



GBR HOSPITALITY QUARTERLY NEWSLETTER

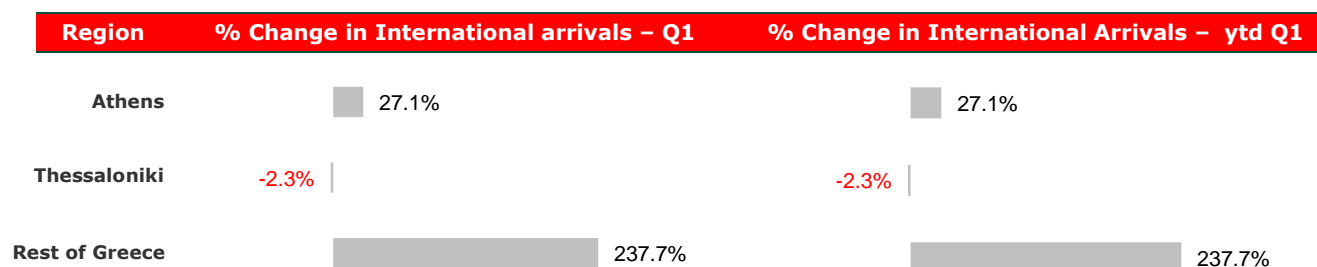
Greek Hospitality Industry Performance

2018 Q1

Introduction

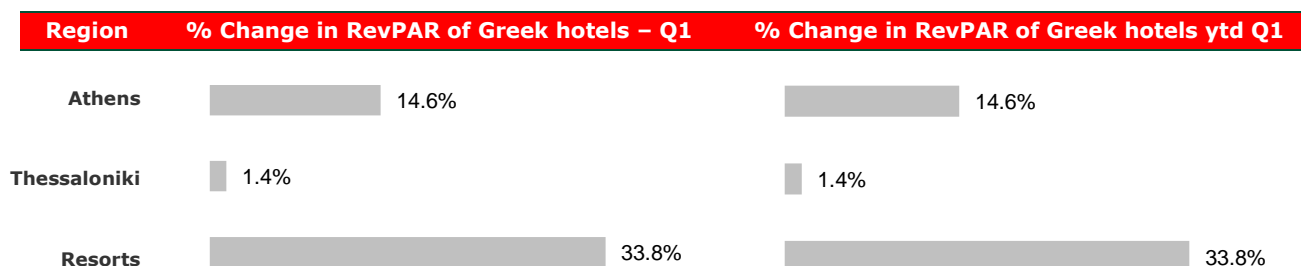
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2018 compared to 2017



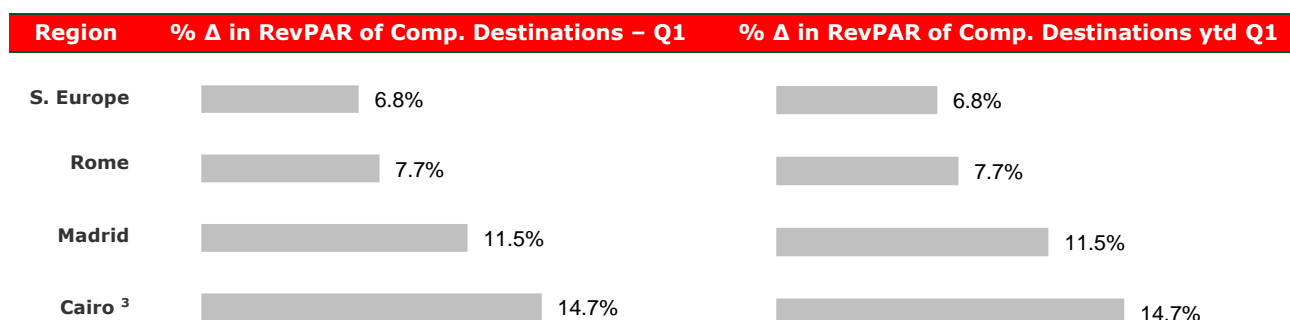
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2018 compared to 2017



