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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 less than 3% of the territory of the country, but is home to some 40% of the country's population or about 4.5 mn people. Athens, Attica's capital, 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.

For the last decade, major efforts have been made in order to improve the quality of life of the people living in the greater Athens area. These efforts concern not only immense infrastructure and environmental projects but also actions to reassess the population's perception and importance of the city centre in combination with the seafront, a coastline of over 40 km. Examples of the remarkable change in the last 7 years include:

- Athens' extremely efficient public transport system consisting of metro, light railway, tram and buses
- The award winning Athens International Airport "Eleftherios Venizelos", consistently ranking as one of the world's top airports in terms of service and efficiency, accessible by metro in ½ hour from the city centre
- 160 km of resurfaced roads
- The unification of the entire historical city centre through pedestrian zones
- Public transportation/ Monuments accessible to people with disabilities
- Redesigned central squares and sidewalks
- Large-scale development of unspoiled or underdeveloped areas in the city centre (Eleonas, Gazi-Cultural Quarter, Pireus Avenue-Cultural and Recreational Destrict)
- Plans for two metropolitan parks (Ellinikon-Waterfront, Goudi-City Centre)
- Plans to create more public space (parks) by putting high avenues in the city centre below earth (Alexandra's Avenue)

- It goes without saying that the Olympic Games were the primary motive for the aforementioned achievements yet the starting point of remarkable improvements mainly as far as the mentality and the realisation of the importance of Tourism in the Greek economy are concerned. Besides, the Athens Olympic Games 2004, being a success story, have contributed to the strengthening of the city brand name.

ATHENS HOTEL INDUSTRY

According to the Hellenic Chamber of Hotels there are 495 hotels (all accommodation types) in the prefecture of Attica (year 2006) with 28.694 rooms and 53.180 beds. In the table below the numbers per category are displayed for the years 2003 – 2006:

Category	Hotels				Rooms				Beds			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
5*	19	24	26	28	4,859	5,825	5,967	6.328	9,130	10,985	11,269	11.913
4*	55	60	64	64	6,565	6,596	6,906	6460	12,203	12,224	12,830	12.021
3*	86	90	89	90	5,923	6,177	5,887	6005	10,986	11,449	10,867	11.107
2*	225	230	231	223	8,379	8,467	8,445	7969	15,489	12,336	15,566	14.617
1*	113	97	96	90	2,331	2,099	2,021	1878	4,488	4,026	3,831	3522
Total	**498**	**501**	**506**	**495**	**28,057**	**29,164**	**29,226**	**28,640**	**52,296**	**51,020**	**54,363**	**53,180**

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

Category	Hotels				Rooms				Beds			
	2003	2004	2005	2006	2003	2004	2005	2006	2003	2004	2005	2006
5*	12	13	14	15	3,522	3,834	3,948	4,211	6,559	7,182	7,408	7,890
4*	24	29	33	33	3,399	3,743	3,989	3,983	6,205	6,848	7,304	7,304
3*	40	44	43	43	3,100	3,316	3,232	3,362	5,675	6,055	5,894	6,104
2*	104	102	102	100	4,144	3,944	3,914	3,709	7,650	7,248	7,182	6,736
1*	72	64	64	61	1,568	1,549	1,396	1,316	3,037	2,816	2,648	2,464
Total	**252**	**252**	**256**	**252**	**15,733**	**16,296**	**16,479**	**16,581**	**29,126**	**30,149**	**30,436**	**30,498**

Regarding Attiki as a whole still 64% of the total accommodations consist of 2* and below in 2006.

