



GBR HOSPITALITY QUARTERLY NEWSLETTER

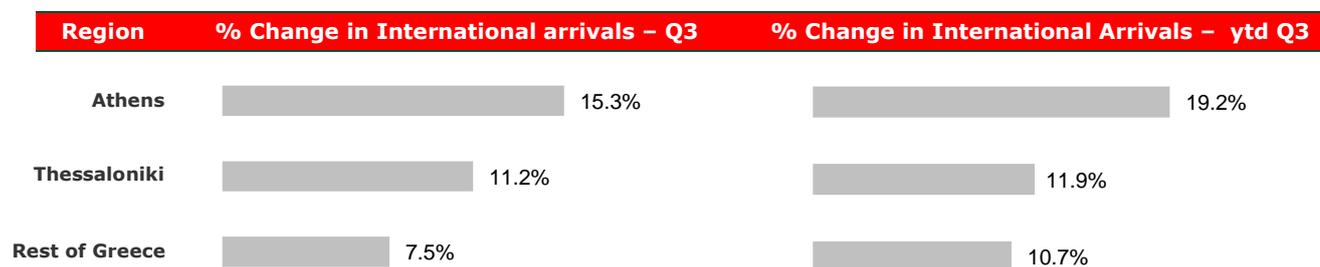
Greek Hospitality Industry Performance

2018 Q3

Introduction

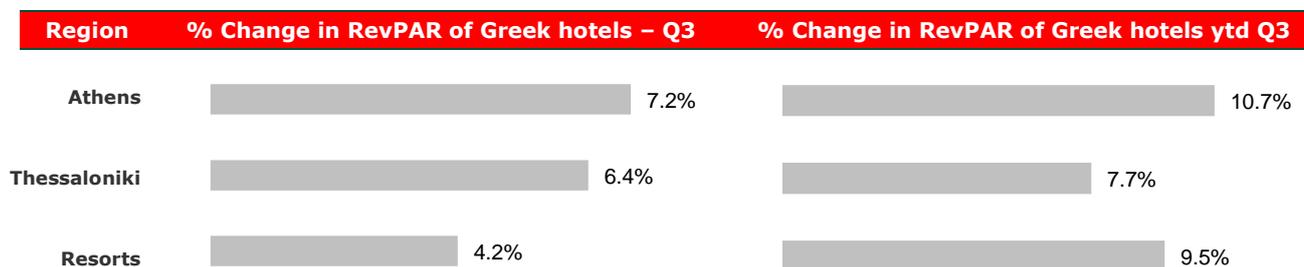
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

International arrivals¹ in Greek airports, 2018 compared to 2017



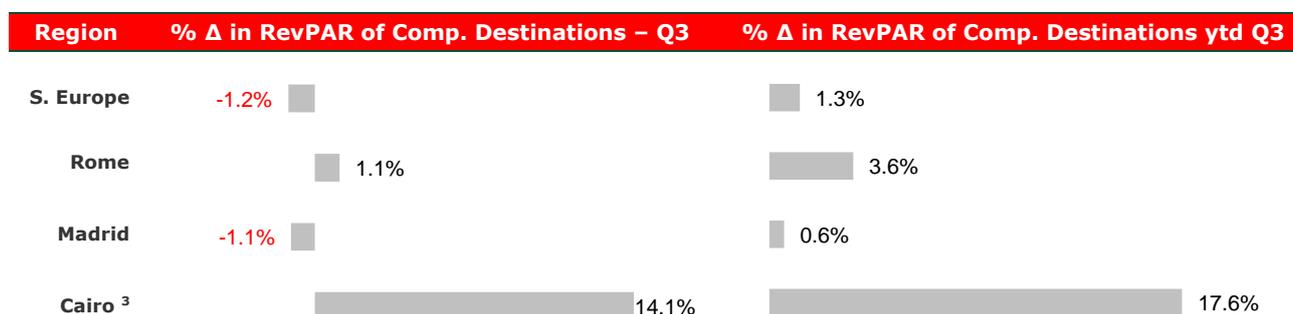
Source: SETE, processed by GBR Consulting

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

- With respect to international arrivals the Athens International Airport recorded a growth of 15.3% y-o-y during Q3 2018, while YTD September a growth of 19.2% was registered. So far, all months of this year achieved double digit growth figures.