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2018 compared to 2017



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

- The strong growth path of Athens continues. In Q1 2018 international arrivals increased by a stunning 27.1% y-o-y and RevPAR at Athenian hotels increased by 14.6% y-o-y as a result of both increasing occupancy levels and room rates.
- In Thessaloniki international arrivals at the airport dropped in the first quarter of 2018. However, Fraport confirmed that due to maintenance works at the airport of Thessaloniki, some airlines were forced to reroute passengers to the airport of Kavala. During Q1 2018 32,000 international arrivals were registered in Kavala, which normally would have been served by Thessaloniki. Adding these arrivals to Thessaloniki, an increase of 9.9% y-o-y would have been recorded for Thessaloniki and 112% y-o-y for the rest of Greece. The latter is mainly due to the performance of the airports of Iraklio and Corfu, who received 10,749 and 5,817 more international passengers respectively during Q1 2018 compared to same quarter last year.
- For the hotel sector in Thessaloniki the first quarter showed drops in occupancy and an increase of ADR, resulting in an improvement of 1.4% y-o-y of RevPAR. However, compared to 2016 room supply increased significantly effecting occupancy levels. In terms of rooms occupied a small increase was recorded during Q1 compared to same quarter last year.
- For those resort hotels that were open during Q1 2018, the year started well with an increase of the total revenue per available room of 33.8% y-o-y. However, Q2 2018 will give a more realistic view on the course of the resort hotels this year.
- Overall the south of Europe had a positive start of the year with an increase of RevPAR of 6.8% y-o-y YTD March 2018. Rome and Madrid both improved occupancy levels, while ADR grew even faster, leading to an increase of RevPAR of 7.7% and 11.5% y-o-y respectively.

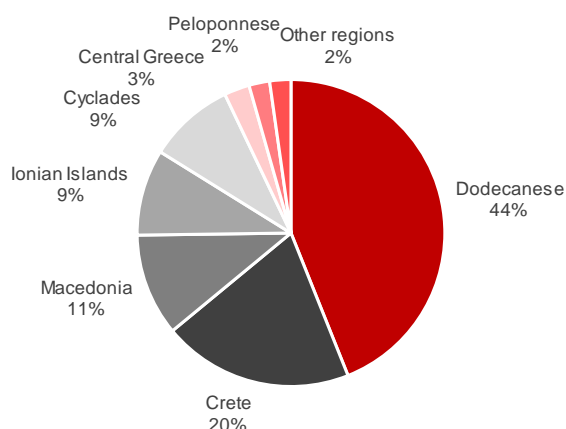
Economy: gradually returning to normality

- For 2018 Oxford Economics expects an expansion of GDP of 1.6%, only a touch better than the 1.3% rise in 2017, but a stronger growth of 2.7% is forecasted for both 2019 and 2020.
- The big issue for this year will be what happens after the existing Greek bailout programme expires in August. The fall in bond yields has made it conceivable that Greece can avoid seeking even a precautionary credit line from its creditors. Such an outcome would of course go down well with voters at next year's general election. But the current level of bond yields partly reflects markets expecting a further debt restructuring by official European creditors in order to improve the sustainability of the debt burden – progress on these discussions will thus be crucial to Greece's future financing plans.
- A crucial next step for Greece's banks will be passing the EU's stress tests, the results of which are due to be published in May. Reports suggest that all the banks are set to pass, implying that there is no need for a hefty recapitalisation prior to Greece terminating its current bailout in August.

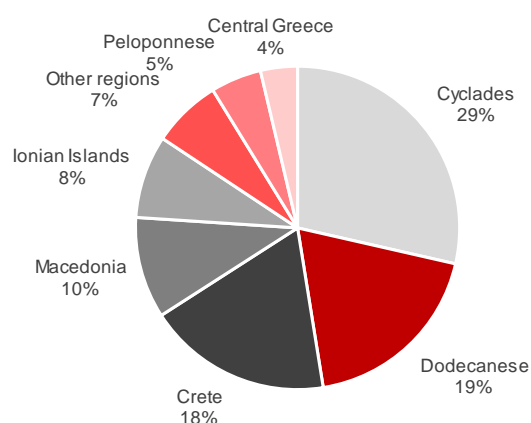
Development of the 5-star sector

- In the period 2010 up to the first quarter of 2018, an analysis of data in our database indicates that more than 200 hotel units were added to the 5-star hotel sector representing nearly 26,000 hotel rooms. This concerns new hotel units, re-openings as well as units that have upgraded from a lower category.