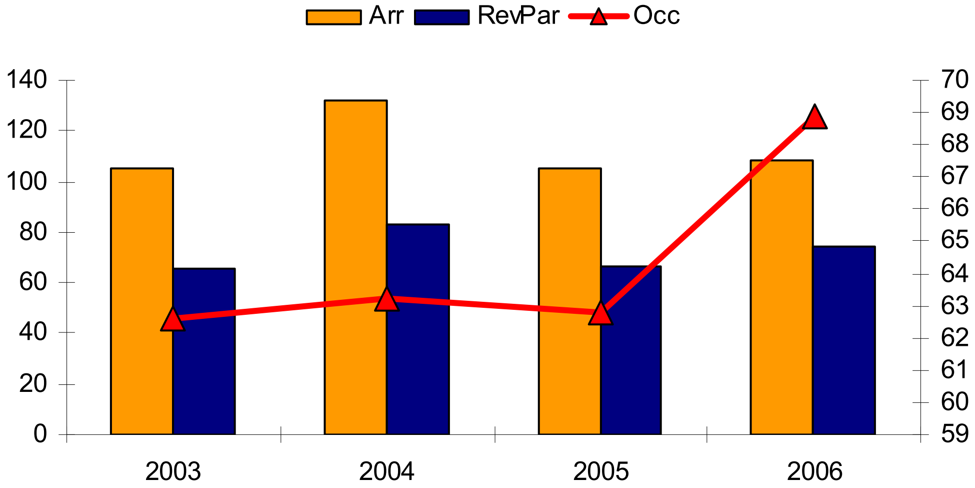
The category to which we turn our focus is the 5* segment. Indeed, since 2003, nine (three of which in Athens City Centre) new hotels have opened their doors to the public demonstrating the dynamism of the market. The 4* category also grew in the same period from 55 to 64 hotels, the 3* from 86 to 90, while 23 hotels in the 1* category and 2 hotels in the 2* category closed down. In other words, significant supply has been added, namely 583 rooms particularly in the 5* and 4* categories (1* and 2* hotels have been reduced while upscale hotels have increased).

Furthermore, it is worth noting that the city of Piraeus, Greece's biggest port, has shown a very stable hotel supply in the period of 2003 – 2006. However, the City of Piraeus has only one 5* hotel, none in the 4* category, but 8 hotels in the 3* category, 23 in the 2* category and 7 in the 1* category.

PERFORMANCE OF ATHENS HOTELS

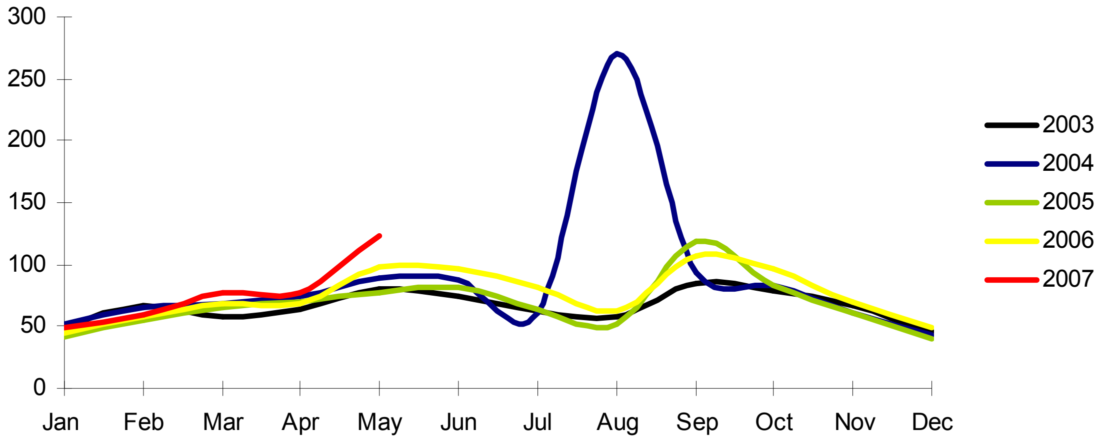
According to data monitored by GBR Consulting on behalf of the Athens – Attica Hotel Association, the performance of the Athens hotel industry in the lastly recorded period is as follows:

Graph 1: Athens Hotel Performance in Figures



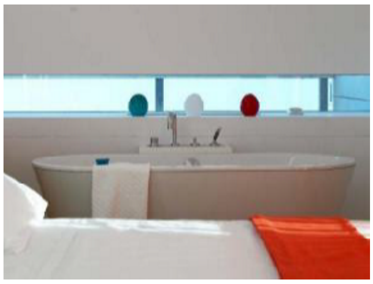
In graph below one can clearly observe the displayed seasonality in the form of RevPAR for the years 2003 – 2007 (YTD).

