



GBR HOSPITALITY QUARTERLY NEWSLETTER

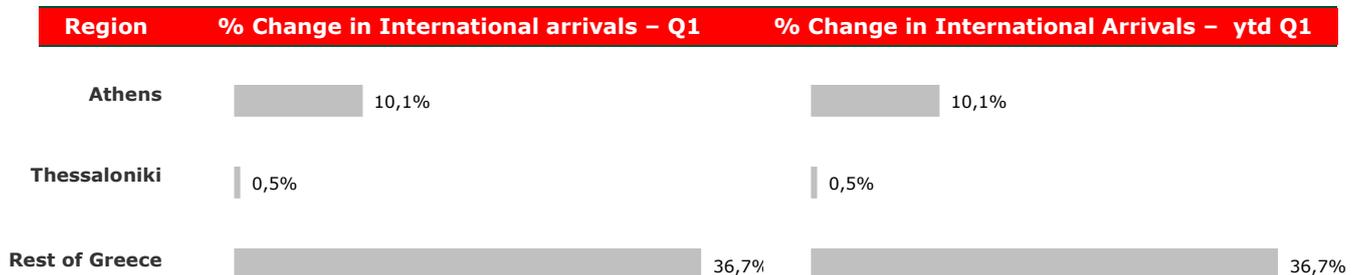
Greek Hospitality Industry Performance

2016 Q1

Introduction

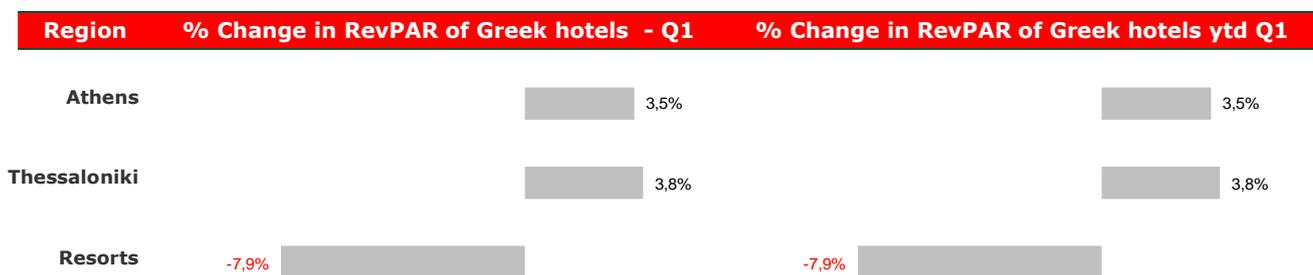
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2016 compared to 2015



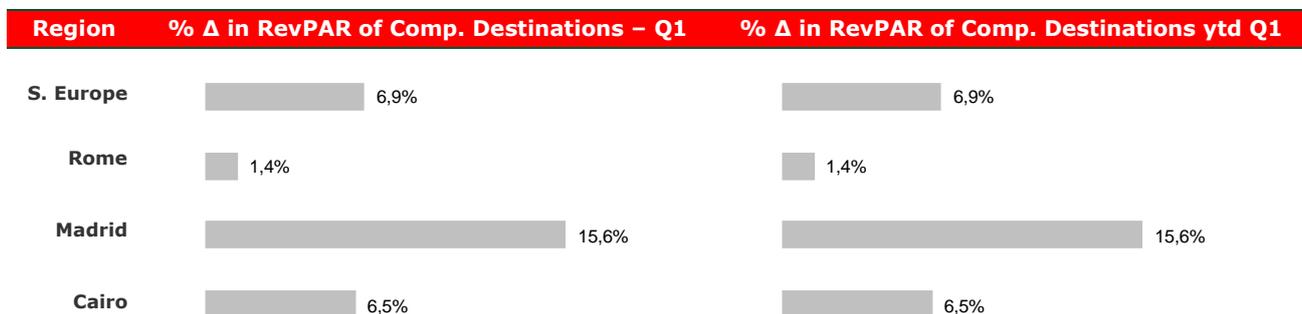
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2016 compared to 2015



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2016 compared to 2015



Source: STR Global, processed by GBR Consulting

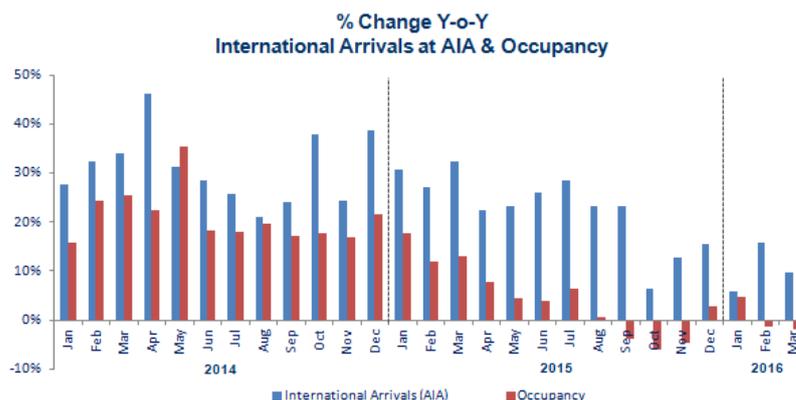
¹ The international arrivals statistics are based on SETE calculations compiling the data from 19 major airports of Greece, representing 95% of foreigners' arrivals by plane in Greece and 66% of total foreigners' arrivals. Thessaloniki airport does not distinguish between arrivals of Greeks and foreigners.

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

Commentary

- The Athens International Airport recorded an increase of 10.1% yoy in international arrivals in Q1 2016. However, this increase is not reflected in the occupancy of the Athens hotel sector as an improvement of only 3.5% yoy was recorded in Q1 2016.

