



GBR HOSPITALITY QUARTERLY NEWSLETTER

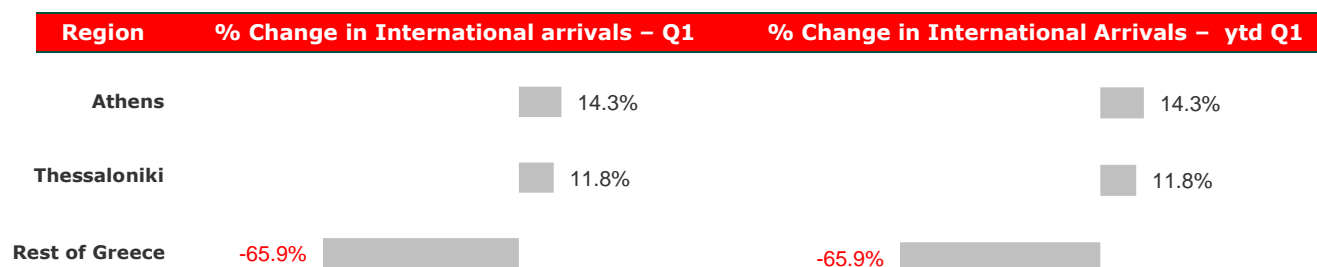
Greek Hospitality Industry Performance

2019 Q1

Introduction

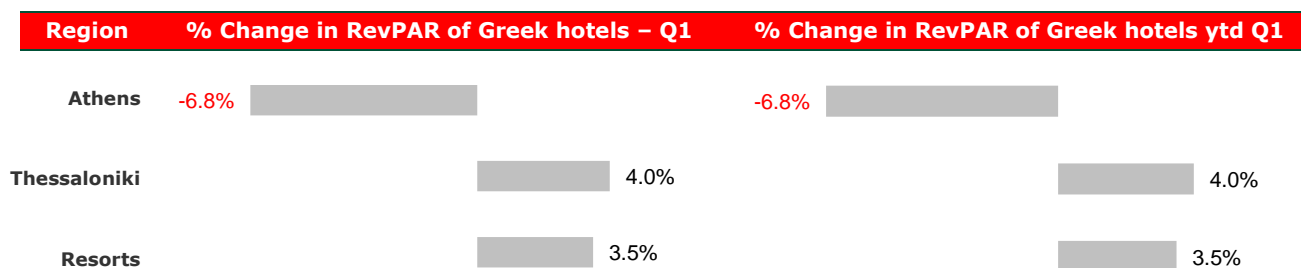
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2019 compared to 2018



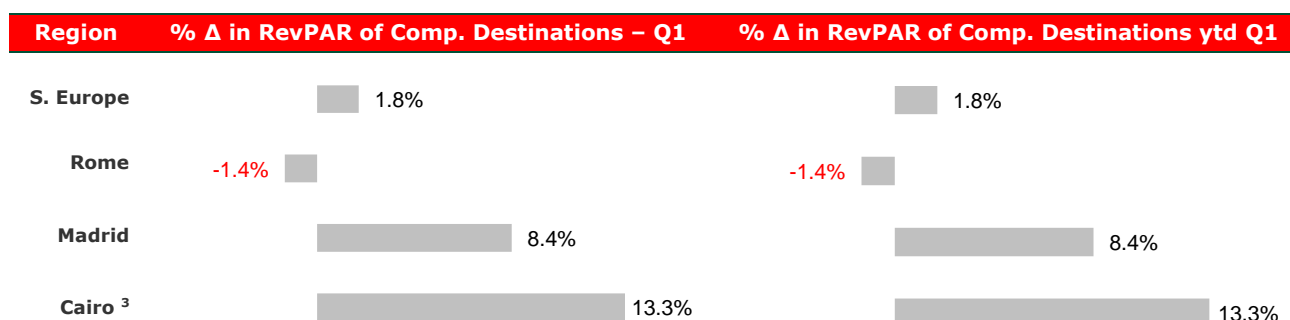
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2019 compared to 2018



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2019 compared to 2018



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 Athens. Data of Thessaloniki has been corrected due to maintenance works at the airport of Thessaloniki during Q1 2018 as some airlines were forced to reroute passengers to the airport of Kavala. We have added these international passengers to Thessaloniki.

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 International Airport of Athens recorded a strong Q1 2019 with an increase of international arrivals of 14.3% y-o-y. However, occupancy levels at **Athenian hotels** dropped by 6.8%, while room prices remained at the same level as last year, mainly caused by the expanding accommodation sector: the Short Term Rental segment continues its growth path and now also in neighborhoods which were previously not perceived as attractive. Furthermore, the rooms-to-let sector has grown over the past 3 years with 239% in terms of units and 157% in terms of rooms.

