



**GBR HOSPITALITY QUARTERLY NEWSLETTER**

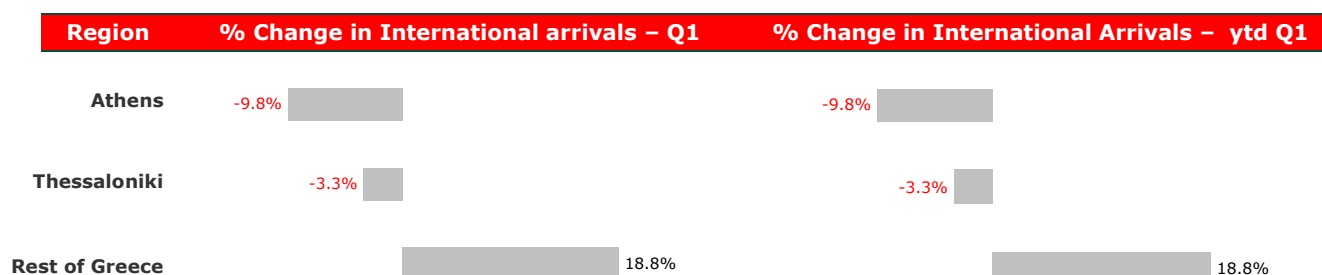
**Greek Hospitality Industry Performance**

**2013 Q1**

## Introduction

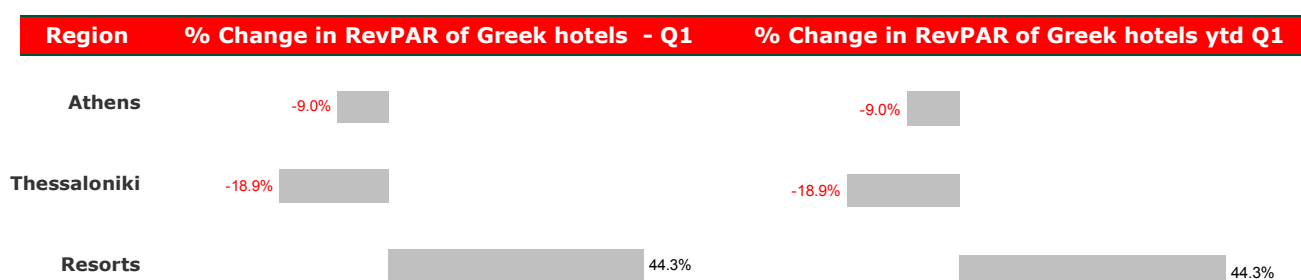
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

### International arrivals<sup>1</sup> in Greek airports, 2013 compared to 2012



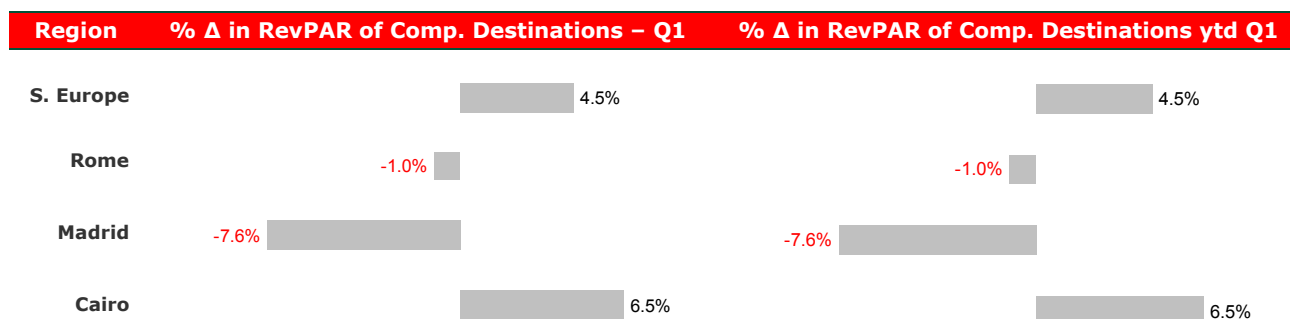
Source: SETE, processed by GBR Consulting

### RevPAR<sup>2</sup> in Greek hotels, 2013 compared to 2012



Source: GBR Consulting

### RevPAR<sup>2</sup> in Competitive Destinations, 2013 compared to 2012



Source: STR Global, processed by GBR Consulting

<sup>1</sup> 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.

