



## GBR HOSPITALITY QUARTERLY NEWSLETTER

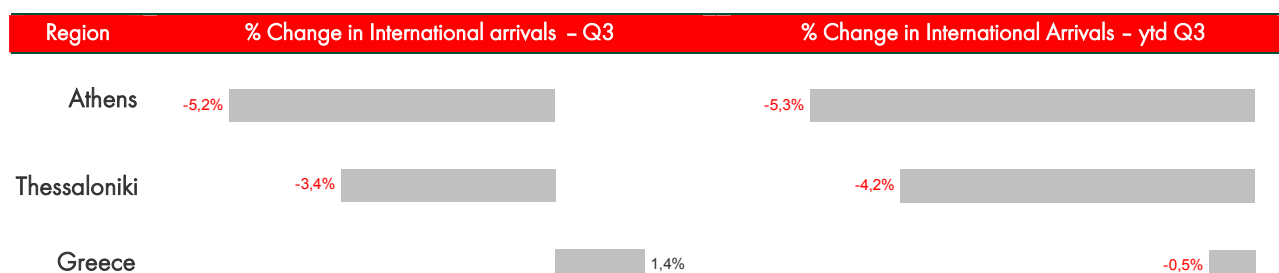
Greek Hospitality Industry Performance

2010 Q3

## Introduction

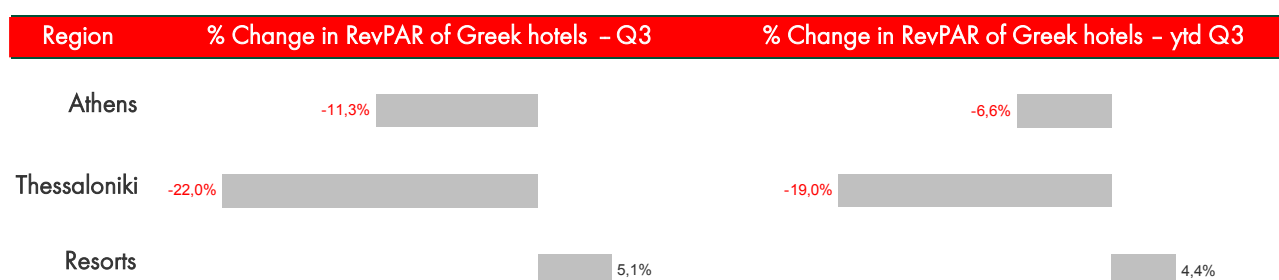
This newsletter provides a snapshot of the performance of Greek hotels based on a sample of more than 180 hotels & resorts in Greece. The hotel performance data is complemented by data from other sources so as to place the Greek hospitality industry in the context of Greek tourism and of the International Hospitality Industry. Finally, a topic of special importance to the hospitality industry will be presented each time.

### International arrivals<sup>1</sup> in Greek airports, 2010 compared to 2009



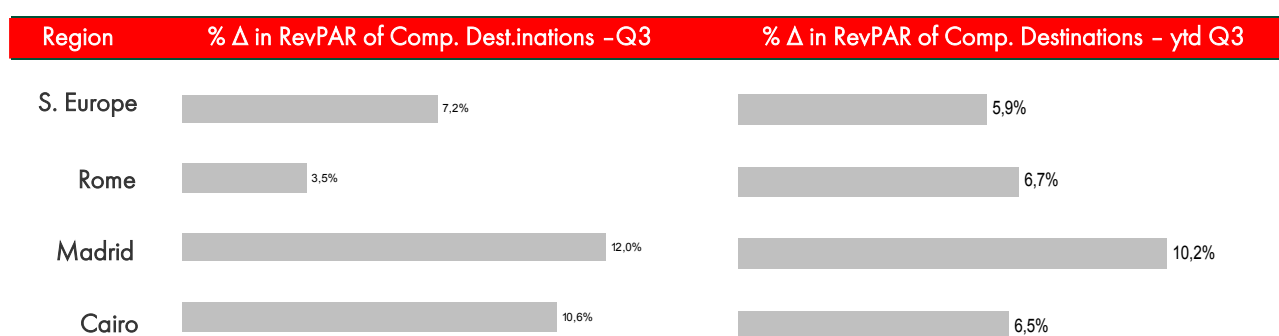
Source: SETE, processed by GBR Consulting

### RevPAR<sup>2</sup> in Greek hotels, 2010 compared to 2009



Source: GBR Consulting

### RevPAR in Competitive Destinations, 2010 compared to 2009



Source: STR Global, processed by GBR Consulting

## Commentary

- International arrivals at airports outside Athens and Thessaloniki, i.e. at resort destinations picked up in Q3, showing an increase of 5.3%, compared to a continuation of the negative trends in Athens and Thessaloniki, -11.3% and -22.0% respectively. As a result the ytd figure for the country as a whole shows only a small drop compared to last year indicating that the fear of a sharp drop in foreign tourism due to the bad publicity of the

country this year, has not materialised. Resort destinations have held their market, with some showing strong increase (e.g. Rodos (+9%), Kos (+11%), Santorini (+6%)), while losses at Crete were checked at -1% at Heraklion and -2% at Chania.