The Athenian hotel sector improved its RevPAR with 7.2% y-o-y during Q3 2018, but it should be noted that occupancy levels dropped 1.1% y-o-y.

- At the airport of Thessaloniki Q3 2018 was particularly strong with a growth of international arrivals of 11.2% y-o-y. Up to September 2018 international arrivals increased by 11.9% y-o-y. The increase of demand lead to an improvement of RevPAR of 7.7% y-o-y, mainly due to increasing room rates.
- International arrivals at airports located at resort destinations increased by 7.5% y-o-y during Q3 2018. Growth at the airports of Santorini and Mykonos as well as the airports at the Ionian Islands is particularly strong this year with 19.8% y-o-y and 13.0% y-o-y respectively up to September 2018. However, occupancy levels of resort hotels dropped by 3.7% y-o-y during Q3 2018, while Total Revenue per Occupied Room increased by 8.3%.
- RevPAR of the city of Rome improved 1.1% y-o-y during Q3 2018 noting that occupancy levels dropped slightly. The RevPAR of Madrid dropped further in Q3 2018.

30 million international tourists are forecasted for 2018; mixed source market performance

- In line with the increase of international arrivals at the main airports in Greece, 12.8% y-o-y up to September 2018, the Bank of Greece reported an increase of international tourists of 11.6% y-o-y up to August 2018. In terms of travel receipts tourists spent 11.4% more during the same period compared to a year earlier.

However, it must be noted that the United Kingdom and France, two of the three main source markets, recorded a decrease of expenditure YTD August of 4.3% and 8.3% y-o-y respectively, while during August a significant drop of 15.1% and 21.5% y-o-y respectively was recorded. Up to August 2018 the same number of British tourists travelled to Greece, while tourists from France increased by just 3.6% y-o-y.

- Within the EU28 growth was driven by Germany with an increase of tourists up to August 2018 of 26.4% y-o-y and an increase of expenditure of 19.2% y-o-y over the same period.
- In the non-EU28 segment tourists from Russia dropped by 18% y-o-y and expenditure by 23% y-o-y, while visitors from the USA increased by 29.7% y-o-y and expenditure by 27.5% y-o-y.

% change YTD August 2018/17

Source area	International tourists	Receipts
EU28	17.1%	14.4%
Non-EU28	0.1%	4.6%
Total	11.6%	11.4%

Source: Bank of Greece

Economy: GDP growth slowed in Q2 but further steady expansion likely

- The Greek economy expanded for a sixth straight quarter in Q2, but the 0.2% rise was weaker than Q1's 0.9% gain (revised up from 0.8%). Encouragingly, however, exports continue to grow strongly after a period of broad stagnation and are on track to rise by over 8% this year, a ten-year high.
- Moreover, household spending is expected to rise gradually according to Oxford Economics, while reduced uncertainty, the gradual economic recovery and more conducive financial conditions will facilitate investments. Nonetheless, the adverse external environment and rising political risks in Europe could pose an increasing threat to the outlook.
- Worries that the situation in Italy lead to contagion, pushing up government bond yields in Greece too, does not seem a threat at this moment according to Oxford Economics. While Greek yields have fluctuated over recent weeks, the 10-year yields remain low by historical standards. Given this and little need to roll debt over thanks to past measures to extend the duration of Greece's official sector loans provided by the rest of Europe, the situation currently does not seem a source of worry.

Transactions

- In October Briq Properties announced the acquisition of Mr & Mrs White Paros for an amount of € 3.5 M. The property concerns a 4-star hotel located in Naoussa, at the Cycladic island of Paros and offers 49 rooms. The hotel is leased to HotelBrain Capital SA.
- Mid-October Lampsas SA announced the acquisition of a 50% equity stake of Touristika Theretra SA, owner

of the 5-star Sheraton Rhodes Resort Hotel, from Golf Residencies SA for € 7,7 M. Following the transaction, Lampsa SA now owns 100% in Touristika Theretra SA. The hotel has 401 rooms.