Graph 2: Development of RevPAR in the years 2003 – 2007 (YTD)



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. However a closer look at the figures reveals the steady increase in absolute figure of the RevPAR since the year 2005, which also came about, despite the aforementioned capacity increase particularly in the 4* and 5* segments. It is remarkable that in May 2007 there is a major shift in the curve confirming the optimism in the sector. This year seems to be most promising year of all times for the Athens sector, not only in terms of RevPAR but also in Tourist Arrivals and, eventually, Occupancy.

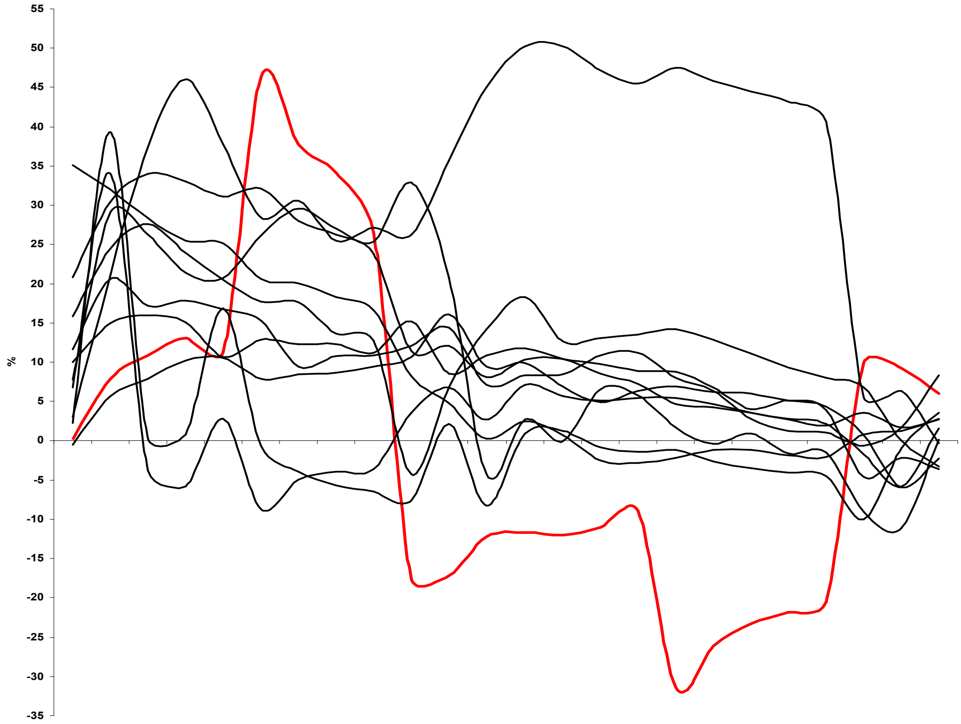
For most hoteliers, performance improvement is translated into an improvement of the quality of infrastructure and services provided, not an increase of capacity. No large scale new entries are projected for the near future. However, a turn towards small boutique hotels has become obvious the recent years. Besides, it is not a coincidencethat the majority of these hotels prefer old, abandoned buildings in the city center, precisely in downgraded areas yet with great potential (Ochre and Brown Hotel, Baby Grand Hotel, Art Hotel, Fresh Hotel).



THE EUROPEAN BENCHMARK

From benchmarking the performance of Athens (categories 3*, 4* and 5*) with a number of key city destinations, namely Vienna, London, Paris, Berlin, Munchen, Rome, Amsterdam, Barcelona, Madrid and Istanbul, it is clearly demonstrated that the change in the RevPAR in the Athens Hotel Industry has faced great fluctuations which is mainly due to the pre- and the post- Olympic era. Indeed, it can be seen that in 2004 the change surpassed all European cities reaching 48% whereas the drop in the year 2005 practically reversed all benefits from previous years, showing a strong recovery in 2006 and the first months of 2007. Therefore, examining the trend throughout the last 4 years it can be stated that it maintains a rather stable increase of 4% to 5%, compared to other historic cities such as Rome and Istanbul which have shown increase in the past but are facing constant decrease during the last 4 years under examination.

