



GBR HOSPITALITY QUARTERLY NEWSLETTER

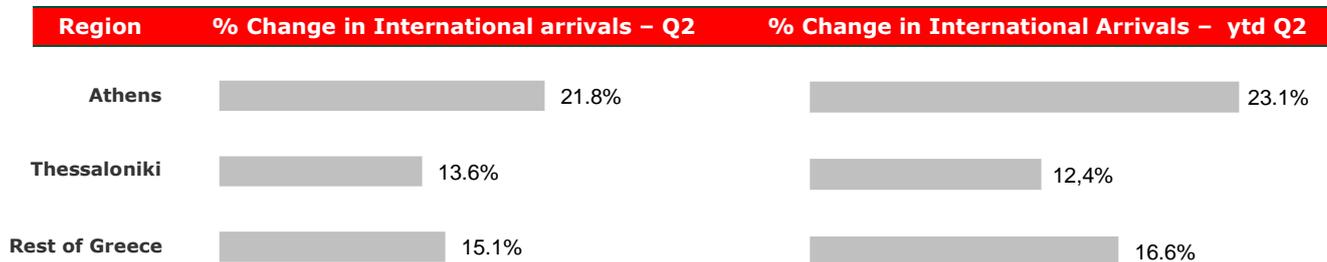
Greek Hospitality Industry Performance

2018 Q2

Introduction

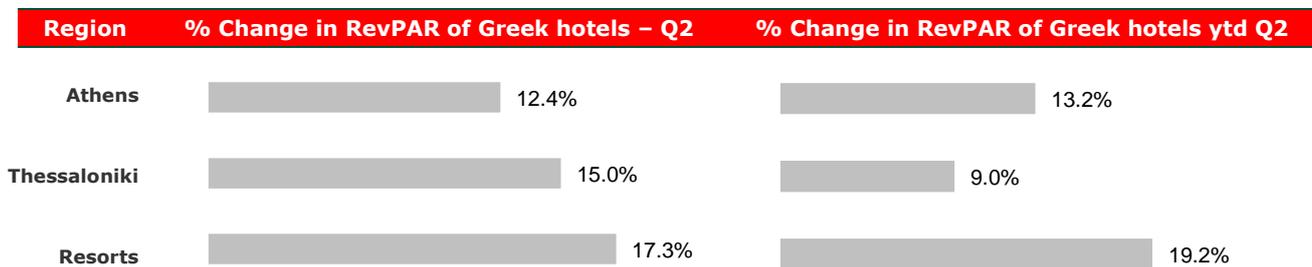
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2018 compared to 2017



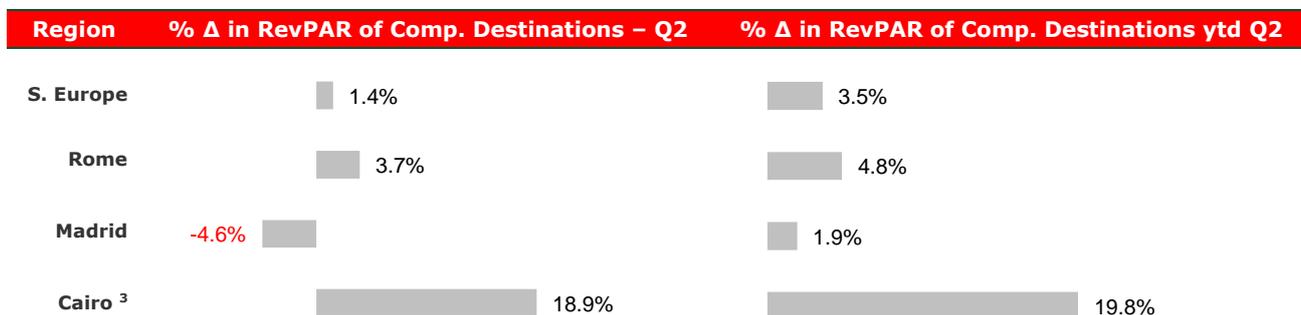
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2018 compared to 2017



Source: GBR Consulting

RevPAR² in Competitive Destinations, 2018 compared to 2017



Source: STR Global, processed by GBR Consulting

¹ 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 as some airlines were forced to reroute passengers to the airport of Kavala. We have added these international passengers to Thessaloniki.

