17 hotels in the 1* category closed down and 6 hotels opened in the 2* category.

In other words, significant supply has been added, namely 1,169 rooms particularly in the 5* and 4* categories.

Furthermore, it is worth noting that the city of Piraeus has shown a very stable hotel supply in the period of 2003 – 2005. However, the City of Piraeus has no hotels in the categories of 5* and 4*, but 8 hotels in the 3* category, 22 in the 2* category and 9 in the 1* category.

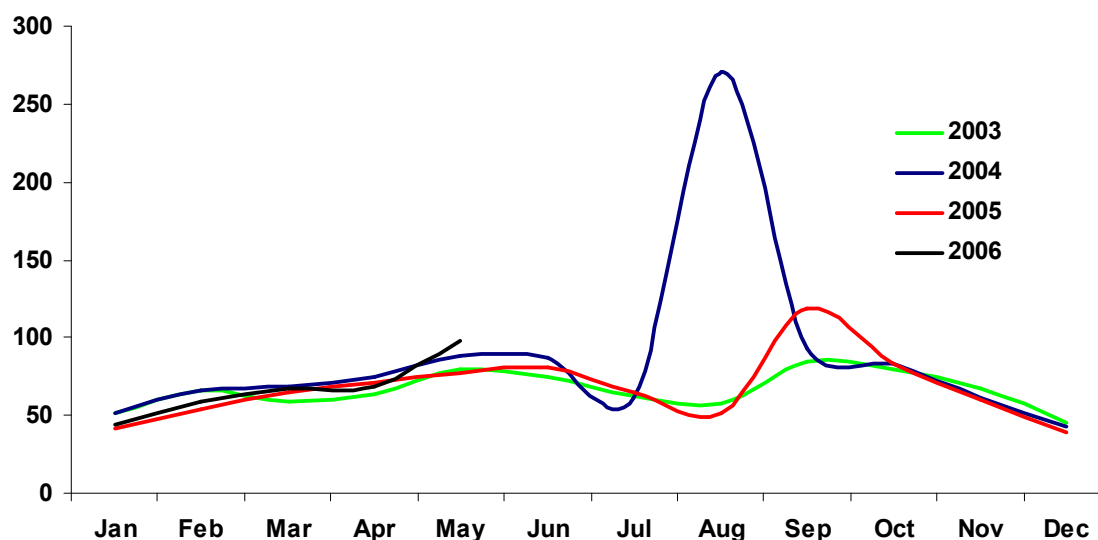
Performance

According to data monitored by GBR Consulting on behalf of the Athens - Attica Hotel Association, the performance of the Athens hotel industry in the last period is as follows:

	2003	2004	2005	2006 (YTD – May)
Occupancy	62.6	63.2	62.8	63.9
ARR	105.2	132.1	105.3	104.2
RevPAR	65.8	83.4	66.2	66.6

In graph 1 below the seasonality is also displayed in the form of RevPAR for the years 2003 – 2006.

Graph 1: Athens - Attica Hotel Association – Development of RevPAR in the years 2003 - 2006