- In September German tour operator Alltours acquired its third property in Crete through the purchase of the 4-star 280-room Malia Beach. In 2017 Alltours already acquired the Zorbas Village and the Caroline Mare in 2017. Both properties are of the 4-star category and carry the Allsun brand.
- In August Grivalia Properties REIC announced that Grivalia Hospitality in cooperation with Dolphin Capital Partners acquired 100% of Amanzoe from the London stock exchange listed company Dolphin Capital Investors, Grivalia Hospitality by 85% and Dolphin by 15% and under the same terms. The net consideration to be paid to DCI by the purchasers according to their proportion amounts to € 5.8 M. In addition, the purchasers will assume all of Amanzoe's existing loan obligations amounting to € 76.5 M. Asset management of Amanzoe will be continued by Dolphin.
- Invel Real Estate Management Ltd, in collaboration with Dolphin Capital Partners, has acquired 85.6% of Nikki Beach Resort & Spa located in Porto Heli, Peloponnese from Dolphin Capital Investors, Fortress Investment Group and Monarch Alternative Capital. This stake was sold at 83.3% to Invel and 16.7% to Dolphin. Following the completion of the transaction, Invel and Dolphin own 70.4% and 15.2% respectively of the 5-star hotel. The remaining 14.4% of the asset remains under the ownership of Oakhill Advisors. As agreed between the parties, Dolphin will continue to manage the asset, which has 66 rooms and suites.

Other developments

- Piraeus Bank signed a financing agreement of €40 million with Thomas Cook Hotel Investments (TCHI), a joint venture between Thomas Cook plc and LMEY Investments AG. Piraeus Bank is the sole financial partner of TCHI in Greece and the financing will be used to invest in local hotel properties.

Thomas Cook Hotel Investments was established in March 2018 to support the growth of Thomas Cook's own-brand hotels in Spain and Greece. The portfolio of TCHI includes owned hotel properties in Rhodes and Crete under the brand of Sunwing.

- The 5-star Mirabello Beach & Village hotel located in Agios Nikolaos, a coastal municipality in the regional unit of Lassithi in Crete will become the Wyndham Grand Mirabello, the second Wyndham Grand hotel in Greece. The property has 176 rooms and 135 bungalows, totalling 311 units making it the fifth largest 5-star hotel of the region.

Athens: higher tourist satisfaction, but behind on competition...

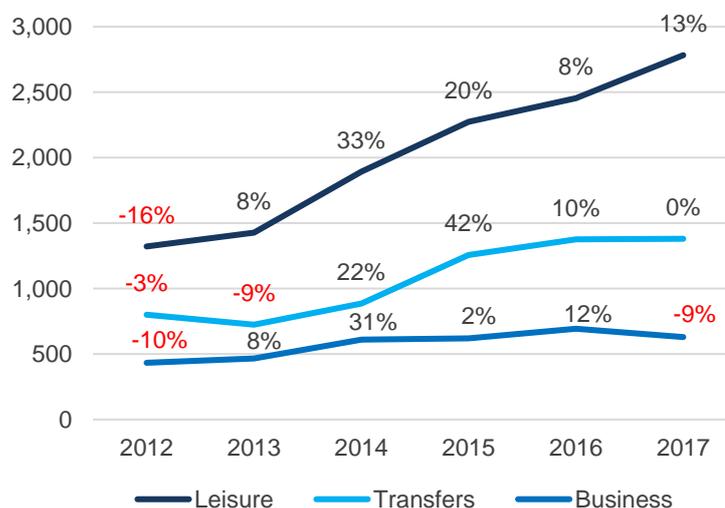
- In September the 14th Tourist Satisfaction Survey & Performance of the Athens Hotel Sector was presented. The report created by GBR Consulting on behalf of the Athens Attica Hotel Association shows that the stunning growth of international tourists at the Athens International Airport in the period of 2012 – 2017 was mainly due to the increase of leisure travellers. The leisure segment recorded in that period a growth of 111%, while the business segment registered a growth of 46%.