**New 5-star hotel rooms
per region in the period 2010 - 2018**



**New 5-star hotel units
per region in the period 2010 - 2018**

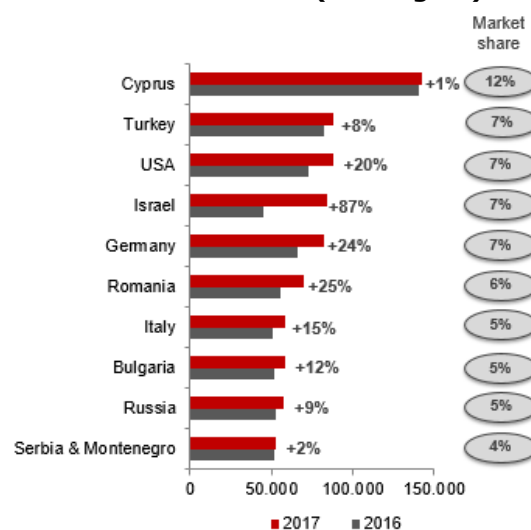


- Nearly 44% of the new 5-star hotel rooms were registered in the Dodecanese. The most new 5-star hotel units were recorded in the Cyclades, but these concern small properties in terms of room count. The largest new units - in terms of average number of rooms per hotel - are located in the Dodecanese, followed by the Ionian Islands, Crete and Macedonia.

Thessaloniki: increasing demand, improving hotel sector performance and new investments

- At the end of April GBR Consulting presented together with the Thessaloniki Hotel Association the results of the Tourist Satisfaction Survey & Performance of the Hotel Sector 2017.
- With respect to the top 10 international source markets of hotels in Thessaloniki, the UK dropped out of the top 10 in 2017 and was replaced by Israel, who climbed straight to the 4th position with a market share of 7%. Compared to 2016 Israeli overnights increased by 87% in 2017, while the top 10 source markets of Romania, Germany, USA, Italy and Bulgaria all recorded double digit growth in 2017 compared to a year earlier. The foreigners outnumbered the Greeks in 2017 with 52% and 48% respectively in terms of overnight stays.
- Tourist satisfaction remains very high as far as the facilities of the city of Thessaloniki are concerned. All indicators of bar / café, restaurants, hotels and shopping facilities score well above the mark of 8.0 out of 10 including value for money of these facilities except for shopping which scored 7.9 out of 10. However, compared to 2016 guest satisfaction on hotel infrastructure and value for money slightly decreased. In addition, satisfaction on many other indicators including safety, cleanliness, pollution and information declined in comparison to 2016, resulting in a drop of the overall satisfaction from 8.2 in 2016 to 8.0 out of 10 in 2017. Even though this is still a very high mark, it points out that all stakeholders need to work towards the further improvement of the city to attract more tourists and to remain competitive.
- In 2017 occupancy and room rates of the 3, 4 and 5-star hotels continued its growth, but each category at a different pace. In terms of occupancy, record levels were recorded in 2017. On the other hand, room rates in 2017 were still 7.7% lower than 2008 in the 5-star sector, 5.4% lower in the 4-star sector and 9.1% lower in the 3-star sector. The gap, however, is closing.

