The Impact of the Crisis on the Athens Hotel Industry

February 2014

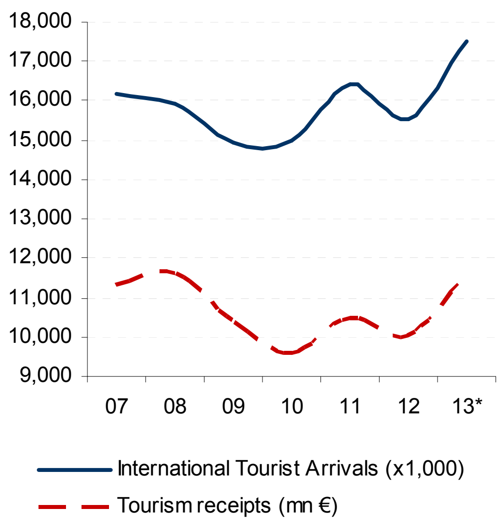
The Greek tourism economy

The tourism industry is of vital importance for Greece, as it contributes –directly and indirectly- around 17% of the GDP and around 18% of employment.

After a sharp drop in arrivals in 2009 (-6.4%) and stabilization in 2010 (+0.6%), 2011 showed a strong recovery with 16.5 million arrivals for Greece as a whole, representing a growth of 9.5% compared to 2010.

In 2012 international tourist arrivals dropped, due to political uncertainty, by 5.5% compared to 2011. The drop was mainly caused by the performance of tourism in Athens, while resort destinations overall stabilized in 2012, despite the adverse publicity the country received during 2012.

International Tourist Arrivals and Receipts 2007 – 2013



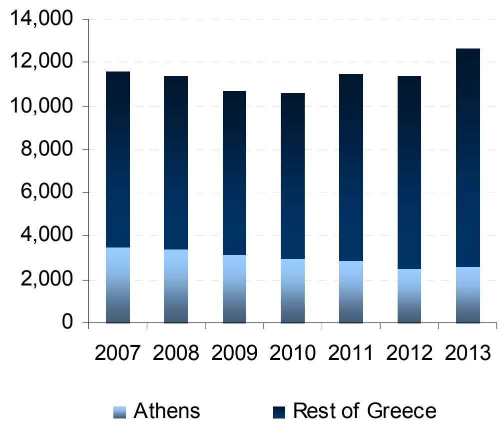
* *estimates* *Source: SETE*

2013 was a record year overall for Greek tourism with 17.5 million international tourists visiting the country bringing in an estimated 11.5 bn Euro in revenue. For 2014 the Greek tourism sector is aiming at 18 million international tourist arrivals and 13 bn Euro of revenue.

Athens Hotel Sector

Contrary to resort destinations, which have followed a rather stable or upward path in the last years, Athens took a hard hit in the period 2007 – 2012, during which international arrivals at the Athens International Airport dropped steadily, while they recovered slightly in 2013.

International Tourist Arrivals at main Greek airports 2007 - 2013



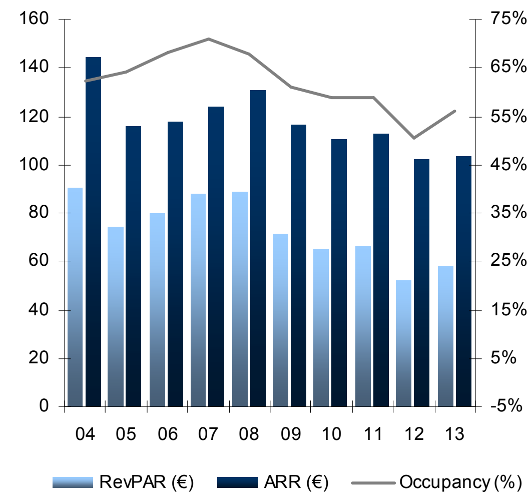
Source: SETE

More specifically, at the nadir of the crisis in 2012, the Athens International Airport recorded 925,000 less international tourists compared to 2007, while all other Greek airports combined saw an increase in international tourist arrivals of 765,000 over the same period.

Prior to this, the Athens hotel sector had seen a strong growth after the 2004 Olympic Games with significantly increased occupancies and room rates. This trend was reversed at the end of 2008, as a result of a prolonged period of social unrest which led to a sharp decline in tourism, particularly in the MICE sector.

In 2013 the drop bottomed out primarily due to a recovery in leisure tourism and as from April onwards occupancy levels improved significantly compared to 2012, while room rates stabilized.