- The RevPAR in Athens dropped by -11.3% in Q3 leading to a ytd drop in the RevPAR of -6%.
- The RevPAR in Thessaloniki continued its sharp drop, -22%, for the reasons explained in detail in [earlier newsletters](#), namely increased room supply and falling demand from Greek businesses following the implementation of the Greek government's austerity package in spring.
- Resort hotels, however, showed a significant improvement in their Total RevPAR, by 5.1%, leading to a reversal of the previously negative trend in the ytd figure, which improved by 4.4%, compared to -4.0% in Q2. Therefore, fears that Greek tourism would collapse this year did not materialise.

## Hotel & Other News

- The Law liberalizing the cruise market (see [earlier newsletters](#)) has been voted in the parliament and is now in effect. The Athens hotel industry is expected to be a main beneficiary of this change as/if Piraeus develops as a hub for cruises, in response to the high demand for cruises in the Greek islands –according to the latest European Cruise Council report, Greece has topped Italy as a favourite cruise destination with 5 million alightings or a 20.9% market share. However, the government is still being criticized by the cruise companies for placing unnecessary administrative obstacles in the liberalization process.
- The Greek government signed a Cooperation Memorandum with the Qatar Government on Sept 23, which includes a € 5 bn investment budget for tourism and hospitality developments, energy and real estate.
- A draft Investment Law has been issued by the government including financial incentives in the form of subsidies or up to 50% or equivalent incentives in the form of tax breaks for companies carrying out new investments or buying assets of companies that have seized operations. The Law is expected to be tabled in parliament in the beginning of November.
- The rigorous implementation of the adjustment and stabilization programme by the Government has helped restore the country's credibility, at least partially. As a result, the spread at which Greek bonds are traded in comparison to German bonds in the capital markets, has dropped in the last weeks since its high point in the summer, by approximately 400 basis points to ~650 basis points, at the same time that spreads in Portugal, Spain and Ireland have inched upwards. A sharp drop in the interest rates and a relaxation of the credit squeeze on the banks (see also next point) will allow easier credit terms in the Greek economy, a prerequisite for growth and development.
- A recent capital increase by the largest bank, the National Bank of Greece, oversubscribed by 1.8x, is considered to signal the reentering of the Greek banking sector in the international financial markets. Furthermore, after many months of finding interbank market gates closed, Eurobank accessed the markets for € 500 million, €200 of which had international bonds as security and the remaining € 300 were Greek bonds as security with a spread of 200 basis points over Euribor and a 2-year term.

## Things to consider for the next Quarter

- The representatives of the Greek state's lenders, i.e. the IMF, the EU and the ECB, are due in November for an evaluation of the fiscal progress made and the budget plan for 2011. A positive evaluation will signal to the markets that the Greek economy is getting back in order and that the country may reenter the financial markets in the next 12-18 months.

## Endnotes

<sup>1</sup> *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.*

<sup>2</sup> *RevPAR: Revenue per Available Room; for Greek resorts, calculations are based on TRevPAR (i.e. Total RevPAR).*

### Hotel Branding in Greece

The following table shows the number of hotel brands in Greece:

Origin of Brand	Number in 2005	<i>minus</i> left brand or ceased operations	<i>plus</i> new entries	=	Number in 2009
International	26	-4	11	=	33
National	18	-1	12	=	29
Regional	21	-4	28	=	45
Cyprus	6	0	0	=	6
<b>Total</b>	<b>71</b>	<b>-9</b>	<b>51</b>	<b>=</b>	<b>113</b>

while in terms of branded hotels and their penetration in the market the following picture emerges:

	2005	2009
Number of Branded Hotels	296	431
Number of Branded Rooms	57.321	77.464
<b>Market Share</b>		
- by number of branded hotels	3%	4%
- by number of branded rooms	17%	19%

*Source: D. Koutoulas, Greek Hotel Branding Report, 2009*

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 CBRE Atria, the Greek arm of CB Richard Ellis, 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 dashshare agreement with STR Global, the world's largest databank of hotel operational data.

Feasibility Studies	Valuations	Market Audits	Sales/Acquisitions
Strategic Positioning	Concept Validation	Benchmarking	Management Contracts
Repositioning	Expert Testimony	Competition Audit	Managerial Audit
Best Use Studies	Litigation Support	Classifications	Asset Management

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