



GBR HOSPITALITY QUARTERLY NEWSLETTER

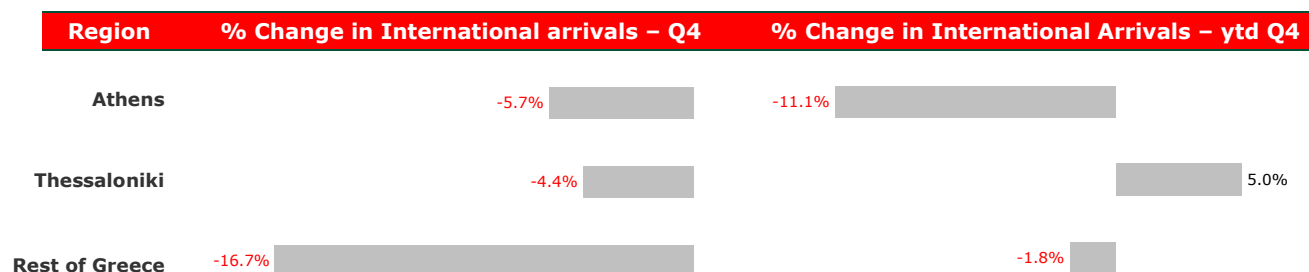
on the Greek Hospitality Industry

2012 Q4

Introduction

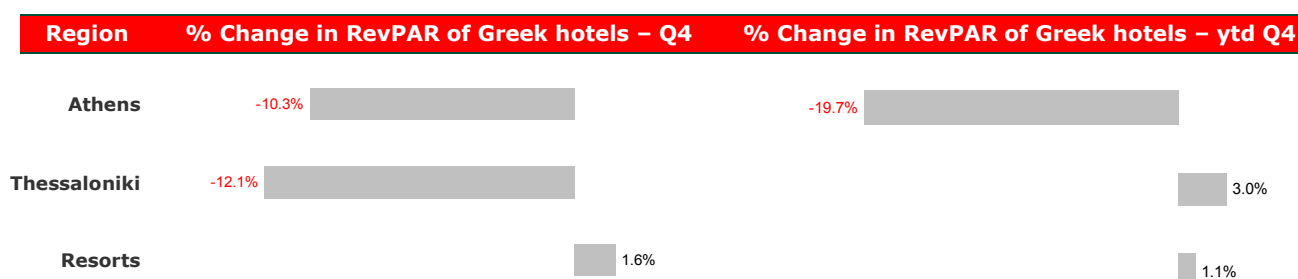
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2012 compared to 2011



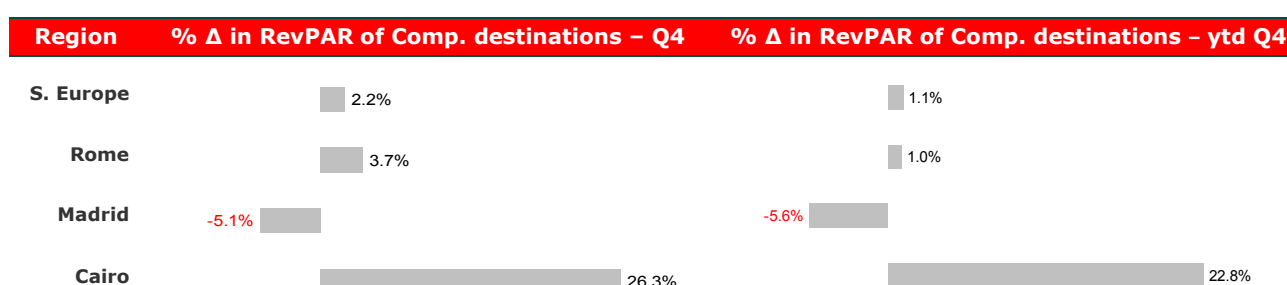
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2012 compared to 2011



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2012 compared to 2011



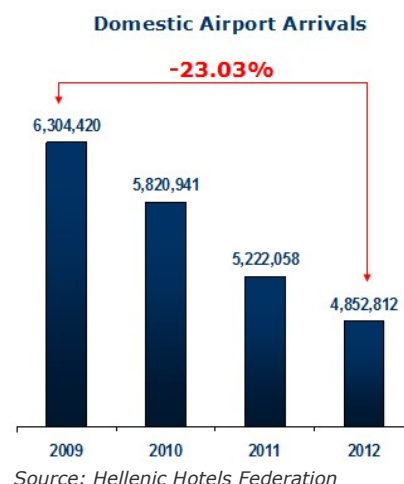
Source: STR Global, processed by GBR Consulting

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 Resorts, calculations are based on TRevPAR (i.e. Total RevPAR).