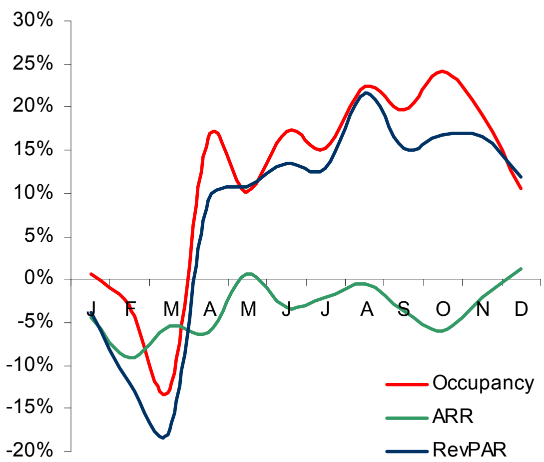
Athens hotel sector performance 2004 2013



Source: Attica Hotel Association, processed by GBR Consulting

As a result RevPAR improved significantly. The biggest increase in RevPAR was achieved by the 5 star sector with +13.5%, followed by the 3 star segment with +11.4%, while the 4 star segment achieved a minor improvement of +2.7% over the year 2013.

Recovery of Athenian hotel performance after March 2013, % change 2013 / 2012

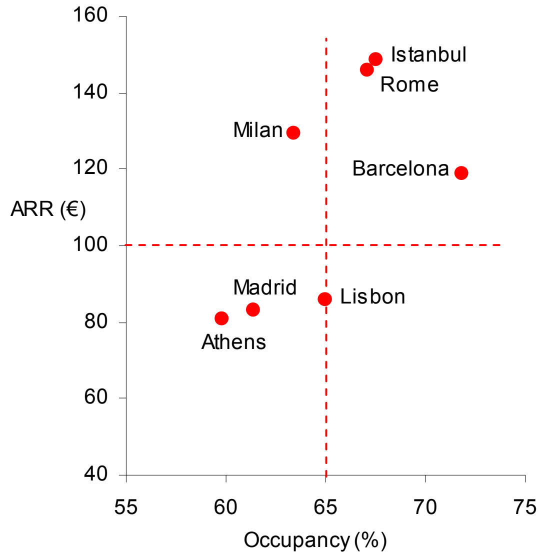


Source: Attica Hotel Association, processed by GBR Consulting

However, full recovery to 2007 / 2008 levels will take time as confidence in the destination is being restored slowly and large conferences need many years of preparation.

That Athens still has a long way to go, is also evident by comparing it to other Mediterranean cities.

Occupancy and ARR of Athens and competitive cities, YTD Dec 2013



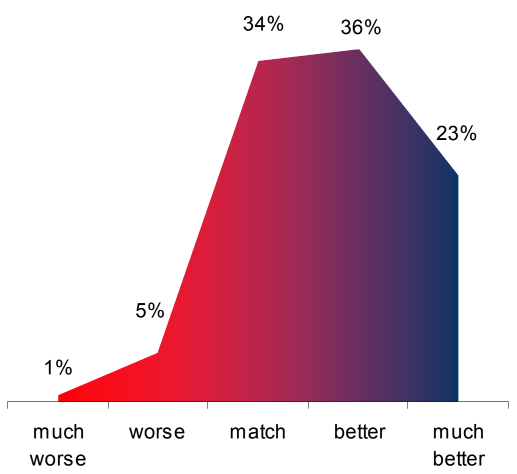
Source: STR Global, Attica Hotel Association

Athens Tourism Perceptions

Despite the gloomy perceptions about Athens, tourists in the city are very satisfied with their experience. According to the annual Attica Tourist Satisfaction surveys conducted by GBR Consulting on behalf of the Attica Hotel Association, during crisis period 2009 – 2013 more than 90% of visitors surveyed would come for a return visit and / or recommend Athens to family and friends.

Furthermore, 93% of the respondents of the 2013 Satisfaction Survey considered their experience in Athens as expected or better. Numerous respondents mentioned that statements that developments in Greece would impact their trip were not justified.

Compared to expectations beforehand the experience in Athens was…



Source: GBR Consulting, 2013

The top three attributes of Athens according to the 2013 survey are its culture, its people and its leisure and entertainment options with highly rated restaurants and cafes, as well as highly rated hotel infrastructur. Overall, Athens is considered as a nice city with friendly people.

The impact of the crisis

Even though tourists that visited Athens were very satisfied with their trip to Athens, many leisure travellers avoided Athens and conferences were cancelled due to fears that they got caught up in riots and strikes. In the period 2007 – 2013 a total of 37 hotels - representing 2,156 rooms -closed their doors. In the same period, 36 hotels opened with just 671 rooms.