The Attica hotel sector added around 800 rooms in the 3 – 5-star segments in 2018, while the 310-room Athens Hyatt re-opened (former Athens Ledra).

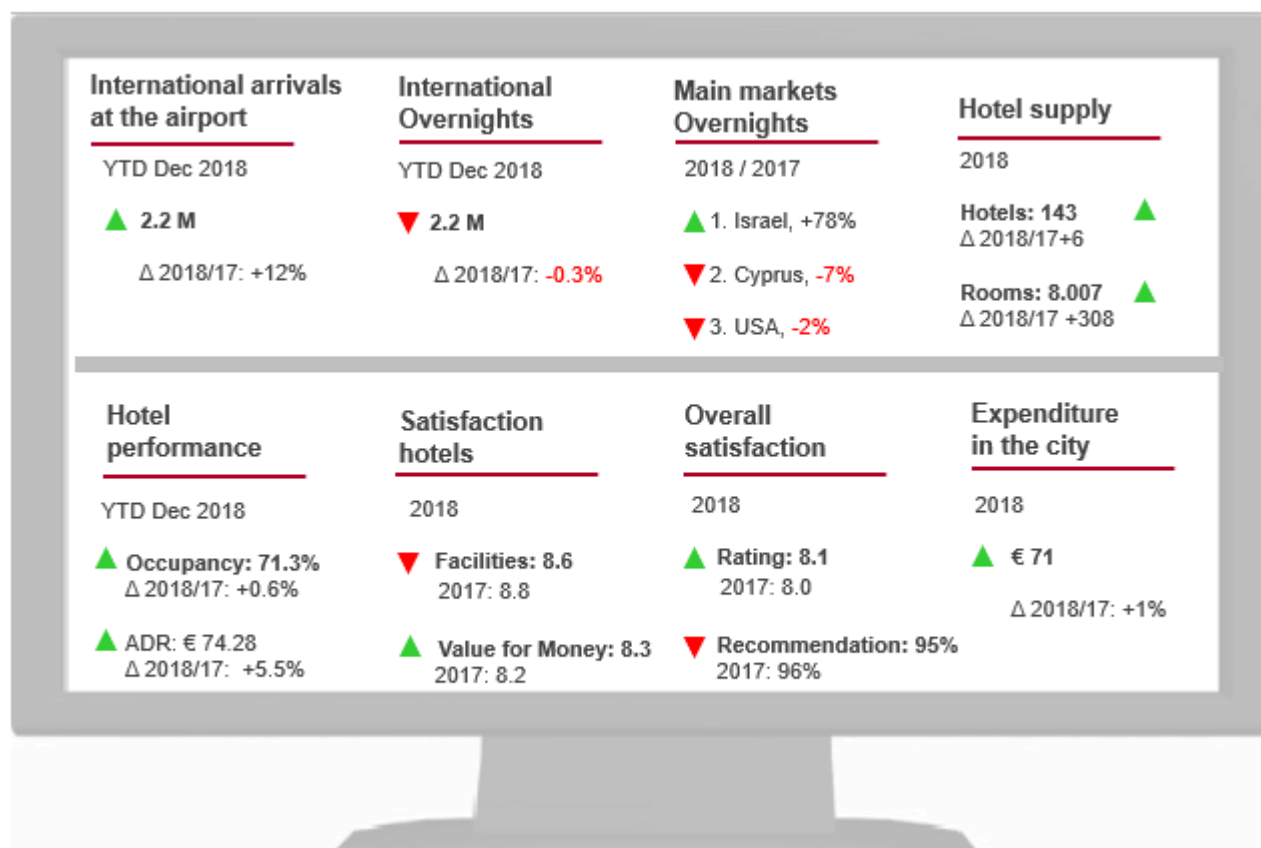
In 2019 hundreds of new and renovated hotels rooms in Attica will be added. The 330-room 5-star Four Seasons Astir Palace has just opened, and the 240-room 4-star Ever Eden of Somewhere Hotels and the 60-room 5-star Academia of Athens Autograph Collection will open in the coming period.

Other hotel developments are planned for 2020, while more than 900 former hotel rooms are currently not in operation but will be placed in the market in near future.