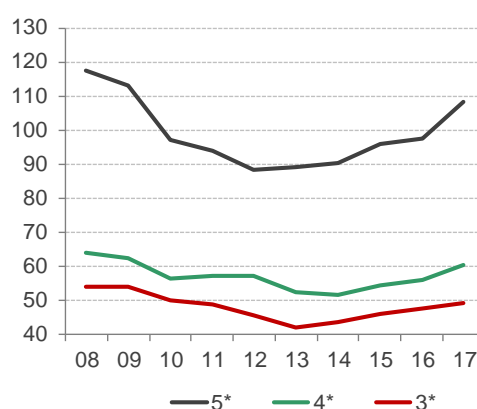
Top 10 major international source markets (overnights)



Occupancy



ADR in €



- A number of small boutique hotels have opened or will open in the coming period. At a historic building in Ladadika the 4-star **Bahar Boutique hotel** with 16 rooms has opened. The property was purchased by the Christaki family in 2008. The 5-star **Antigon Urban Chic Hotel** will open on June 1st and offers 38 rooms. Furthermore, the Doudou family is constructing the 5-star **Olympion City Hotel**. The 8-floor property will have 27 rooms and will open in the spring of 2019. In the centre of Thessaloniki **23 self-service apartments** are constructed in a 6-floor building of 1936 with a size of 25 – 55 sqm each. The property will be marketed through platforms like AirBnB, who have increased their market share significantly in recent years, but also through platforms like booking.com, who is getting a substantial position in the short stay apartment market in Thessaloniki. Also the 18-room **Mood Luxury Rooms** will open in the coming weeks located in Ano Ladadika.

Finally, as already reported in our newsletter of [Q2 2017](#), Grivalia Hospitality and the Tor Hotel group will open at the end of 2019 the 5-star **Olympos Naousa** boutique hotel, offering 68 rooms at a property acquired from Eurobank for € 5.5 M.

Athens: tourism is booming!

- The surge in demand is followed by an investment boom in the accommodation sector of Athens. AirBnB type of short rentals are popping up in many places in and around the city center, while new hotels are opening or under construction. Many of them we have reported in our newsletters, but new plans are announced continuously, covering mainly small boutique hotels.
- The Yazbeck group is currently renovating a property located at the corner of Academia St and Omirou St. to transform it into Marriott's 5-star **Academia of Athens, Autograph Collection**.
- Furthermore, the Ministry of Labour, Social Security & Welfare has issued a call for expression of interest for the lease of the former 176-room **Esperia hotel** located at Stadiou St. The deadline is May 11th, 2018.
- The owners and operators of the the Athenaeum Grand Hotel at Syngrou Ave. are planning for the conversion of another property at Syngrou 123 into the 5-star **Athenaeum Palace & Luxury Suites** offering 109 suites.
- In March 2018 the Hellenic Republic Asset Development Fund announced that a stake of the former 3-star 134-room **Iniohos Hotel** located near Omonia Sq was sold through an electronic auction to the company 3-K SA (see also newsletter [Q2 2017](#)).

Other latest deals and developments

- In Kos the three hotels of **Lakitira SA** have been sold to Atlantica Hotels, who was the highest bidder during an auction held at the beginning of March with an offer of € 62.9 M to purchase all three Lakitira hotels: the 4-star Lakitira Resort & Village, the 5-star Lakitira Suites and the 5-star Helona resort. The other 6 offers were submitted by the Hatzilazarou family of H Hotels (€ 51,7 M), the Deli Touristic group (€ 52 M) the ATRIUM Hotels group (€ 52,2 M), Eurobank through a subsidiary (€ 39,5 M), Thomas Cook (€ 51,3 M) and an Israeli fund (€ 51,5 M). The process was carried out through special liquidation proceedings allowing to keep the hotel in operation.
- In May the 5-star 55-rooms **Lango Design Hotel & Spa** will open on Lambi Beach in Kos under the mangement of HIP Hospitality.
- A new auction for the 343-room **Hydra Beach hotel** failed to attract interest at the end of April for a starting price of € 27.8 M or € 81,000 per room. A new auction will be scheduled later this year with a much lower starting price.
- On the 23rd of May the former Capsis hotel will re-open as the 5-star **Akti Imperial resort**. The total investment budget was € 55 M for the 707-room property (€ 78,000 per room).
- In the coming month the following 5-star hotels will open: the 105-suite **Olea All Suite hotel** in Zakynthos, the 77-room **Rodostamo Hotel & Spa** in Corfu and in Skiathos the 104-room **Elive hotel** (former Xenia) and the 18-room **KB Ammos** (KB Collection).

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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