



## **GBR HOSPITALITY QUARTERLY NEWSLETTER**

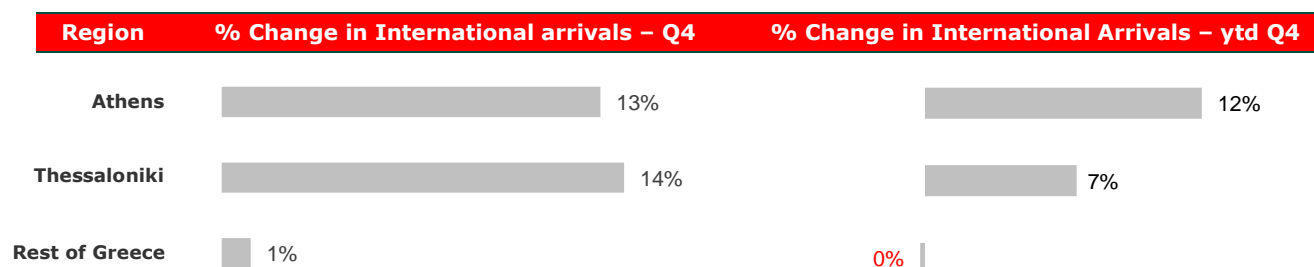
### **Greek Hospitality Industry Performance**

**2019 Q4**

## Introduction

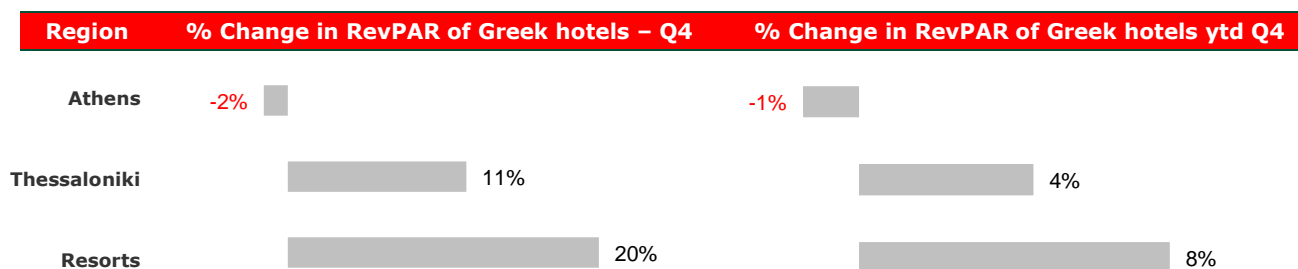
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

### International arrivals<sup>1</sup> in Greek airports, 2019 compared to 2018



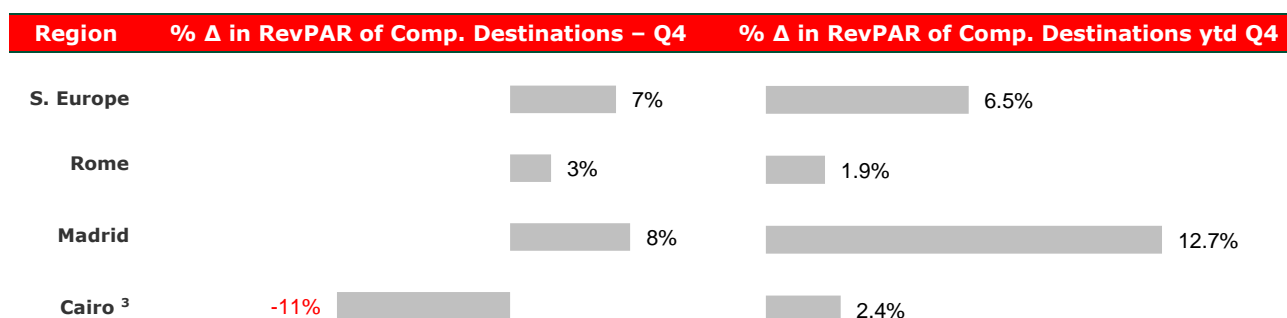
Source: SETE, processed by GBR Consulting

### RevPAR<sup>2</sup> in Greek hotels, 2019 compared to 2018



Source: GBR Consulting

### RevPAR<sup>2</sup> in Competitive Destinations, 2019 compared to 2018



Source: STR Global, processed by GBR Consulting

<sup>1</sup> 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.