	Hotels closed	Rooms	Hotels opened	Rooms
5*	2	364	1	8
4*	5	498	15	298
3*	8	555	11	129
2*	9	477	9	236
1*	13	262		
Total	**37**	**2,156**	**36**	**671**

Source: ITEP

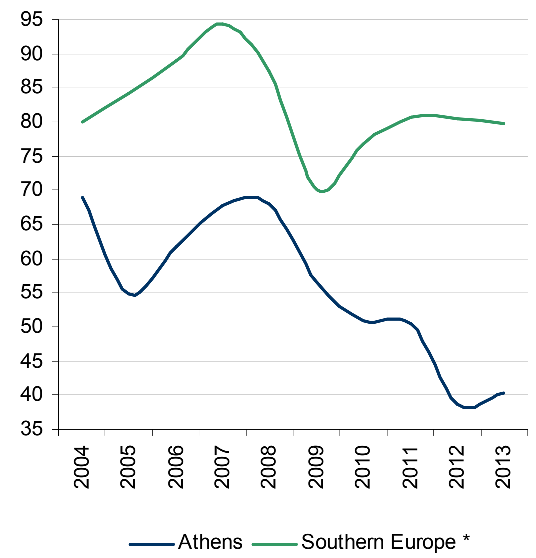
Today the city of Athens and suburb Athens have 227 hotels with a total of 15,049 rooms, with more than half of the rooms offered in the 4* and 5* categories.

	Hotels	Rooms
5*	13	3,746
4*	39	4,094
3*	48	3,396
2*	78	2,733
1*	49	1,080
Total	**227**	**15,049**

Source: ITEP

The following graph shows RevPAR developments in Athens and main competitor cities Barcelona, Istanbul, Lisbon, Madrid, Milan and Rome (Southern Europe) since 2004. It can be seen that the path of Athens diverges from that of Southern Europe after 2009: the hotels of Southern Europe recovered in 2010 and 2011 in terms of RevPAR and stabilized in 2012 and 2013, while Athens continued its dive in 2010, recovered a bit in 2011, but then dropped sharply in 2012 and posted a mild recovery in 2013.

RevPAR in € of main Mediterranean destinations

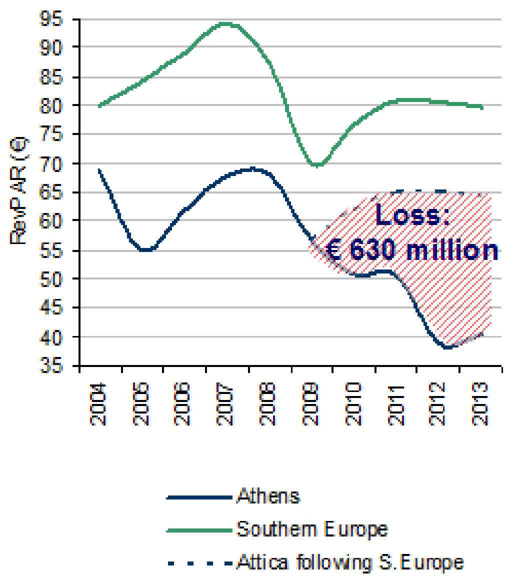


** includes the cities of Barcelona, Istanbul, Lisbon, Madrid, Milan and Rome*

Source: STR Global, Attica Hotel Association

If Athens had followed the same course after 2009 as the Southern European cities in our sample, RevPAR would have recovered in 2010 and 2011, and stabilized in 2012 and 2013 albeit still at a much lower level. This is depicted in the next graph.

Estimated loss in terms of room revenue by not following the Southern European trend



Source: STR, Attica Hotel Association

The difference between that course and the actual course of the RevPAR of Athens can be considered as the loss of the Athens hotel sector due to the Greek crisis and amounts to an estimated € 630 million in room revenue only, taking supply changes into account. Based on our benchmarks, we estimate that the total hotel revenue 'lost' comes to € 820 million over the period 2010 – 2013.

Furthermore, based on expenditure data collected in the Attica Tourist Satisfaction Surveys, it is estimated that an additional € 1,730 million was lost on expenditure in the city. Therefore, the total estimated loss in the crisis period of 2010 - 2013 totals € 2.55 billion and this is without a possible multiplier effect to the wider industry.