- **Thessaloniki** had a better start of 2019 with an improvement of RevPAR of 4.0% y-o-y in Q1 2019, as a result of mild increases in both occupancy and ADR. International arrivals increased by 11.8% y-o-y during the first quarter, taking into consideration that we have added the Q1 2018 international arrivals of Kavala to Thessaloniki as some airlines were forced to reroute passengers to the airport of Kavala during that quarter due to construction works.
- The **Greek resort hotels** that were in operation during Q1 2019 recorded a modest growth of the Total Revenue per Available Room.
- In terms of international performance, **South of Europe** improved its RevPAR by 1.8% y-o-y during Q1 2019. The city of **Madrid** had a strong first quarter of 2019 with an improvement of RevPAR of 8.4% y-o-y, while the RevPAR of the hotels in **Rome** dropped by 1.4% y-o-y due to lower occupancy levels.

Thessaloniki hotel sector: stagnating demand and shift in source markets

- In April 2019 GBR Consulting and the Thessaloniki Hotel Association presented a new report on the performance of the Thessaloniki hotel sector and tourism satisfaction.

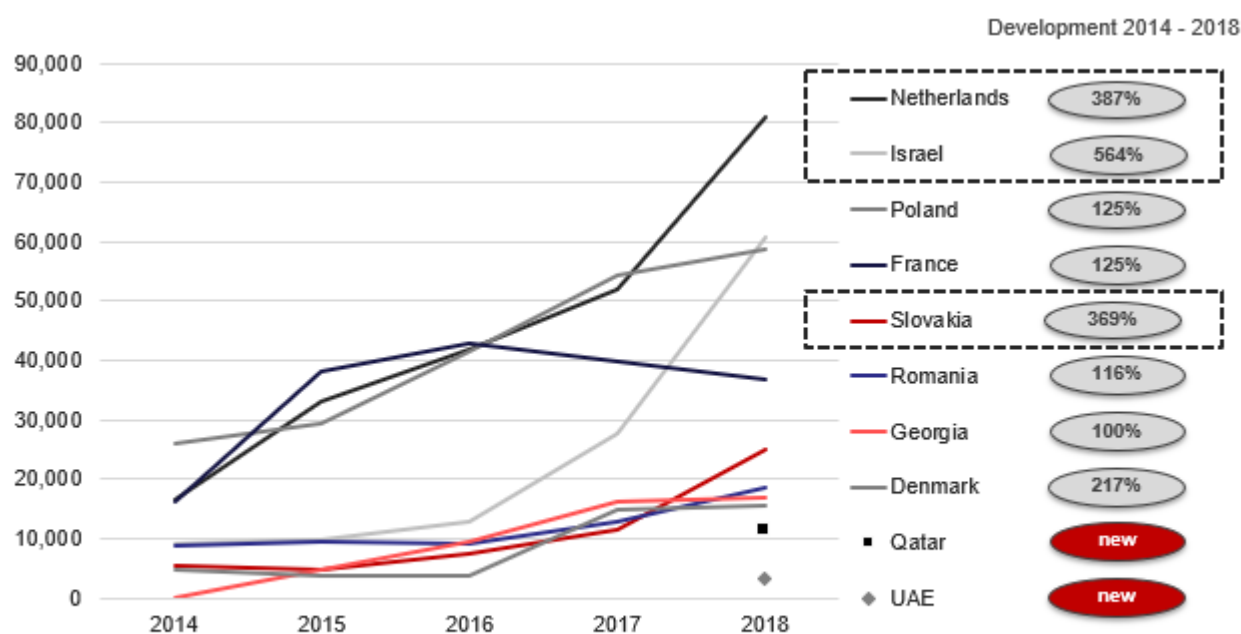


- As shown in the dashboard above the international arrivals at the airport of Thessaloniki increased by 12% y-o-y in 2018, while international overnight stays at hotels remained stable, which was reflected in

the occupancy performance of 2018. At the same time the number of hotels and hotel rooms showed a small increase in 2018 compared to a year earlier, while the Short Term Rental and the rooms-to-let sectors expanded significantly. The latter reached a total of 522 units in January 2019 offering 4,137 rooms.

- In the hotel sector the 5-star Wellness Santa Resort just opened. The new hotel, which offers 135 rooms and suites, is connected to the adjacent Santa Beach Hotels (former Galaxias Beach).
- Tourists remain very satisfied with their experience in Thessaloniki. In fact, the overall satisfaction level increased from 8.0 in 2017 to 8.1 in 2018. Areas of concern remain public cleanliness, public transport, the state of squares and pavements and safety in the city as all these aspects recorded significant drops in satisfaction levels.
- The size of the hotel sector consisting of hotels 1 – 5 star is estimated at € 161 M, while hotel guests spent a total of € 183 M in the city plus € 76 M on taxes. The total estimated economic impact of the Thessaloniki hotel sector is thus estimated at € 420 M without considering transportation to reach Thessaloniki, intermediaries and multiplier effects.
- A major shift in major source markets is noted in Thessaloniki. Overnights of Israelis increased in 2018 with a stunning 78% y-o-y taking over the first place in the rank of major source market for the hotel sector from Cyprus, which recorded a decrease of 7% y-o-y in 2018. Overnights of Italians recorded an increase of 17% y-o-y, while the largest drop was registered by the Turks and Russians, namely 30% and 13% respectively comparing 2018 with 2017.