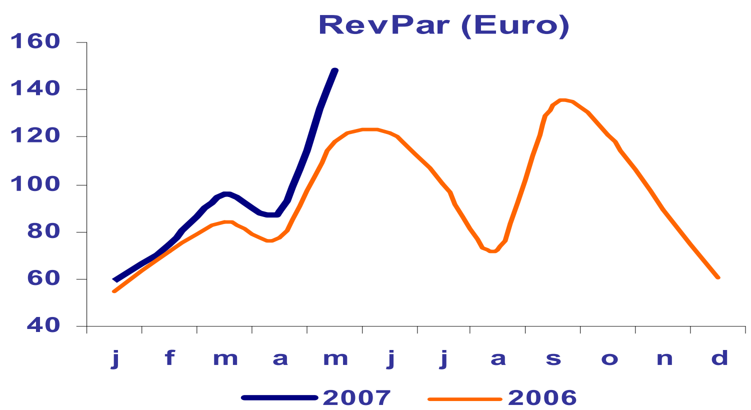
Graph 3: Percentage change in RevPAR from 2004 –2007 (YTD)



THE CASE OF THE 5* HOTELS

The upscale category in the Athens Hotel Industry has experienced a unique development. Throughout the years 2003 – 2006 nine 5* hotels have opened their doors: Athens Imperial, King George, Plaza Resort, Holiday Inn Attika Avenue, Life Gallery, Cape Sounion and Athina Grand Hotel. In Graph 4 below one can observe the substantial increase of Athens RevPAR as far as the upscale market is concerned, compared to last year's results. It becomes obvious this year is quite promising not only to last year but to what has Athens ever experienced before. Yet the complete picture is still to be seen in 6 months from now.

Graph 4: Athens 5* segment



OUTLOOK

The successful staging of the Olympic Games has vastly improved the country's attractiveness as a destination in general, yet the impact in terms of arrivals and overnights in the City of Athens, as a destination and not as a transit city, is slowly emerging. 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 (the first large-scale shopping mall opened just 2 years ago and two more are opening their doors this year), vibrant night life and much more, the city has everything to become a top city break destination. The city organized in June the City Break Expo 2007 demonstrating its persistence in gaining valuable knowledge for improvement. However, there are still a lot to be done as far as a proper Marketing strategy is concerned in order to attract the ever increasing number of city breakers.

LOW COST CARRIERS

Low cost airlines are incorporating Athens in their expansion strategy even though Athens International Airport ranks amongst the most expensive in terms of taxes within Europe. Despite the fact that the Airport counts 20 low cost carriers (37 to all Greek airports) connecting Athens with mainly Continental Europe, and a very restricted number of cities in the Middle East and Northern Africa, such as Egypt, Tunisia and Morocco, airlines are now showing interest in connecting the city of Athens with major European cities. It is not surprising that EasyJet launched a new flight connection with Paris just in the year 2006. Furthermore, new routes were added at Athens airport to the USA and a direct flight to Beijing will start in autumn 2007. This will boost incoming tourists from USA as well as from China, an immense and promising market.

NEW ATHENS METROPOLITAN CONVENTION CENTRE

An issue of great concern has been the way of taking advantage of the infrastructure, such stadiums and training halls, built for the Olympic Games in 2004. Indeed, many of them have retained their initial use boosting cultural and sports activity on a regional as well as International level, whereas others have undergone immense changes in order to enhance local economy meeting most of times the market needs. A great example is the NBC which served for the broadcasting of the Olympic Games which is now being transformed into a large-scale shopping mall. Another bright example of the macro-economic shift in the Athens Tourism industry is the New Athens Metropoitan Convention Centre. The Olympic Tae Kwon Do indoor stadium at Palio Faliro is being turned into the Athens Metropolitan Convention Centre 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 Centre will have a total indoor available area of 28,000 m^2 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 ft^2. It is estimated that the centre 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 centre is in the process of selecting 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.

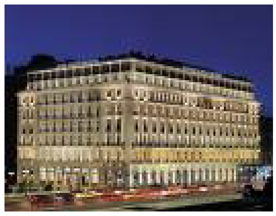
TRANSFORMATION OF THE CITY CENTRE AND THE WATER FRONT

As aforementioned, the post Olympic era has revealed the huge opportunities that unspoiled pieces of land could offer as far the image of the city and the quality of living of the Athenians are concerned.

Indeed, the greater region of Faliron, the region where the Convention Centre is also being developed, will host the new Opera house and the new National Library.