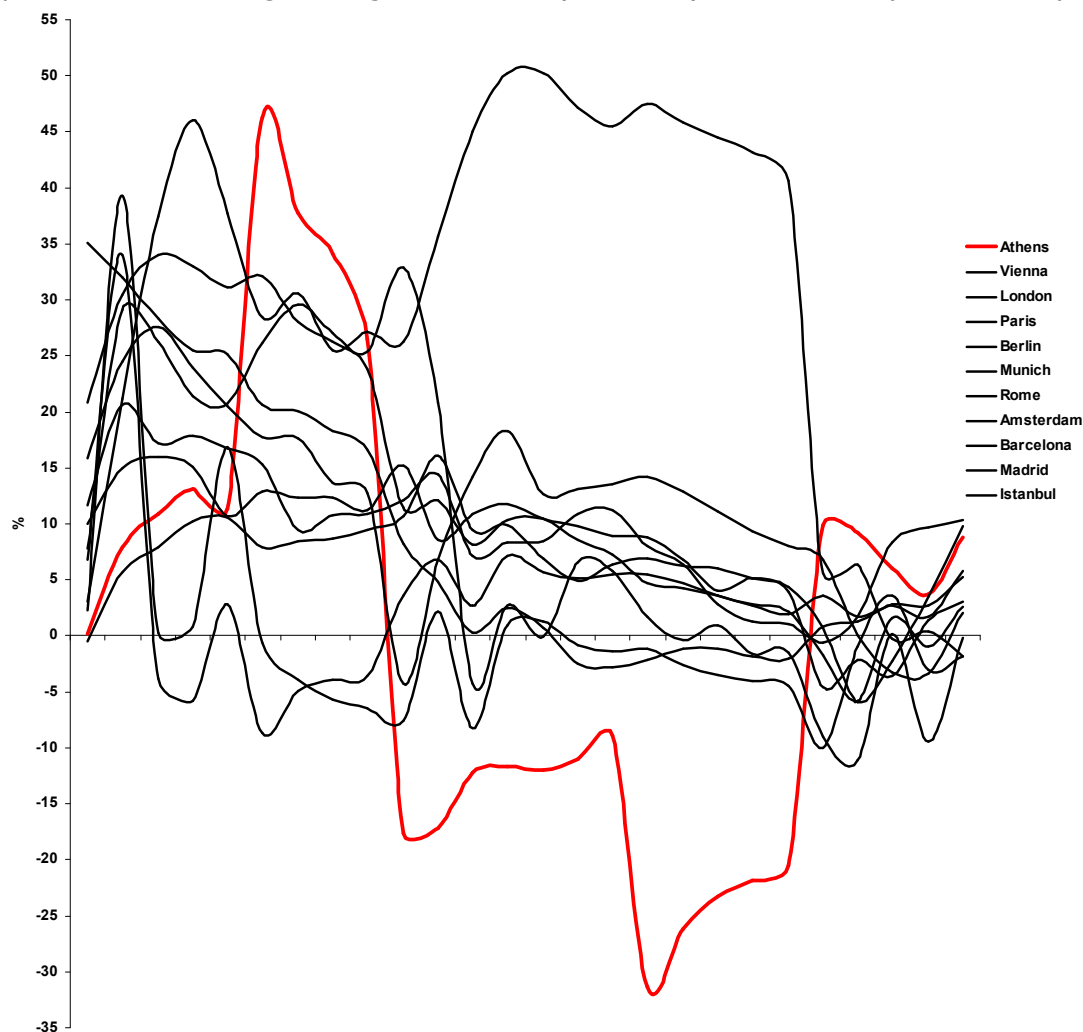
From the above data one could conclude that with the exception of the Olympic month of August 2004, it is business as usual in the Athens Hotel industry. May 2006 showed, however, a RevPAR of Euro 97.60, representing an increase of 27.3% in comparison with May 2005 and 10.4% with May 2004 as also shown in the graph. It remains to be seen if this upward trend will hold or if it was just a single month peak.

Overall, one may conclude that the Athens Hotel industry has not benefited from the Olympic Games. On the other hand, due consideration must be given to the fact that, as indicated above, almost 1,200 rooms were added to the Attica hotel offer, mostly in the 5* and 4* segments.

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 Athens (red line) made a hard landing after the Olympic Games, while in the last months Athens showed clearly a recovery in terms of RevPAR (YTD) performance.

Graph 2: Percentage change in RevPAR (YTD data) from February 2004 – May 2006



Outlook

The successful staging of the Olympic Games has vastly improved the country's attractiveness as a destination in general, but this has not been translated into an increase in arrivals. The country needs a "marketing and quality revolution" in order to remain competitive.

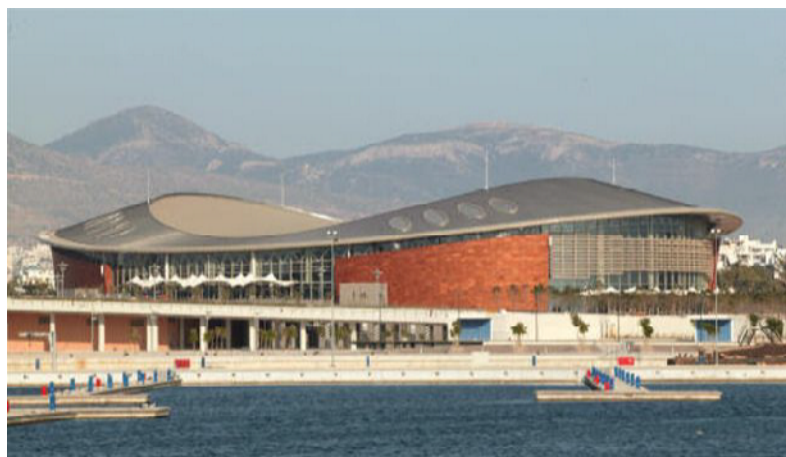
Athens has much to offer. With its 'redesigned' city, its unique archaeological sites, beautiful islands within 1 hour's reach, its clean beaches (EU 'Blue Flag' carriers), extensive shopping, vibrant night life and much more, the city has everything to become a top city break destination. However, the 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.

New Athens Metropolitan Convention Center

The Greek Government announced in June of this year that the Olympic Tae Kwon Do indoor stadium at Palio Faliro will be turned into the Athens Metropolitan Convention Center through a public / private partnership (PPP) scheme.



GBR Consulting in cooperation with the architect of the stadium, Thymio Papayannis and Associates, conducted the feasibility study of the scheme: The Conference Center will have a total indoor available area of 28,000 m² on three levels hosting a variety of events in the main auditorium of 3000 pax, two smaller auditoria of 450 pax, other rooms of 2100 pax and an exhibition space of 110,500 ft². It is estimated that the center can host 85 events in its first year (including 4 major international conferences) attracting about 70,000 attendants and reach more than 200 events with 160,000 attendants in year 5.