Fastest growing markets at the Thessaloniki International Airport, 2014 - 2018



Source: Hellenic Civil Aviation Authority, Fraport

Athens Riviera

- In cooperation with the Athens Hotel Association, GBR Consulting has reported for many years that Athenian tourists have low awareness of the Athens coast. In our latest survey only 50% of the foreign guests visited the coast.
- On the other hand, accessibility is difficult and infrastructure is currently poor. This could change in the coming years through the anticipated development of the former Hellenikon airport for which currently a tender is in progress for the issuance of a casino licence for the operation of an integrated resort casino for a period of 30 years.
- Furthermore, Aktor Concessions SA has been nominated in April 2019 by the Hellenic Republic Asset Development Fund as the preferred bidder for the granting of the right to use and exploit the marina of Alimos for a period of 40 years. Besides the annual concession fee, the concessionaire will proceed with a considerable investment program in the next five years.

- In addition, Temes SA through its subsidiary Athens Beach Club SA and Grivalia through its Nafsika subsidiary were awarded a concession in April 2019 for the development and management of the Voula coast A (known as Camping Voulas) and B. The Voula – Vari – Vouliagmenis Municipality, the organiser of the tender, mentioned that the total investment will amount € 15 M and works will be completed in 2020.
- In terms of hotel infrastructure, we already mentioned the opening of the Four Seasons Astir Palace and the planned opening of the fully renovated Ever Eden of Somewhere Hotels. In addition, it has been reported that Grivalia Hospitality through their Nafsika subsidiary will start the development of the former Asteria Glyfada in 2020 and involves the creation of a new 5-star hotel, possibly managed by a high-end international hotel brand.
- In the meantime, the redevelopment of the Faliro Bay - located between the Stavros Niarchos Foundation Cultural Centre and the Peace and Friendship stadium - is in progress with flooding works and the undergrounding of a part of Poseidonos Ave. Phase B will follow with the creation of a metropolitan park.

Transactions

- After the acquisition of Mr & Mrs White Paros in October 2018, Briq Properties acquired in April **the Mr & Mrs White Tinos** for an amount of € 2,960,000. The 4-star property is known as the former Porto Tango and is leased to HotelBrain Capital SA.
- In February 2019 it was announced that Temes SA has acquired a controlling interest in **Ionian Hotel Enterprises SA**, the owner of Hilton Athens. Temes SA increased its stake to 51%, thereby acquiring majority control. The remaining 49% will be held by an affiliate of The Olayan Group, a shareholder of Temes. The stake in Ionian Hotel Enterprises SA was previously held by D Hospitality BV, a subsidiary of the Turkish Dogus Group.
- Following reports in July 2018 of a deal between **Harvard Investment Group (HIG)** and **Tourist Enterprises of South SA (TEN)**, **Aldemar Group** it was announced in February 2019 that the Angelopoulos family sold their stake in Tourist Enterprises South SA, owner of the 610-rooms 4-star Paradise Village and the 200-room 5-star Amilia Mare in Rhodes. The two properties are now managed by Atlantica Resorts.

Outlook

- According to Oxford Economics the Greek economy is forecast to expand at the same pace as last year, meaning a growth of 1.9% based on improving domestic demand, which will offset recent weakness in eurozone demand. Declining unemployment and a sizeable rise in the minimum wage should strengthen household spending. Fixed investment, which has so far been stubbornly weak, should pick up slowly albeit from a low base.
- In pre-election mode, the government has enacted several expansionary measures this year in a bid to win back support. And main opposition party New Democracy says it will push to renegotiate the fiscal targets if elected. These moves cast some doubt over Greece's willingness to accept endless fiscal discipline, which is key to sustainable public finances.
- With respect to the Greek tourism sector a stabilising year is expected for 2019.

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.

Contact Details

GBR Consulting
4 Sekeri Street, 106 74 Athens, Greece
T (+30) 210 36 05 002
www.gbrconsulting.gr
gbr@gbrconsulting.gr

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