



**GBR HOSPITALITY QUARTERLY NEWSLETTER**

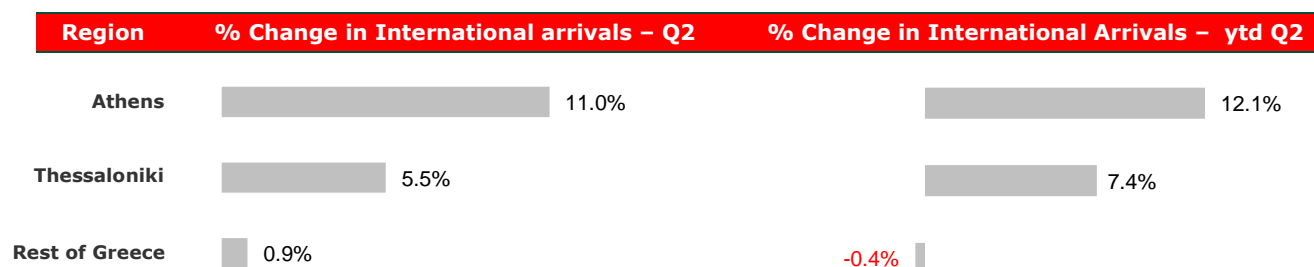
**Greek Hospitality Industry Performance**

**2019 Q2**

## Introduction

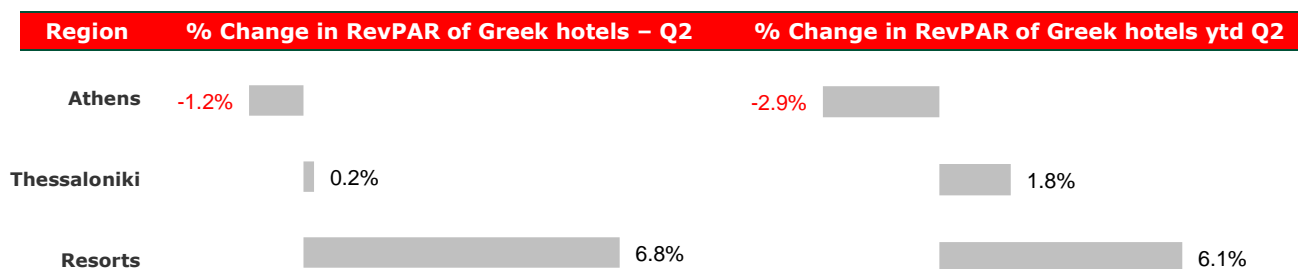
This newsletter provides a snapshot of the performance and outlook of the Greek hotel industry, within the broader context of the international hospitality industry as well as of Greek tourism and Greek socio-economic developments.

### International arrivals<sup>1</sup> in Greek airports, 2019 compared to 2018



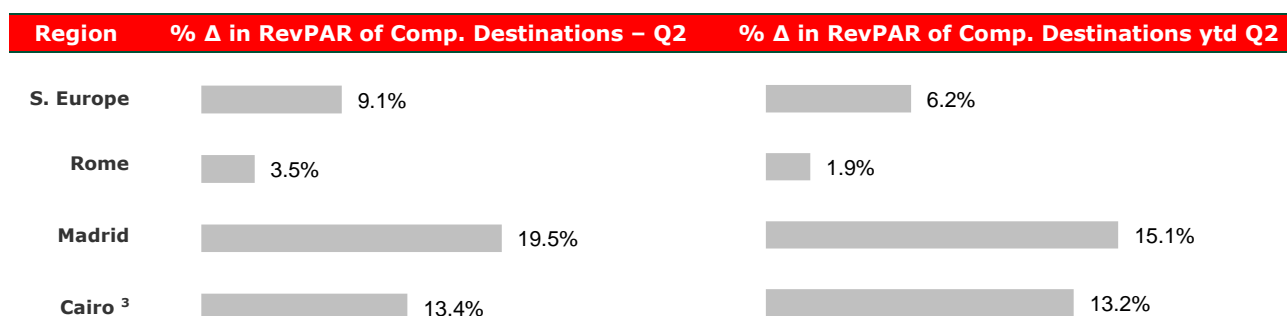
Source: SETE, processed by GBR Consulting

### RevPAR<sup>2</sup> in Greek hotels, 2019 compared to 2018



Source: GBR Consulting

### RevPAR<sup>2</sup> in Competitive Destinations, 2019 compared to 2018



Source: STR Global, processed by GBR Consulting

<sup>1</sup> 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 2018 as some airlines were forced to reroute passengers to the airport of Kavala. We have added these international passengers to Thessaloniki.