Estimated loss of revenue due to crisis, social unrest and riots	
Room revenue	€ 630 million
Total hotel revenue	€ 820 million
Expenditure in the city	€ 1,730 million
Total	**€ 2,550 million**

Source: GBR Consulting estimates

Categories of the estimated loss of revenue outside hotels	
Attractions & Entertainm.	€ 335 million
Restaurants & Cafes	€ 555 million
Shopping	€ 493 million
Other	€ 348 million
Total	**€ 1,730 million**

Source: GBR Consulting estimates

Outlook

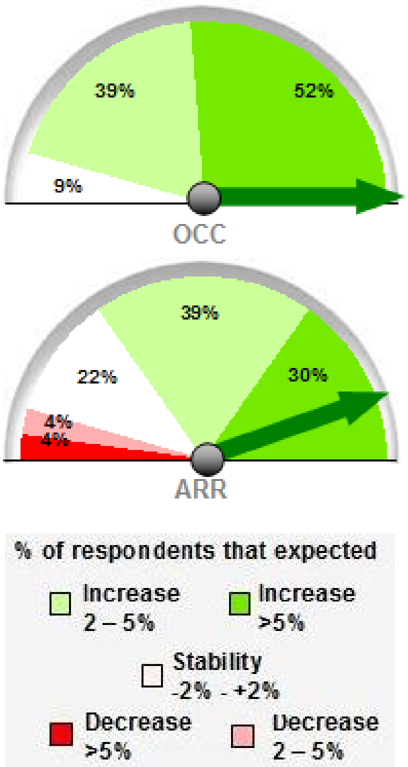
In 2013 the fall of the Athens tourism industry came to an end with increases in arrivals and significant improvements in occupancy levels. Main contributor was the fact that riots disappeared from the streets and headlines with respect to the Greek economy disappeared from the front pages of international newspapers; recently these have often been replaced by some positive news regarding the economic situation and the economy's outlook. If this can be maintained, leisure tourism is expected to recover further as data shows that Athens is a very attractive city break destination indeed, based on the high satisfaction ratings of visitors. Recovery will be confirmed once the conference and incentive market will return to Athens.

In this respect the foreseen conversion of the former Olympic Tae Kwon Do stadium located at the Athens coast in Faliro into The Metropolitan Athens Convention Centre could attract new international delegates to Athens, resulting in an estimated 77,000 room nights. If this project will be indeed materialised, it will form in combination with the adjacent Niarchos Opera and Library, currently under construction, a major connecting part of the Athens coastline, which will then become very attractive.

Also, the announcement that low-budget Irish airline Ryanair will create a new hub in Athens connecting Chania, Rhodes, Thessaloniki, London, Milan and Paphos in Cyprus plus the further upgrading of the Piraeus cruise terminal, will further contribute to the attractiveness of Athens.

Finally, the Athenian hotel market is bullish for 2014. Based on the 2014 Q1 Hospitality Barometer of GBR Consulting, Athenian hoteliers are expecting significant increases in occupancy and room rate levels in 2014 compared to a year earlier.

Expectations of Athenian hoteliers for 2014 with respect to Occupancy and Room rates



Source: GBR Consulting Hospitality Barometer

Contributors

About GBR Consulting

GBR Consulting is the leading hospitality and tourism consultancy in Greece. It has built up extensive know-how and experience in the tourism sector since the 1990s. Our services include strategic planning, (re)positioning and feasibility studies, business and marketing plans, valuations and financial planning, operator search, tender preparations etc. We have offered these services to Hotels, Resorts, Spas and Thalasso Centres, Marinas, Casinos & Gaming, Conference & Exhibition Centers, Arenas, Theme Parks, Golf Courses etc. We have also developed concepts, such as boutique and eco hotels (for which we have developed relevant Standards), accessible hotels, conference hotels, ultra luxury hotels, destination spas etc. Our clientele includes owners & operators, banks & investment funds, construction companies & developers, local & international tourism associations, NTOs and other public organizations. GBR Consulting is affiliated to Atria, which is part of the CBRE affiliate network, providing together a seamless service for Tourism Properties Transactions

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About STR Global

STR Global provides clients — including hotel operators, developers, financiers, analysts and suppliers to the hotel industry — access to hotel research with regular and custom reports covering Europe, Middle East, Africa, Asia Pacific and South America. STR Global provides a single source of global hotel data covering daily and monthly performance data, segmentation data, forecasts, annual profitability, pipeline and census information. Hotel operators can join the surveys on a complimentary basis and benefit from free industry data. STR Global is part of STR family of companies and proudly associated with STR, RRC Associates, STR Analytics and Hotel News Now.

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