Both buildings will cover more than 30.000 m^2 of 200.000 m^2 of the total area, whereas the rest of the space with become a park. It has to be mentioned that this new development is next to the Faliron Marina and just 4.5 km from the city centre. Furthermore, the Administration of Attica prefecture in cooperation with the Ministry of Tourism and the Ministry of Public Infrastructure and Development are putting forward a plan of unifying the entire coast line, creating a pedestrian zone with bicycle lanes of 42 km. This zone will connect Pireus port with all Athens suburbs on the coast, the Metropolitan Convention Centre, the National Library, the Opera Theatre, several marinas, the Ellinikon Metropolitan Park (a park which is planned to be developed in a total area of 5.3 million m^2 where the old Athens airport used to be), and all that with the Athens Unified Archaeological Sites Pedestrian Zone.

ATHENS HOTEL FACE LIFT



The shift in the Athens Hotel Industry becomes obvious by the several transactions and renovation projects which were kick-started by the Olympic Games. The total renovation budget of Athens Hotels exceeded **Euro 1 bn**.

Besides the renovation in almost all the upscale hotels, such as Grande Bretagne, Hilton , Marriott, King George II, the most striking case is that of Astir Palace Hotel Complex Resort (3 hotels, over 500 rooms). In July 2006 Starwood Hotels & Resorts took over the management of the resort and the initial estimate for the entire renovation and construction works amounts to approximately 45 million euros.

GREECE IN FIGURES

Greece has benefited from the hosting of the Olympic Games in Athens in 2004. This becomes obvious from the several optimistic forecasts published by International Organisations including the WTTC, the WTO etc. Indeed, facts speak louder than words, demonstrating the turn in the Greek market in terms of Tourist Arrivals but most important in terms of Tourism receipts generating in 2005 US$13.7 bn from US$9.7 bn in the year 2002. Besides, Greece ranks 15th worldwide in 2006 as far as revenue per tourist is concerned, with Euro 1,073 per tourist. The latter shows clearly the fact that Greece is not anymore considered a low-budget tourism destination but a modern country with a unique tourism product and high quality of infrastructure and services provided.

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/RECEIPTS

	International Arrivals	**International Tourism Receipts**
2002	14,179,999	9.7 bn US$
2003	13,969,393	10.7 bn US$
2004	13,312,629	12.9 bn US$
2005	14.276.465	13.7 bn US$

INTERNATIONAL VISITOR ARRIVALS BY RESIDENCE

Country	2005			2004			2003			2002		
	Rank	Visitors (x1000)	% of total	Rank	Visitors (x1000)	% of total	Rank	Visitors (x1000)	% of total	Rank	Visitors (x1000)	% of total
UK	1	2,718	19%	1	2,870	22%	1	3,008	22%	1	2,858	20%
Germany	2	2,241	16%	2	2,189	16%	2	2,267	16%	2	2,511	18%
Albania	3	1,478	10%	3	1.194	9%	3	1,119	8%	3	1,256	9%
Italy	4	1,128	8%	4	898	7%	4	866	6%	4	805	6%
France	5	676	5%	5	621	5%	5	715	5%	5	736	5%
Netherlands	6	666	5%	6	612	5%	6	636	5%	6	721	5%
Austria	8	464	3%	7	440	3%	8	444	3%	8	462	3%
Bulgaria	7	599	4%	8	440	3%	7	460	3%	7	470	3%
FYROM	-	-	-	9	411	3%	9	443	3%	10	310	2%
Belgium/Lux	9	401	3%	10	375	3%	10	385	3%	9	358	3%
Other		3,900	27%		2,274	17%		2,730	20%		3,693	26%
Total		**14,276**	**100%**		**13,313**	**100%**		**13,969**	**100%**		**14,180**	**100%**

WEB SITE RECOMMENDATIONS

GBR Consulting: www.gbrconsulting.gr/tourism

Attica Hotel Association: http://www.all-athens-hotels.com/

The City of Athens: www.cityofathens.gr

Athens Tourism Bureau: http://www.athenstourism.gr/

Chamber of Hotels: www.grhotels.gr

SETE (Association of Greek Tourist Enterprises): www.sete.gr

Travel Daily News (greek): www.traveldailynews.gr

Travel Daily News (international): www.traveldailynews.com