The government's private partner for the convention center will be selected through an international tender and will undertake the provision of all necessary maintenance work and management functions for 25 years. Reconstruction and maintenance over this period is estimated at 56 million euros.

Starwood selected to manage Astir Palace Hotel Complex

Also in June of this year Astir Palace Vouliagmeni SA announced that Starwood Hotels & Resorts was selected to manage the Astir Palace Hotel Complex near Athens for 15 years as from July 1, 2006.



The complex is a luxury resort located on a private peninsula south of Athens consisting of three 5* star hotels. On July 1, 2006 the 123 room Arion Hotel and its 76 adjacent bungalows will become the Arion Hotel and Villas, a Luxury Collection Resort. The 162 room Nafsika hotel will start operating under Starwood's Westin brand under the name Westin Nafsika Resort . The 165 room Aphrodite Hotel will continue to operate under its current name through 2006 at which an extensive refurbishment is planned to convert the hotel into the W Aphrodite.

Roeland Vos, President of Europe, Africa and Middle East Division of Starwood Hotels & Resorts declared that the initial estimate for the entire renovation and construction works would amount about 45 million euros.

Apax led investors take over control of Greek arm of Hyatt

Finally, last March an Apax led group of investors took over the majority of shares in Hyatt Regency Hotels and Tourism (Hellas) SA and through a public offer in the Athens Stock Exchange now controls over 70% of the shares. Hyatt Regency controls a Hyatt hotel in Thessaloniki and two casinos in Athens and Thessaloniki.

Web site recommendations

Greek National Tourist Organisation: <http://www.gnto.gr/>
Athens - Attica Hotel Association: <http://www.all-athens-hotels.com/>
SETE (Association of Greek Tourist Enterprises): www.sete.gr
Travel Daily News: www.traveldailynews.com
The City of Athens: www.cityofathens.gr

Country Report (based on the latest WTTC report):

Total demand

Travel & Tourism is expected to post Euro 33.7 bn (US\$ 41.9 bn) of economic activity (total demand), growing to Euro 62.4 bn (US\$ 74.8 bn) by 2016. Travel & Tourism is expected to grow by 6.7% in 2006 and 3.8% per annum in real terms between 2007 and 2016.

Gross Domestic Product – Travel & Tourism Industry

The T&T industry is expected to contribute 6.5% to Gross Domestic Product (GDP) in 2006 (Euro 12.3 bn or US\$ 15.3 bn), rising in nominal terms to Euro 21.7 bn or US\$ 26.1 bn (6.5% of total) by 2016.

Gross Domestic Product – Travel & Tourism Economy

The T&T economy contribution (percent of total) should rise from 15.1% (Euro 28.6 bn or US\$ 35.6 bn) to 15.6% (Euro 52.4 bn or US\$ 62.9 bn) in this same period.

Employment

In 2006, the T&T Economy employment is estimated at 699,000 jobs or 15.9% of total employment, which is 1 in every 6.3 jobs. By 2016, this should total 809,000 jobs, 17.3% of total employment or 1 in every 5.8 jobs. The 295,000 T&T Industry jobs account for 6.7% of total employment in 2006 and are forecast to total 322,000 jobs or 6.9% of the total by 2016.

Exports

In Greece, exports make up a very important share of Travel & Tourism's contribution to GDP. Of total Greece exports, Travel & Tourism is expected to generate 36.8% (Euro 12.8 bn or US\$ 15.9 bn) in 2006, increasing to Euro 23.6 bn, or US\$ 28.3 bn (32.8% of total), in 2016.

Capital Investment

Greece Travel & Tourism Capital Investment is estimated at Euro 5.7 bn, US\$ 7.0 bn or 12.6% of total investment in year 2006. By 2016, this should reach Euro 12.1 bn, US\$ 14.5 bn or 13.3% of total.

International Arrivals (visitors)

2002: 14,179,999

2003: 13,969,393

2004: 13,312,629

International Tourism Receipts

2002: 9.7 bn US\$

2003: 10.7 bn US\$

2004: 12.9 bn US\$

International Visitor Arrivals by residence

Country	2004			2003			2002		
	Rank	Visitors (x1000)	% of total	Rank	Visitors (x1000)	% of total	Rank	Visitors (x1000)	% of total
UK	1	2,870	22%	1	3,008	22%	1	2,858	20%
Germany	2	2,189	16%	2	2,267	16%	2	2,511	18%
Albania	3	1,194	9%	3	1,119	8%	3	1,256	9%
Italy	4	898	7%	4	866	6%	4	805	6%
France	5	621	5%	5	715	5%	5	736	5%
The Netherlands	6	612	5%	6	636	5%	6	721	5%
Austria	7	440	3%	8	444	3%	8	462	3%
Bulgaria	8	440	3%	7	460	3%	7	470	3%
FYROM	9	411	3%	9	443	3%	10	310	2%
Belgium / Luxembourg	10	375	3%	10	385	3%	9	358	3%
Other		2,274	17%		2,730	20%		3,693	26%
Total		13,313	100%		13,969	100%		14,180	100%