International tourism arrivals stabilise at resorts, but sharp drop for Athens and domestic travel

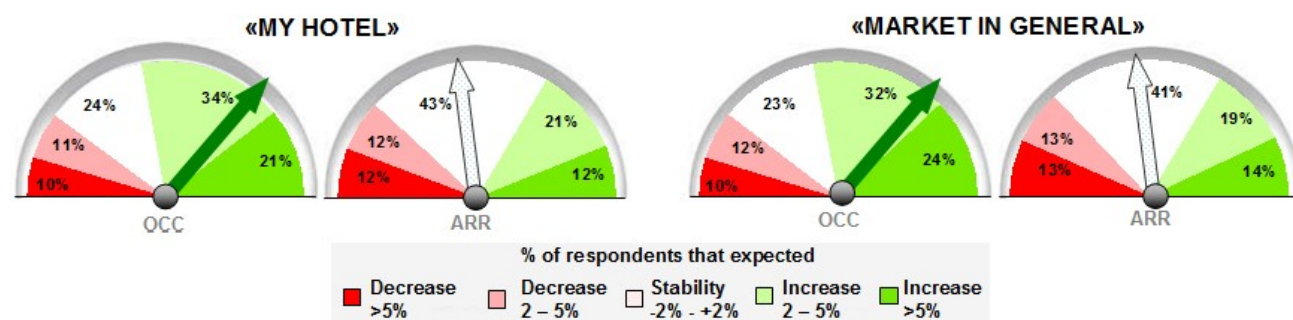
- International tourism arrivals in Greece fell by 3.3% in 2012 compared to 2011. However, this masks substantial differences between Athens (-11.1%) and the rest of Greece which stabilised (-0.8%); given the tough socioeconomic climate in the critical months –from a tourism perspective– of spring and summer, this signifies the strength of the Greek tourism product.
- However, domestic air travel in Greece has shrunk by 23% between 2009 and 2012, as a result of slashed travel budgets by Greek businesses and households due to the recession.
- Performance of Resort hotels was on par with 2011 as TRevPAR increased marginally by 1.1% in 2012. On the other hand, Athens clearly suffered in 2012 with a further decline of RevPAR by ~20%, mainly due to the drop of domestic tourism and the decline of the MICE sector as a result of negative images of riots and protests as well as of economic uncertainty.
- Regarding competitors, which also suffered from social unrest and recession, Madrid also showed a decline of 5.6% in RevPAR in 2012, while Rome had a similar performance as 2011 with a small increase of 1% in RevPAR in 2012 compared to 2011.



Barometer: Hoteliers optimistic for 2013

- The Greek hotel sector is optimistic for 2013 (see [GBR Tourism Barometer 2013 Q1](#)), expecting higher occupancy levels and stabilising room rates.

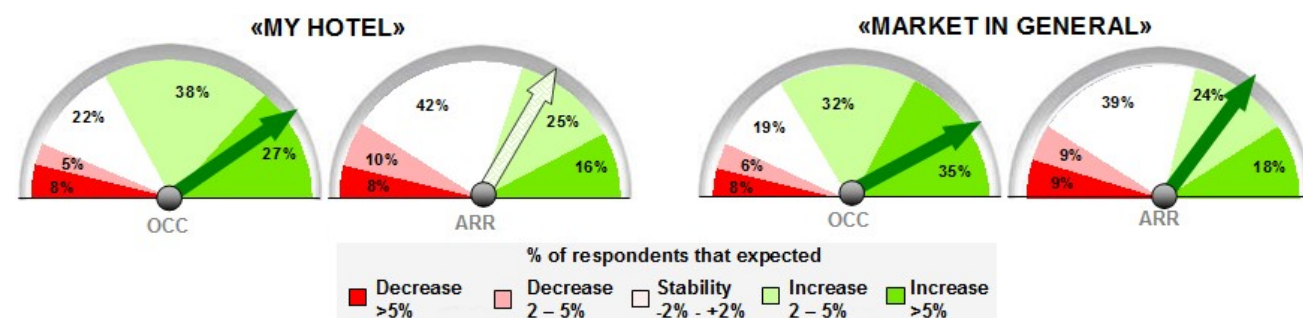
All hotels - forecast for 2013 as a whole



However, this optimism does not include the 2013 Q1, for which stabilising occupancies and declining rates are forecasted; apparently hoteliers expect improvements beyond Q1. Also, as shown below, substantial differences exist between resort and city hotels and between higher and lower categories.

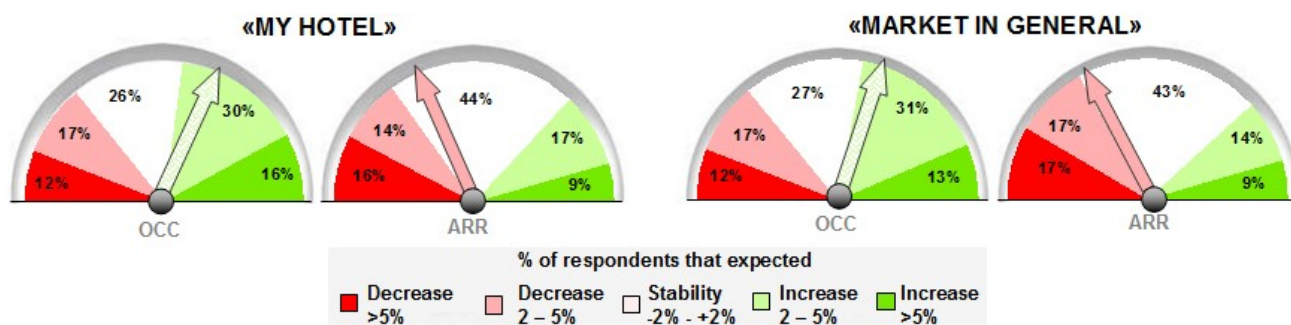
- Resort hoteliers, and Cretans in particular, expect a very good year with strong improvement in Occupancy; room rates are also forecasted to increase, albeit by less than occupancy.