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

## Commentary

- International tourist arrivals at main Greek airports showed a decline in the first quarter of this year compared to last year, from 556,454 to 519,560, representing a drop of 6.6%. The Athens International Airport showed the biggest decline with -9.8%. On the other hand airports at the rest of Greece received significantly more international arrivals (+18.8%), especially in Crete.
- The city hoteliers of Athens and Thessaloniki did not have a good start of the year. Athens saw further declines in occupancy levels as well as in room rates throughout the first three months of 2013 resulting in a -9.0% in RevPAR compared to same quarter last year. Thessaloniki had a better performance in 2012 mainly to due to an influx of Libyans recovering from the civil war, but could not maintain that level this quarter and saw its RevPAR declining significantly: -18.9%.

On the other hand, RevPAR of Resort hotels that were operating in the first quarter rose by 44.3%. On the other hand, many resort hoteliers did not open in Q1 or opened just parts of their hotels and as a result rooms available decreased by 45%.

- In the international hotel market, Southern Europe saw mild increases in their RevPARs. Cairo slowly recovers, but is still suffering from an unstable climate. Madrid saw declines of 7.6% this first quarter of 2013 compared to same quarter last year.

## Greek Tourism sector optimistic for 2013

- According to the Association of Greek Tourism Enterprises (SETE), the industry's representative body, the country is aiming for 17 million tourists this year, which would represent a major jump (+10%) from the 15.5 million tourists in 2012. Forecasts are based on positive developments in summer bookings at major source countries. Although very early, the first two months of 2013 indeed showed an increase of 6.9% in international tourists. Russia alone showed an increase of 48%. According to Bank of Greece data, Russians are staying longer and spend more than the average foreign visitor.
- In terms of travel receipts, Greece is expecting an increase of 10% as well, targeting € 11 billion for 2013. In the first two months receipts increased by 2.9%, but the season has not yet started.
- The above sentiment is confirmed by our [Q2 Barometer survey](#). Hoteliers are overall optimistic for 2013 with significant improvements expected in occupancy, while expectations on room rates vary depending on the type (City or Resort) of hotel, along the same lines as the experience of Q1 shown above.



- On April 29<sup>th</sup>, Marketing Greece SA, the new national tourism promotion agency was launched. Marketing Greece SA is a joint effort of SETE, the Hellenic Chamber of Hotels and the Hellenic Association of Advertising – Communication Agencies. The company will focus on promoting Greece as a destination through the setup of an interactive web site, the creation of a public affairs network in the main source markets, the production of promotional content for web sites, forums, social media etc., organisation of and participation at tourism fairs and the supply of advisory services to the state, local authorities and enterprises in the industry.

## Outlook of Greece improving fast

- Since the passing through parliament of the “Labour Market Reform” and the “Midterm Fiscal Plan 2013 – 2016” in November 2012, the country seems to have finally left behind a grim period of political instability, rumours of exiting the Euro Zone and tough negotiations with creditors. The government appears to be stable, despite problems of cooperation among the partnering parties, and social unrest and riots have disappeared almost completely, despite a grim social situation and outlook with high unemployment (27%) and recession in its fifth year (which has led to a cumulative loss of GDP in the order of 30%).
- Macro economic data indicates the upcoming stabilisation of the Greek economy. The government is exceeding fiscal targets to achieve a primary fiscal balance this year, with the twin implication that no further austerity measures will be necessary and that (according to the November agreement) it will be able to negotiate with its creditors a further reduction in its debt or debt servicing. Furthermore, for the first time in decades, the current account is also expected to balance and, according to the OECD, Greece topped the structural and fiscal reform list for the years 2009 to 2012.
- In the coming period, the market is awaiting the long due conclusion of the recapitalisation of the banks as a necessary step for reviving the economy. Also the Government has started paying off its debts to the private sector (~ € 8 billion in arrears in Dec. 2012), adding to the liquidity of the economy.
- Finally, the privatisation programme is moving ahead with two major privatisations (OPAP in lotteries and DEPA-DESFA in natural gas) expected to be concluded successfully in the next few days.

As also mentioned in our previous newsletter, the privatisation agency HRADF, sold through an SPV the right to develop a resort and exploit it for 99 years in a 49ha area in Corfu. Two similar tenders are currently being run for two beachfront sites (of 21 ha and 26 ha) in Halkidiki, N. Greece, and a diverse set of domestic and international investors have expressed their interest for both sites.

Furthermore, HRADF has launched two further privatisation programmes for Regional Airports and small Ports and Marinas.

**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 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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