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

³ The percentage change of Cairo is based on the RevPAR in local currency

Commentary

- International arrivals at the Athens International Airport increased by 21.8% y-o-y in Q2 2018, which means that the airport attracted nearly 550,000 more international arrivals during first six months of 2018 than last year. RevPAR at Athenian hotels improved 13.2% y-o-y during H1 2018, mainly because of strong improvements of ADR. The 3-star category benefited the least of the surge in demand with an improvement of RevPAR of 6.2% y-o-y during H1 2018.
- In Thessaloniki the second quarter was particularly strong. International arrivals increased 13.6% y-o-y, while RevPAR increased by 15.0% y-o-y in Q2 2018.
- Except the airports of Aktio and Skiathos all other main international airports of Greece recorded double digit growth during the first half of this year. Resort hotels benefited with improvements in both occupancy levels and revenues, leading to an increase of the Total Revenue per Available room of 19.2% y-o-y for H1 2018.
- Data of the Bank of Greece up to May 2018 shows that international arrivals in Greece increased by 16.8% y-o-y and travel receipts by 23.1% y-o-y, meaning that the average expenditure per arrival is increasing.
- The hotel sector of Rome improved their RevPAR with 4.8% y-o-y during H1 2018, while Madrid had an increase of their RevPAR of 1.9% y-o-y over the same period after a difficult second quarter. Cairo continues its recovery with double digit growth of occupancy during the first half of 2018 compared to same period last year.

Economy: Strong Q1 unlikely to be sustained, but further strength still likely

- After a healthy start to the year (GDP rose by 0.8% in Q1) there are some signs that the expansion may have lost some momentum during Q2 according to Oxford Economics. Nonetheless, Greece should extend its run of five consecutive quarters of growth. But with government spending growth likely to be muted at best due to the primary budget surplus targets and household spending likely to be held back by the deeply negative savings rate, growth momentum will build slowly over the coming quarters.
- Currently, Oxford Economics expects a GDP growth of 1.8% this year, and a 2.1% gain in 2019 followed by 2.5% in 2020.
- As expected, the Eurogroup's debt deal for Greece does nothing to reduce the debt stock, but it further eases the government's medium-term financing needs. The measures thus diminish the risk of another imminent Greek crisis and as a result is a positive for financial markets.
- Nonetheless, the sustainability of Greek public finances is still conditional on the government continuing to run large primary surpluses for decades to come. In effect, the long-term success of the deal is contingent on the assumption that Greece is willing to accept endless fiscal discipline.

Transactions

- In May National Pangaea REIC announced the purchase of **the 5-star Lazart Hotel** in Thessaloniki for € 7.0 million or € 94,595 per room. Pangea has renewed the lease of the property for 25 years to Zeus International.
- Grivalia Properties REIC acquired through its hospitality platform Grivalia Hospitality S.A. the 158-room **Melia Palace hotel** for € 9.0 million. The 4-star hotel located on a plot of 10.4 hectares on the beachfront of Malia, belonged to Hellenic Palace SA, which was controlled by the Mousama family. The property is the first operating asset to be added to the investment portfolio of Grivalia Hospitality.
- In June Grivalia Properties REIC announced the acquisition of a stand-alone multi-storey **building on the junction of Omirou and Stadiou streets** in the centre of Athens for € 10 million. The property with a total area of 4,500 sqm could possibly be re-developed into a hotel with its unobstructed view to the Old Parliament House.
- In July the Greek press reported that **Harvard Investment Group (HIG)** entered into a strategic investment partnership with **Tourist Enterprises of South SA (TEN), Aldemar Group**, owner of the 610-rooms 4-star Paradise Village and the 200-room 5-star Amilia Mare in Rhodes. No official details have been released, but it is expected that HIG will eventually take over full control over TEN SA, while Aldemar will continue to manage the two hotels through a long-term management contract. The deal would be the second major investment of HIG in Greece, following the acquisition of the Maillis Packaging Group in 2015.
- Ledra Hotels and Villas SA of George Spanos announced in June that it has rented the Miramare hotel in Corfu. The hotel, built in the 60s, was acquired in 2004 by Pimara SA, Qatar's Al Rayyan investment