Resort hotels - forecast for 2013 as a whole



- City hoteliers are expecting improvements in occupancy levels, but decreases in room rates in 2013. Overall RevPAR in 2013 is expected to be on par with 2012.

City hotels - forecast for 2013 as a whole



Athenian hoteliers predict that the fall in occupancy and room rates of recent years will more or less bottom out in 2013. They expect stabilising occupancy levels and slightly lower room rates.

- The 5 and 4 star hotel sectors see positive developments with increases in occupancy and room rates levels. The 3 and 2 star segments are more cautious as they forecast stabilising to slightly increasing occupancy rates, but decreases in room rates.

2013 is expected to be Greece's last year of recession



- According to most recent forecasts, the Greek recession will end in 2013, with the second half of the year expected to show growth. EU Commissioner Olli Rehn has said that the chance of a Greek euro exit has virtually disappeared. The end of the Grexit discussion and the end of recession, clear the way for new foreign investments in Greece, including in the hotel sector.
- In 2012 significant progress has been made on macroadjustment. The government primary deficit shrunk below 1% of GDP and the current account to below 3%. Notably, the fulfilment / outperformance of the 2012 targets occurred despite the deeper-than-expected GDP contraction and in the absence of major deviations from the respective public investment program targets. Unemployment, in excess of 25%, remains the most important thorn with substantial social impact.
- Gradual improvement in domestic liquidity is expected in the period ahead, following the recapitalisation of the banks, the gradual return of deposits, as well as increased efforts to boost absorption of EU structural funds, the implementation of an agreement with the EIB to provide funding up to € 7 bn to SMEs. Finally, the state is progressing with settling € 8.5 bn of overdue accounts.
- Finally, other positive early indicators include the growth of Greek exports by 13% (albeit from a low base), which was the highest growth rate in Europe, as well as a 12.6% increase in hirings in the July – November 2012 period.

Hotel deals

- Barcelo has entered the Greek market through a management contract for the Hydra Beach resort, located in the Peloponnese. The resort is owned by Italian Santoni Group. CBRE Hotels in Italy together with CBRE Atria and GBR Consulting in Greece advised Santoni Group for the deal. Hydra Beach resort is a 5* beachfront hotel with a capacity of 343 rooms and full supporting services (F&B outlets, spa, privately used beach, open air theatre, meeting rooms).
- Eurobank has sold the Capsis hotel in Rhodes to an undisclosed German firm for € 42 mn. The 5* hotel has 694 rooms and a conference centre for 8,000 people. The property was closed due to liquidity problems, following a sale and lease back transaction 4 years ago.



Upcoming Privatisations in the hotel sector

- The National Bank of Greece (NBG) is selling its stake of 85.35% in Astir Palace Vouliagmenis SA (Astir) and invites interested parties to submit their expression of interest by March 19, 2013. Astir owns a 30 hectare 5* resort located on a peninsula, 25 kms from the centre of Athens in the upmarket Vouliagmeni suburb. Under recently enacted legislation, the Astir property will be eligible for real estate development. The resort is managed by Starwood. Key assets of the resort include the Luxury Collection Arion Resort and Spa with 123 rooms and 58 bungalows as well as the Westin Athens with 162 rooms, plus full supporting facilities (extensive F&B facilities, Conference facilities, Spa, Health Centre & Gym, shops etc). Plans exist for the development of a 148 room W hotel as well. Astir has also secured a 40 year concession for the adjacent VIP Vouliagmeni marina.
 
- NBG is also selling Gerakina Beach resort, also eligible for real estate development. The property is located on a plot of 8.7 hectares in Chalkidiki, ~30 minutes from Thessaloniki airport. It has 503 rooms, equally shared between the main building (ground floor plus 4 floors) and the bungalows. The hotel complex includes a main restaurant, a tavern and various bars, an indoor and open air swimming pool, sea sports facilities, wellness and fitness centre and a congress hall. The tender closes on the Feb 5, 2013.
 
- Finally, the Hellenic Republic Asset Development Fund accepted a € 23 mn bid from NY based NCH Capital to develop a 3.6 hectare seaside plot in Kassiopi on the island of Corfu. It is the first successful deal involving a large plot of state-owned real estate. The total investment at Kassiopi is expected to reach € 75 mn.

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

Contact Details

GBR Consulting
 4 Sekeri Street, 106 74 Athens, Greece
 T (+30) 210 36 05 002
 F (+30) 210 36 06 935
www.gbrconsulting.gr
gbr@gbrconsulting.gr

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