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

<sup>3</sup> The percentage change of Cairo is based on the RevPAR in local currency

## Commentary

- International arrivals of foreign residents at the Athens airport recorded double digit growth in each month of the last quarter of 2019. In total **6.4 million foreign residents arrived in 2019**, an increase of 12.0% y-o-y.
- Despite this surge in demand, **performance of the Athenian hotels in 2019 was under pressure**. Except for August all other months showed declining occupancy. Room rates increased by just 0.9% y-o-y in 2019, RevPAR dropped by 1.4% y-o-y in 2019. Hotel room supply in the centre of Athens has grown significantly during the past years (see below), while the Short-Term Rental market stays strong in term of supply. Properties with a rooms-to-let license are increasing. Our pipeline for upcoming hotel openings shows that thousands of hotel rooms will be added to supply in the coming years.
- The hotel sector of Rome recorded an improvement of its RevPAR in 2019 by 1.9% y-o-y, while Madrid had an exceptional year (see our [newsletter of Q3 2019](#)) with an increase of RevPAR in 2019 of 12.7% y-o-y.
- Contrary to Athens, the **fourth quarter of 2019 for the hoteliers in Thessaloniki was robust** with an increase of RevPAR of 11% y-o-y. For 2019 as whole RevPAR increased by 4.3% y-o-y. Data shows that especially the 4-star sector contributed to this result. Supply in Thessaloniki is expected to increase in the coming period as numerous small and large projects are currently under construction or being developed.
- The **airports at resort locations registered a flat performance overall**. However, there are regional differences as the airports of Kalamata and Mykonos recorded growth in 2019 of 21% y-o-y and 10% y-o-y respectively, while international traffic at Heraklion, the third largest airport of Greece and Chania in Crete decreased in 2019 by 2% y-o-y each.
- In line with the performance of the airports, **demand at resort hotels in Greece remained flat**. In 2019 an occupancy level of 79.7% was achieved, at a similar level of 2018. However, total revenue increased by more than 7% y-o-y in 2019. The 5-star resort sector showed the highest growth in the Total Revenue per Available Room of 10% y-o-y in 2019, while the 4-star sector remained flat and the 3-star resort segment improved by 5.9% y-o-y.

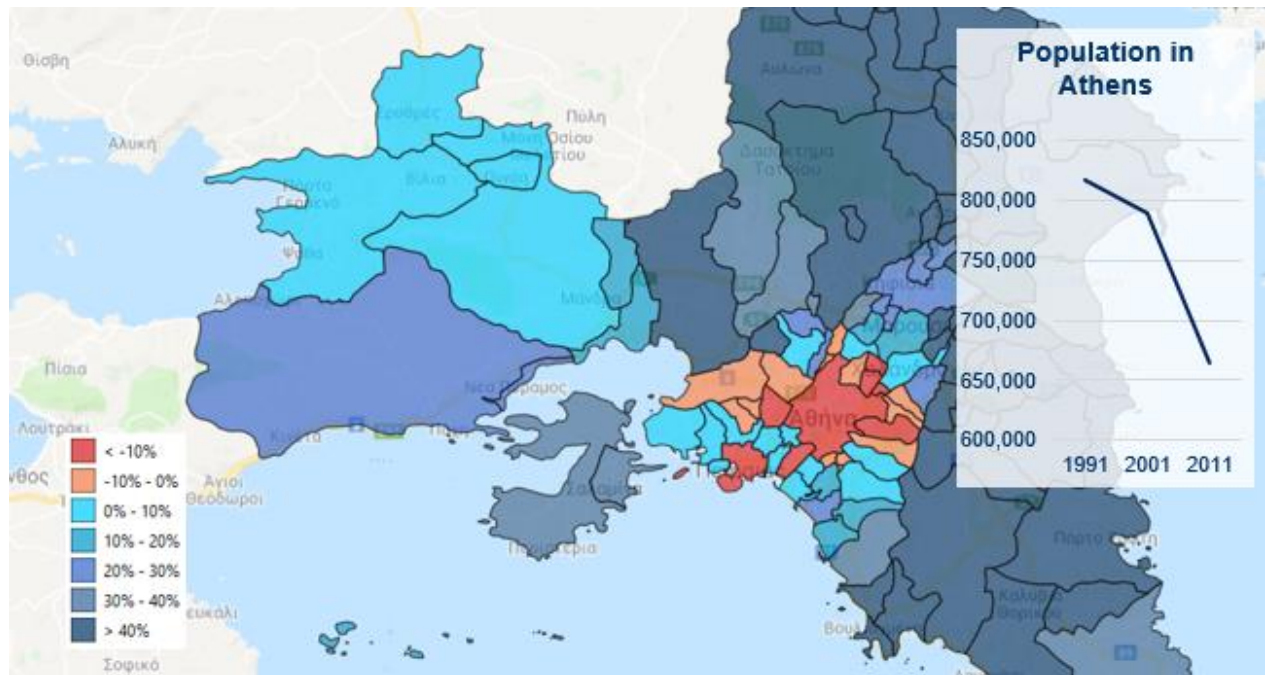
## 31 million tourists visited Greece in 2019, significant increase in expenditure