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

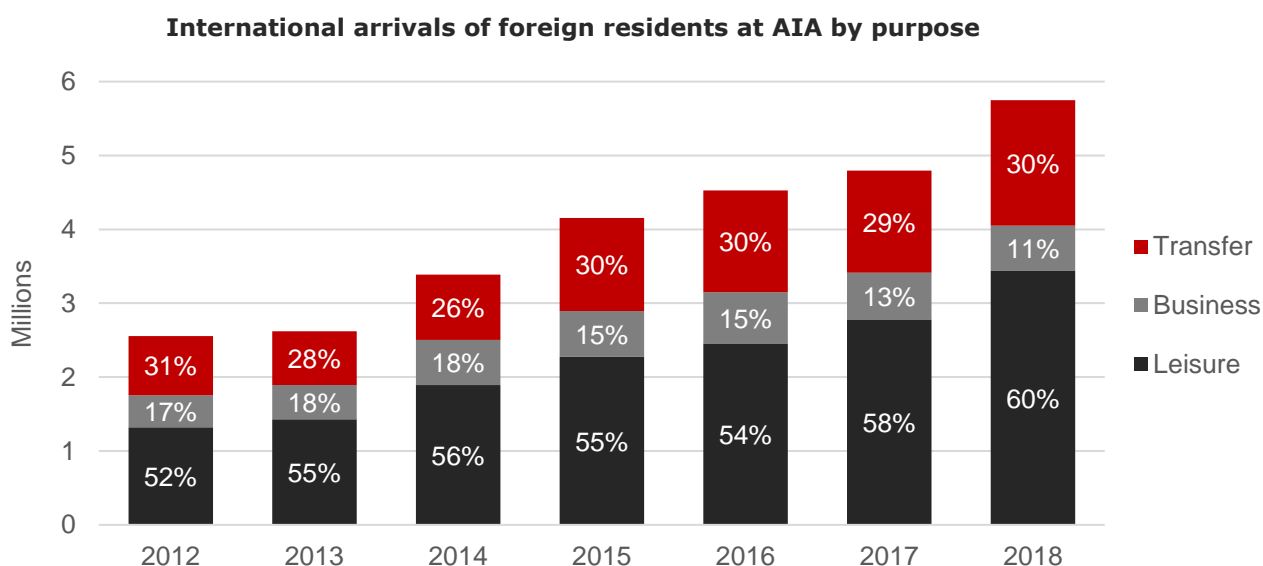
<sup>3</sup> The percentage change of Cairo is based on the RevPAR in local currency

## Commentary

- **Foreign residents arriving at the International Airport of Athens increased 11.0% during Q2 2019** compared to the same quarter last year. Performance of April was particularly strong with an increase of 20.5% y-o-y, while May and June recorded single digit growth rates of 9.7% and 6.1% y-o-y respectively. It should be noted that these international arrivals include passengers that are transferring in Athens to other domestic destinations. An analysis with data up to 2018 is presented below.
- **RevPAR in the Athenian hotel sector dropped by 1.2% during Q2 2019**, while YTD H1 2019 a drop of 2.9% was recorded. Occupancy has dropped in each month this year so far, while room rates during the first half year of 2019 remained stable with an increase of just 1%. However, room rates dropped significantly by 4% y-o-y in June 2019.
- In Thessaloniki International arrivals at the airport increased by 5.5% y-o-y during Q2 2019 leading to an increase of 7.4% for the first half of 2019. **RevPAR performance of the Thessaloniki hotel sector during Q2 2019 was flat** with an increase of 0.2% y-o-y, caused by disappointing results in June with a significant drop in occupancy levels of 5.6% y-o-y.
- International airport traffic at **the main resort locations are up by just 0.9% y-o-y** in Q2 2019. In the first 6 months of 2019 the Dodecanese remained stable with an increase of just 0.9% y-o-y for H1 2019, while international traffic at the airports of Crete and the Ionian Islands dropped by 3.4% and 0.3% y-o-y respectively over the same period. Only Mykonos and Santorini as well as Kalamata and Araxos increased the number of international passengers by 9.7% and 8.3% y-o-y respectively during H1 2019.
- Overall, the **Total Revenue per Available Room of the resort hotels increased by 6.8%** during the second quarter of this year, while up to June 2019 the TRevPAR improved by 6.1% y-o-y. However, there are **differences per category**. While the 5-star resort sector showed a robust performance with a growth of 8.6% of TRevPAR during H1 2019, the 4-star resort sector recorded a drop of 2.6% y-o-y, the 3-star segment remained flat and the 2-sector increased its TRevPAR by just 2.6% y-o-y.
- In competitive destinations we note the **remarkable performance of Madrid** in May and June, resulting into an improvement of RevPAR YTD June 2019 of 15.1% y-o-y. On 30 May 2019 the Wanda Metropolitan Stadium in Madrid hosted the 2019 Champions League final between Liverpool and Tottenham Hotspur. An estimated 150,000 English football fans travelled to Madrid and fuelled the increase in RevPAR, which was driven by a significant increase in the achieved average room rate.

