



GBR HOSPITALITY QUARTERLY NEWSLETTER

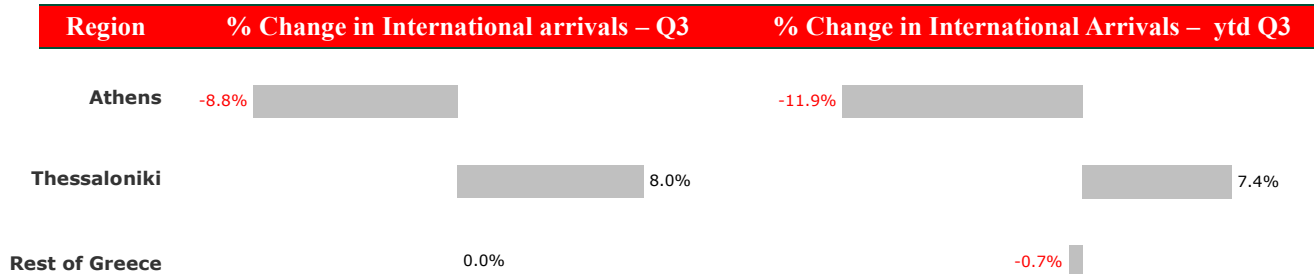
Greek Hospitality Industry Performance

2012 Q3

Introduction

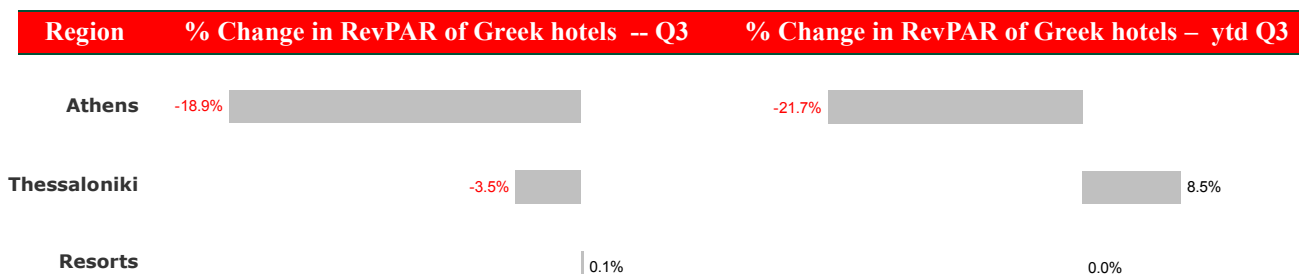
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2012 compared to 2011



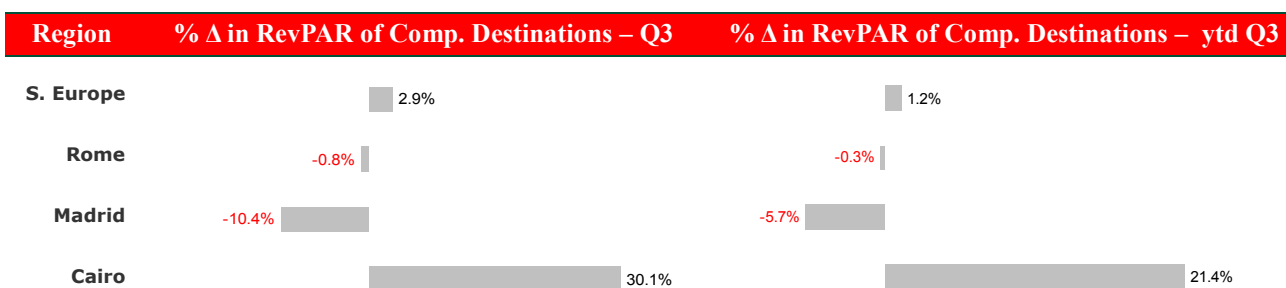
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2012 compared to 2011



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2012 compared to 2011



Source: STR Global, processed by GBR Consulting

¹ 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.

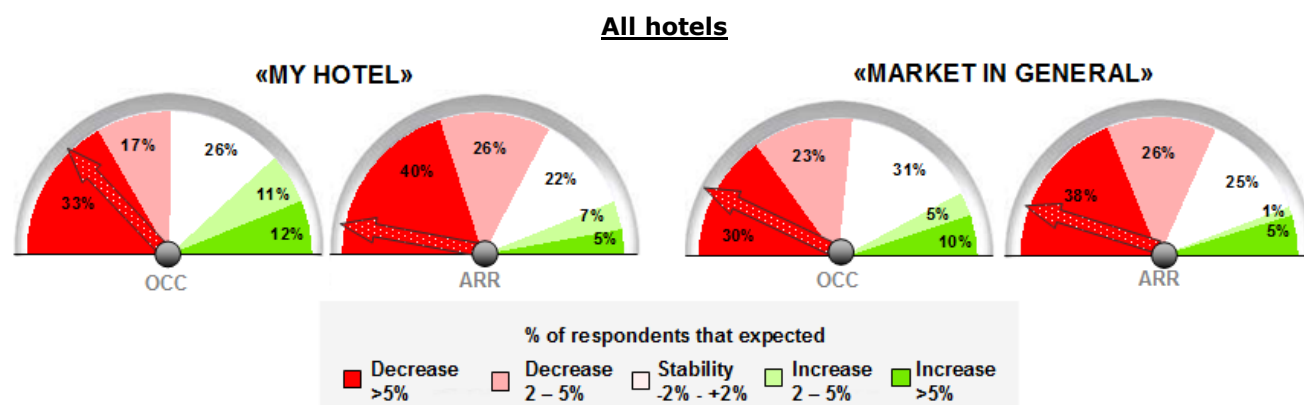
² RevPAR: Revenue per Available Room; for Greek resorts, calculations are based on TRevPAR (i.e. Total RevPAR).