- It is estimated that Greece attracted **31.3 million international tourists in 2019**, an increase of 4% compared to 2018.
- These **tourists spent an estimated € 17.6 billion in 2019**, up by 12% y-o-y. The average expenditure per arrival increased from € 521 in 2018 to € 564 in 2019. The Americans and the British were among the main contributors to this increase (see also our [newsletter of Q3 2019](#)).

## Satisfied Athenian hotel guests, but record low satisfaction on public cleanliness

- In November 2019 the 15<sup>th</sup> tourist satisfaction survey & hotel performance was presented, a study conducted on behalf of the Athens – Attica Hotel Association.
- One of the highlights of this study is that about **80% of the tourists feel that there is much more to see and to do in Athens and therefore 87% indicated that they will return to Athens**, while 96% will recommend a visit. However, these same tourists also indicated that public cleanliness is inadequate with a mark of just 5.6 out of 10, by far the lowest level of the past 5 years. Also, the satisfaction levels regarding city greenery, noise pollution, the state of the squares & pavements and atmospheric pollution dived to record low satisfaction levels and need clearly to be improved to maintain the city's attractiveness.
- In addition, with the exception of the local gastronomy, **tourists feel that they have not really connected with the locals and their way of living**. In relation to this, data shows that residents are moving out of the city centre to other municipalities in Attica. Population in the municipality of Athens has declined from 816,556 in 1991 to 664,046 to 2011, a drop of 19%, while population of municipalities around the center increased. It is projected that this trend continued up to today.
- Therefore, we consider it very important that the destination of Athens develops and implements a destination strategy taking into consideration the **shared interest of visitors, residents and businesses**.

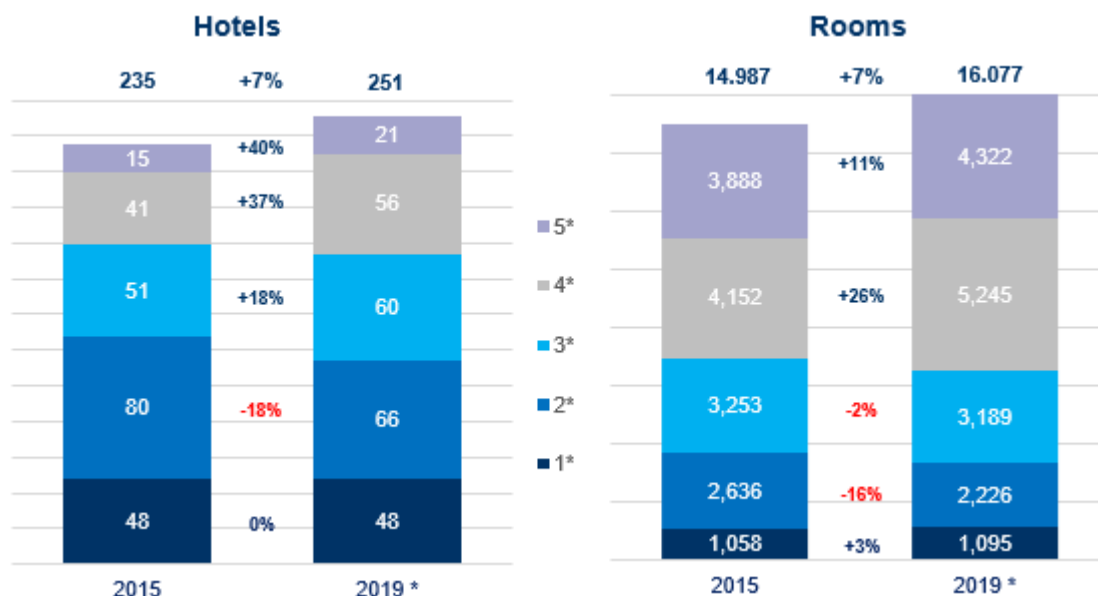
### Development of population in the period 1991 - 2011