## Athens: number of business travellers drop for the second consecutive year

- International arrivals of foreign residents at the Athens International Airport increased from 2.5 M in 2012 to 5.7 M in 2018. However, around 30% of these passengers transfer in Athens to other domestic destinations according to the Athens International Airport.



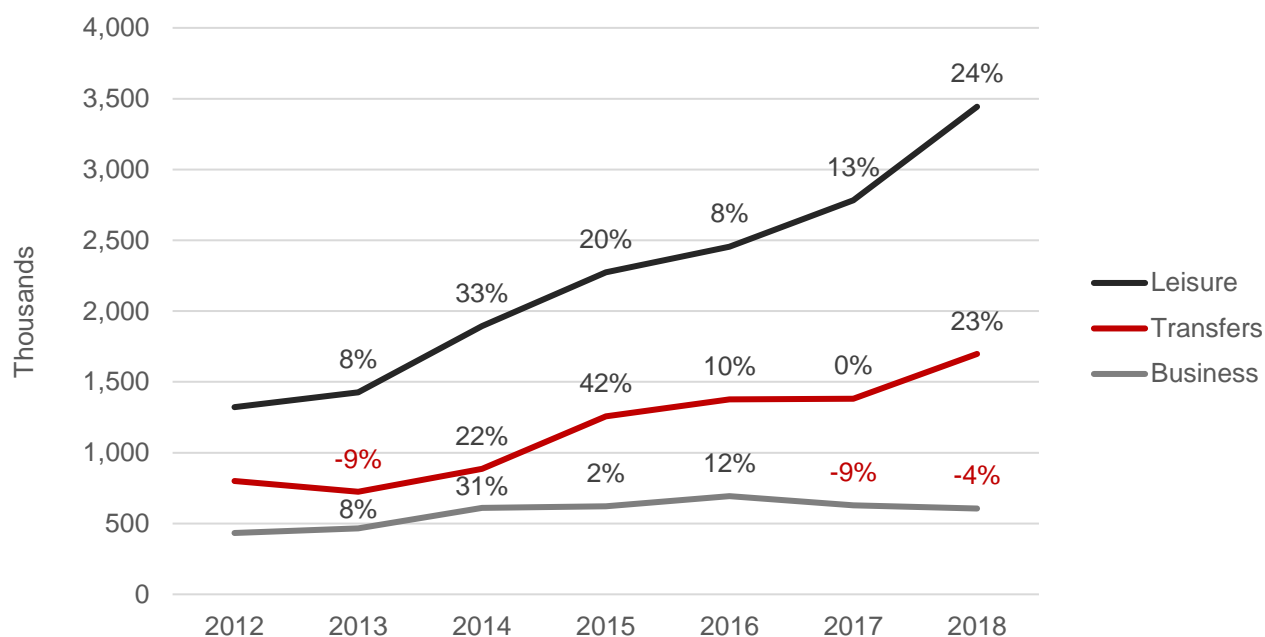
*Source: Athens International Airport*

- More specifically, in 2018 nearly 1.8 M passengers connected to other Greek airports, of which nearly 1.6 M passengers travelled for leisure purposes. Of this leisure group 340,000 transferred to Santorini,

205,000 to Heraklion, 173,000 to Mykonos, 101,000 to Chania, 100,000 to Rhodes and 84,000 to Paros.

- International leisure passengers arriving at the Athens International Airport increased significantly during the period 2012 – 2018 and reached 3.4 M arrivals in 2018, representing a share 60%.

### International arrivals of foreign residents at AIA by purpose and percentage growth



Source: Athens International Airport

- It is of concern that incoming business traffic is not picking up and decreased in 2018 for the second consecutive year. During the reviewed period business travel peaked in 2016 but could not maintain its positive course.