Commentary

- After the difficult year of 2010 and the strong recovery in 2011, the Greek tourism industry as a whole showed signs of stabilisation in 2012. Considering the constant stream of negative news from Greece, this can be evaluated as positive. However, there are major regional differences.
- With respect to arrivals YTD September, Athens suffered most with a decline of 11.9%. On the other hand, Thessaloniki saw an increase in the number of international arrivals with 7.4%, while the rest of Greece stabilized in Q3 with the same number of arrivals as Q3 2011. In this segment we see the Dodecanese islands of Rhodes and Kos declining, the Ionian islands of Corfu, Zakynthos and Kefalonia increasing and Crete and Cyclades stabilising.
- Analysing the performance of the hospitality sector, it becomes clear that resorts hotels overall performed in 2012 on par with 2011, as shown by the 0.1% growth in RevPAR in Q3 and the 0.0% YTD Q3. Occupancy levels in Thessaloniki increased, but at a slightly lower rate resulting in a positive YTD Q3 percentage of its RevPAR of +8.5%. Social unrest and the subsequent collapse of the MICE market are the main reasons of the current bad state of the Athens hotel sector.
- Finally, like Athens, Madrid is also suffering from the economic crisis, while Rome is stabilising compared to 2011. Cairo continues its recovery, although RevPAR is still very low compared to the period before the uprising.

Barometer

- As reflected in our [Tourism Barometer survey for 2012 Q4](#), expectations for the last quarter of 2012 are negative in comparison with same quarter last year. Hoteliers expect a drop in both occupancy levels and room rates. Exceptions are the resort hoteliers in Crete and the city hoteliers in Thessaloniki.



Investment climate ...

- Despite its shortcomings, the austerity / stabilisation programme that is being implemented since 2010 has already led to significant macroeconomic and structural adjustment. According to the latest Alpha Bank weekly report, the country is expected to have in 2013 a balanced current account for the first time in decades and a primary government surplus (the latter possibly within 2012) for the first time since 2002. Furthermore, according to the World Bank / IFC "Doing Business" report, Greece was among the 10 countries with the highest improvement, going from a rank below 100 to rank 78.
- Of course, a lot remains to be done and, as this newsletter is being written, the Greek government announced the conclusion of its negotiations with the Troika (IMF, ECB, EU Commission) for fiscal and restructuring measures and the agreement reached will be submitted to Parliament for approval. The future course of the country obviously depends greatly on the vote on the agreement as a negative vote is expected to lead to uncontrolled default - with repercussions well beyond its borders. On the other hand a positive vote will probably signify the end of the discussion on whether Greece will remain a Euro country which obviously impacts investment decisions greatly, and pave the way to recovery. In our opinion the combined effect of the above can lead to much higher growth than has been forecasted by the Troika with obvious positive implications on the sustainability of the debt.
- Considering tourism in particular, the Greek government has implemented a number of structural changes for the benefit of the tourism sector including:
 - liberalisation of the cruise industry, now allowing home porting in Athens, Crete, Rhodes etc.;

- simplification of the licensing process for new hotel investments;
- simplification of the Schengen visa process, which can potentially lead to an additional 1.5 to 2.5 mn tourists from non Schengen countries;
- enabling legislation for the development of Multiple Resorts in state-owned property, which will be privatised by the Hellenic Republic Asset Development Fund;
- together with the Association of Greek Tourism Enterprises (SETE), it has agreed to set up Marketing Greece SA as a PPP with the sole purpose of promoting Greek tourism.

In addition, the Federation of Hoteliers and the Hotel Employee Union have signed a new collective labour contract, specifying a basic salary cut of 15% until 31/12/2013, with stable staff benefits.

Furthermore, the following reforms and development initiatives are in the pipeline:

- Tourism Spatial Planning allowing the development of beachfront properties and favouring 4* and 5* hotels with higher building coefficients;
- New Investment Law permitting frequent renovations and cutting red tape by outsourcing approval of investment plans to the Banks;
- International tender for Athens International Conference Centre;
- Measures aiming to improve competitiveness of Athens airport and privatising regional airports.

...and opportunities in the Greek tourism industry

- Despite the economic malaise, Greek tourism industry has been surprisingly resilient as shown above. Greek tourism offers various opportunities:
 - Banks recapitalisation: banks will sell non-core activities, including hotels (e.g. Astir (Starwood), Athens Hilton) and will possibly have no incentive to hold assets on artificially inflated values;
 - Opportunities for concepts suited to hundreds of (small) depreciated hotels on offer, e.g. chain of hotels for disabled and seniors;
 - Privatisations which includes mixed use resorts, spas and land.
- In a vote of confidence in the Greek economy and tourism, Diamond Resorts International, one of the largest hospitality companies in the world, acquired in October all shares of Aegean Blue Holdings Plc., adding five resorts (4 in Crete and 1 in Rhodes) as well as approximately 7,400 timeshare owners. The financing was provided by Guggenheim Partners.

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 datashare 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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