vehicle for an amount of € 15 million from the Sourla Brothers. The € 35 million renovation was completed last year. The 113-room hotel is currently in operation under the Domes Resorts brand as the 5-star adults only **Domes Miramare**. As from mid-August the resort will operate under The Luxury Collection brand standards of Marriott International.

- In July Evergolf Tourist Investments, owned by the **Vassilakis family** (Aegean Airlines & Autohellas), completed the acquisition of a 70% stake in Golf Residences, owned by the **Sbokos family**. Golf Residences is the owner and operator of 5 hotels in Crete totalling 1,238 rooms: the 5-star Blue Palace a Luxury Collection Resort & Spa, the 5-star Village Heights, the 4-star Cretan Malian Park, the 4-star Agapi Beach Resort and the 3-star Koutouloufari Village Holiday Club in Crete. In addition, the company holds a 50% stake in the 5-star Sheraton Rhodes Resort, which has 401 rooms.
- In June Piraeus Bank clinched an agreement with **Bain Capital** to unload a € 1.45 billion portfolio of secured, non-performing business loans covering 1,737 properties of among hotels. The sale, known as **the Amoeba project**, fetched 432 million euros, boosting the bank's equity capital by 20 basis points.

Athens: expanding accommodation sector

- Together with the strong increase of demand, new hotels have been opened and new projects are continuously announced, while many low category properties closed.
- More specifically, over the past 2.5 years about **1,000 new hotel rooms** have been added to the hotel sector **in central Athens**, including the 5-star Electra Metropolis and the 4-star Athens Avenue in 2016, the 4-star Athenaeum Grand Hotel in 2017 and recently the 4-star Athenaeum Palace & Luxury suites, the Wyndham Grand Residences & Suites and the 4-star Breeze Boutique Hotel.
- In addition, about **750 hotel rooms re-opened** in this period as they were closed during the Greek crisis. These include the 4-star Athens Tiare, the 5-star Wyndham Grand and the 5-star Athens Hyatt Regency which will re-open in August 2018.
- Another **400 new hotel rooms are currently under construction** in Central Athens of among the 5-star Academia of Athens (Autograph), Coco Mat Acropolis and the property of the former Agrotiki Bank (Lamps SA), which will likely introduce the brand MGallery of Accor to the Athens market.
- Furthermore, we counted about **400 new hotel rooms that have been announced or are planned**.
- It must be noted that currently **720 hotel rooms are not in operation** including the former Acropol hotel, La Mirage and Esperia Palace. Regarding the latter the property owner EFKA, the Single Social Security Entity, is in the process to rent the 185-room property for 30 years with the option of another 10 years to an investor who is willing to invest at least € 10.5 million.
- With respect to the **rooms-to-let sector in Central Athens**, a growth of 239% in terms of properties and 157% in terms of rooms was recorded over the past 3 years. About 72% of the units in operation today carry the 4-key category, but many of them are marketed as (luxury) hotels.
- Finally, it is known that the number of properties on accommodation **sharing platforms** is growing exponentially. The Independent Authority for Public Revenue (AADE) is currently launching an electronic registry for property owners leasing their homes via online sharing platforms
- In the above analysis of central Athens, we have not considered hotel developments in **Piraeus, the Athens Riviera and the east coast of Athens**, which was hard hit by devastating fires burning roughly 1,260 hectares of land with an official death toll of 80 so far.

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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