As depicted in the graph, the gap between international airport arrivals at the Athens International Airport (AIA) and occupancy levels in Athens is widening as from 2015 in terms of percentage change. The Athens Hotel Association contributes this difference to the booming sharing economy in Athens, where



the supply on platforms like AirBnB is increasing at a rapid pace. In the winter periods the difference cannot be contributed to tourists leaving directly to the islands.

- In Thessaloniki arrivals at the airport in Q1 2016 were on par with the same quarter last year as drops in January and February were offset in March.

In terms of international traffic at the Thessaloniki airport, Ryanair was market leader in 2015 with a share of 26%, followed by Aegean Airlines with 22% and easyJet with 7%. The top 3 airlines transported 55% of all incoming arrivals from abroad.

Furthermore, the Thessaloniki hotel association revealed that Cyprus was the main source market with a share of 12% in terms of overnight stays at hotels in 2015, followed by Turkey with 8%, the United States with 7%, Germany with 6% and Serbia & Montenegro with 6%. In this top 5, Cyprus and the United States recorded double digit growth numbers compared to 2014, namely 12% and 15% respectively.

- International arrivals at airports other than Athens and Thessaloniki increased 37%, but only representing an additional 9,200 arrivals.
- For those resort hotels that were in operation during Q1 2016 a drop of the total revenue per available room of 7.9% was recorded, compared to the same period last year.
- Internationally, RevPAR for South Europe improved with 6.9% yoy. Madrid had a particularly strong first quarter with an improvement of RevPAR of 15.6% yoy.

Big challenges ahead for the Greek economy

- The first review of the third adjustment programme agreed last summer, is currently stalled. Intensive technical negotiations are continuing, but difficult reforms are still outstanding. These include another round of savings in pension entitlements, increased social security contributions, tax increases for farmers and the resolution of non-performing loans.
- In addition to the current impasse, the Greek Government also has to identify additional fiscal savings amounting to 1% of GDP to close the fiscal gap in 2017 and 2018 to achieve the current programme target of a primary surplus equal to 3.5% of GDP in 2018.
- Given the front-loaded nature of the adjustment programme, Oxford Economics expects GDP to fall by 1.2% this year and then to be broadly flat in 2017. Only in the final year of the programme a recovery is expected, contingent on Greece implementing the necessary structural reforms.

Impact on the tourism sector

- Compared to 2012 an addition of 8.6 million tourists visited Greece in 2015 totalling 23.6 million, who spent € 14.2 billion. This proves that the sector showed remarkable resilience, supporting economic activity and job creation, despite the lingering economic challenges.
- Germany and the United Kingdom remained the most important source markets in 2015, representing 22% of all arrivals in 2015. The EU 28 countries were responsible for 15 million arrivals, representing 63% of arrivals.

- Arrivals from Russia dropped from 1.3 million in 2014 to 513,000 arrivals in 2015 due to the devaluation of the Russian ruble and economic insecurity. American arrivals increased significantly with 27% to a level of 750,000 arrivals in 2015.

Top source countries 2015	Arrivals 2015 (x 1,000)	% change 2014/15	Receipts 2015 (x € 1 million)	% change 2014/15	Expenditure per arrival 2015
Germany	2,810.3	+14.3%	2,265.6	+13.6%	€ 806
UK	2,397.2	+14.7%	2,026.9	+30.5%	€ 846
France	1,522.1	+4.0%	1,203.7	+6.6%	€ 791
Italy	1,355.3	+21.3%	832.7	+18.3%	€ 614
Russia	512.8	-59.0%	425.5	-63.2%	€ 830
United States	750.3	+26.8%	945.6	+44.3%	€ 1,260
Total	23,599.5	+7.1%	14,194.4	+6.0%	€ 601

- Greece remains a safe tourist destination in the perception of potential visitors, however, this sense has deteriorated in the last quarter due to the flow of refugees and migrants, based on a survey of Censuswide conducted for the Greek Tourism Confederation. Stakeholders have urged the Greek government to manage the issue in such way that daily life of local communities will not deteriorate, the economy will not be hit and that the quality of tourism services will not be affected.
- Based on Bank of Greece data of the first two months of this year, covering all points of entry, arrivals dropped 11% yoy and travel receipts decreased by 5.6% over the same period. More specifically, arrivals from the UK dropped by 10%, while arrivals from Germany remained unchanged. Arrivals from Russia and the United States increased significantly by 40% and 23% respectively.

Latest developments

- On May 1st the 5 star Mirraggio Thermal Spa will open its doors. The new hotel is located at the southwest coast of the Kassandra peninsula in Halkidiki and consists of 300 rooms (48 with a private pool), 5 restaurants, 5 bars, 3 pools, a marina with 88 berths up to 40m and a 3,000 m² spa on two floors. A consortium of 4 Russian construction companies has worked on the project since 2006.
- Saudi Group Somewhere Hotels is currently renovating the 250 room Eden Beach Resort on the 47th kilometre Athens - Sounio road. Somewhere Hotels acquired the property last year. In addition, the 11-suites Somewhere Boutique hotel will be opened in Vouliagmenis in Q2 2016. The units are the first hotels of the group in Europe.
- The new amended Special Zoning and Spatial Plan (ESHDA) for the Astir Palace Resort at the Athens Riviera in Vouliagmenis has been approved by the council of state (see also our newsletter of Q4 2015).
- In February 2016 the Ministry of Culture and Sport approved the architectural design of the planned 5 star Atlantica Dreams Resort in Rhodes, which will operate under the flag of Sensatori of Tui.
- Finally, market sources mentioned that the owners of the 262-room Athens Imperial, which closed down in 2012, have reached a deal for the lease of the property.



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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