Source: Hellenic Statistical Authority

- Following the significant increase of demand, supply increased in the form of hotels, Short-Term Rentals and rooms-to-let units. Even though the total number of hotels and hotel rooms in the regional unit of Attica increased by just 1% and 3% respectively during the period 2015 - 2019, further analysis reveals that the number of 4 and 5-star rooms in the region increased by 24% and 3%, while the other categories declined.
- In the centre of Athens, the number of hotels and hotel rooms increased by 7% each during the reviewed period. The **number of hotels in the 5-star sector increased by 40% and in the 4-star segment by 37%**. The number of hotel rooms for these categories increased by 26% and 11% respectively.

### Development of hotels and hotel rooms in the center of Athens



\* October 2019

Source: Hellenic Chamber of Hotels

## Transaction highlights

- In January 2020 it was reported that **Hines acquired for an amount of € 61 million the Cyan Group of Hotels, a local brand in Crete of the Kefalogianni family operating 700 rooms in 3 hotels**: the 5-star Apollonia Beach Resort & Spa (334 rooms), the 4-star Santa Marina Beach Resort (208 rooms) and the 5-star Sitia Beach City Resort & Spa (161 rooms). The properties are planned to be renovated for a total amount of € 30 million.
- The **Reuben Brothers** announced on their web site in January 2020 that they acquired the La Residence hotel in Kalafatis Bay in Mykonos. The 30-room luxury boutique hotel will undergo extensive refurbishment at the end of the summer season 2020. Transaction details have not been released.
- In January 2020, the Hellenic Republic Asset Development Fund announced the completion of the sale of the SPV to **Castello Bibelli SA**, an interest of the Fais Group and Blue House Capital, with a total financial consideration of € 4.1 million. Within the framework of the Special Plan for the Spatial Development of Public Real Estates (ESHADA) the company is planning the development of a hotel offering 23 suites as well as residences.
- After the acquisitions in Paros and Tinos, **Briq Properties REIC** announced in December 2019 that they acquired the 38-room Mr & Mrs White Corfu hotel for an amount of € 3 million. The property will be leased to Hotelbrain SA.
- Finally, a note on the Greek gaming sector, where the Hellenic Gaming Commission (HGC) disqualified in January 2020 Hard Rock International from the Hellenikon casino tender process in Athens, but the company has announced legal action. **Mohegan Gaming & Entertainment** is the remaining bidder. Meanwhile, plans to move the **Regency Casino Mont Parnes** from Mount Parnitha to the Dilaveri Estate (opposite the Golden Hall shopping mall) in Maroussi are well under way. Hellenic Casino of Parnitha SA is owned by Athens Resort Casino SA, owned by Regency Entertainment and Karenia Enterprises (51%) and the Greek state through ETAD (49%). Furthermore, two other casinos in Rio and Xanthi will have their operating licenses suspended for two months by HGC over unpaid social security bills, while it remains unclear whether the Israeli **Comer Group** has acquired the shares of Club Hotel Loutraki, after they acquired Piraeus Bank's loan to Club Hotel Loutraki last year.

## Economy growth seen rising to 2.2% in 2019 and 2.3% in 2020-21

- Following the solid 0.6% Q-o-Q rise in Q3, as tourism buoyed exports and household spending returned to growth after the July elections, Greek GDP is expected to have grown 2.2% in 2019, up from 1.9% in 2018. This is a positive step in the recovery, but more robust growth is needed.
- Despite rising optimism and the budget's tax overhaul, the analysts of Oxford Economics forecast growth to pick up 2.3% in 2020, with the same pace seen in 2021. Domestic demand will provide key support, but the weak external climate will see a more marked slowdown in export growth.
- The drop in Greek bond yields to historical lows has improved debt sustainability, leading to calls for a lower primary fiscal surplus target. And parliamentary approval of the Hercules Asset Protection Scheme should reduce banks' exposure to non-performing loans by roughly 40%. As of Q3 2019 Greek non-performing loans stood at € 71.2 B, around 42.1% of total gross loans. Reducing NPLs will have a beneficial impact on the economy, freeing up bank's lending capacity and accommodating an investment upturn.

**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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