### Athens: expanding accommodation sector, opening of at least 40 units in H1 2019

- In the first half of 2019, we have recorded the opening of **40 new accommodation units**, which are licensed as a hotel or as a rooms-to-let unit with or without a key classification.
- The largest units are the 5-star Coco Mat Athens BC with 90 rooms, the 5-star Academia of Athens Autograph Collection with 63 rooms and the 4-star Athenaeum Smart with 53.
- The other **36 accommodation units are of a small size with an average of less than 18 rooms per unit**.
- In addition, we have registered about **20 confirmed projects that will add another 2,000 rooms to the Athenian market in the coming years**, while other plans have been announced. This analysis does not include the development of the former Hellinikon airport.

### Transactions

- In July 2019 it was announced that **L+R Hotels** (London & Regional) has made its second acquisition in Greece after the Amathus Hotel in Rhodes by acquiring **the 4-star 385-room Titania Hotel**, located near Omonia Sq in Athens. Further details on the deal have not been released, but press reports mention an acquisition price of € 50 M, translating into a value of € 130,000 per room. L+R Hotels owns and manages an extensive hotel portfolio with approximately 17,000 bedrooms across the UK, Continental Europe, the US and the Caribbean.
- At the beginning of July **Fattal Hotels** has signed the agreement with pension and healthcare fund EFKA for the rent of the **former Esperia Hotel** located at Stadiou St in the centre of Athens. The annual rent amounts € 1,150,000. Fattal, one of Israel's largest hospitality companies with 39 hotels and 16,700 rooms in Israel and 150 Leonardo branded hotels in Europe, will redevelop the Esperia into the 5-star **Leonardo Royal Esperia Palace Hotel Athens**.
- Since mid-2017 Probank was in the process to sell or rent the **former 5-star Iridanus hotel** in

Athens. In July 2019 the bank has reached an agreement with **Athenaeum Hotel group**, who operates the 4-star Athenaeum Grand Hotel, Athenaeum Palace & Luxury Suites and Athenaeum Smart Hotel, which are all located at Syngrou Ave. The minimum monthly rent for the 39-room property was set at € 37,000 based on the latest tender documentation.

- In June the Hellenic Republic Asset Development Fund finally completed the sale of **the Afandou property in Rhodes** after years of delays. HRADF and **T.N. Aegean Sun Investments Ltd**, an interest of the **Nicolaides family (Atlantica Hotels & Resorts)** signed the agreement for the sale of South Afandou estate, followed by the financial closure of the transaction with the payment of a lump sum of € 15.2 M.

According to the investment plan of T.N. Aegean Sun Investment Ltd. three new hotel complexes as well as a tourist - holiday village of 20 independent residences will be developed on the 269,000 sqm property with a total budget of € 150 million within the framework of the Special Plan for the Spatial Development of Public Real Estates (ESHADA).

The Golf - North Afandou Sales Agreement (SPA) was signed earlier in June by HRADF and M.A. Angeliades Inc., while the financial closure of the transaction for a total consideration of € 26.9 million, is expected to be finalised in the coming period.

### New Government; Greek economy continues to recover slowly

- As largely anticipated, **New Democracy comfortably won the 7 July general election**, attaining an outright majority in parliament with 158 of the 300 seats. There has been a surge in investor confidence, founded on hopes that New Democracy will push more business friendly, investment-oriented policies. The government has pledged a plethora of tax relief measures in a bid to spur investment in the economy.
- However, already on high alert after the latest round of government measures, creditors are increasingly concerned over the prospect that Greece will miss its **primary fiscal surplus target of 3.5%** this year. According to Oxford Economics this limits the fiscal space available to implement its reform agenda. And while the proposed tax cuts offer potential, these measures alone will not be enough to boost growth significantly. Without a substantial restructuring of the Government budget and debt, it is likely the Greek economy will continue to languish in a high debt/low growth environment.
- Declining unemployment and a sizeable rise in the minimum wage helped to lift household spending. But with investment, consumption and inventories expanding, imports rose by 5% q/q, whereas weaker eurozone demand saw exports fall for the first time since 2017. So, while domestic demand will continue to provide key support, mainly through investment and household spending, net exports are expected to weigh on overall activity, leading to marginally softer **growth of 1.8% this year** according to analyst of Oxford Economics.
- Finally, Greece's new Tourism Minister, Harry Theoharis, has announced a **10-year Strategic Plan for Tourism**, which will focus on competitiveness, innovation and sustainability. In the meantime, the Tourism Ministry is examining VAT cuts, re-examining the stay-over tax and working on a new framework to regulate the Short-Term Rental market.

**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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