- The number of international tourists travelling for business purposes dropped by 9% in 2017.

- Based on 2017 data, 54% travelled to Athens for leisure purposes, 15% for business and 30% transferred directly to another domestic destination, mainly Santorini, Mykonos, Thessaloniki, Chania and Rhodes in case of leisure travellers.

- The influx of tourists did not have a negative impact on the experience in the city. Contrary, after the drop of satisfaction rates in 2017, all measured items showed improved

International arrivals of foreign residents at AIA by purpose (x 1,000) and percentage growth



Source: Athens International Airport

satisfaction levels, while few remained stable at already high levels. The overall satisfaction mark improved from 7,7 in 2017 to 7,9 out of 10 in 2018.

- Even though this is a positive development, comparing satisfaction ratings with Barcelona it becomes clear that there are many areas for improvement. Especially in the field of public transport, safety in the city, signs & information, noise pollution and public cleanliness Barcelona scores significantly better than Athens. The gap is particularly big for public cleanliness: Barcelona recorded a mark of 8.0 in 2017, while Athens noted a rate of 6.1 and 6.2 out of 10 in 2017 and 2018 respectively.

Developments in the Athenian hotel sector

- In Athens the 5-star 309-room Grand Hyatt Athens opened. The property was purchased in 2017 from Alpha Bank by a scheme consisting of Henderson Park, Hines and Kokari Limited (Y&T Daskalantonakis Knossian Group). Also, the 47-room 4-star Coco-Mat Athens Jumelle opened in Kolonaki, the third unit of Coco Mat in Athens.
- The current international brand landscape in Attica consists of Accor (Novotel, Sofitel), Best Western, Cocomat, Hapimag, Hilton, Hyatt, IHG Intercontinental (Athenaeum Intercontinental, Crowne Plaza & Holiday Inn), Libra Group (Aria), Marriott (Marriott, The Luxury Collection, Design Hotels), Melia Hotels International, Radisson Hotel Group, Somewhere, Tui (Club Lookea, Club Maramara) and Wyndham (Wyndham Grand, Wyndham Hotels & Resorts, Dolce and Ramada). In 2019 we can add Four Seasons, MGallery of Accor and Autograph of Marriott as well, while other main international hotel brands such as Rosewood are negotiating or researching the market to obtain a position.
- Currently tenders are in progress for the lease of the 185-room Esperia Palace ([see newsletter of Q2 2018](#)), a property with 5 floors at Zalokosta St of 1,854 sqm and the former Ambassadeur Hotel close to Omonia Sq. This 8-floor property with a total surface of 10,247 sqm has been vacant since 2000. Property owner ETEAEP intends to rent the property for 30 years with an option of another 10 years. Also, the owner (a social security fund) of the former 4-star Kanigos 21 hotel is preparing a tender for the lease of the 3,501 sqm property. The hotel has been closed since 2010.
- Meanwhile numerous other hotel projects are under construction or considered, especially in and around the commercial triangle of Athens, which connects the main squares of Syntagma, Omonia and Monastiraki.

Impact of nautical tourism on the Greek economy

- Finally, last week the research institute of the Greek Tourism Confederation (INSETE) launched a report prepared by GBR Consulting on the economic impact of nautical tourism on the Greek economy. The sector, which includes yachting, cruise shipping and coastal shipping contributes directly € 2,280 million or 1.3% of GDP employing 22,500 people.
- Considering indirect effects, the nautical tourism sector contributes between € 5 – 6 billion representing between 2.9% and 3.5% of GDP.

Sector	Direct impact	Direct employment
Yachting	€ 800 M	11,500
Cruise shipping	€ 580 M	5,000
Coastal shipping	€ 900 M	6,000
Total	€ 2,280 M	22,500

Source: INSETE

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.

Contact Details

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

To receive your own copy of this newsletter for free, you may register at www.gbrconsulting.gr/newsletter.

© GBR Consulting Ltd. - copying is permitted, provided the source is clearly mentioned.