



GBR HOSPITALITY QUARTERLY NEWSLETTER

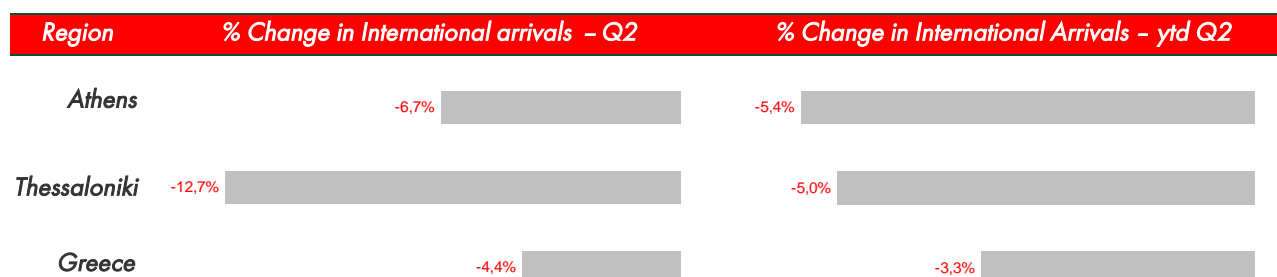
Greek Hospitality Industry Performance

2010 Q2

Introduction

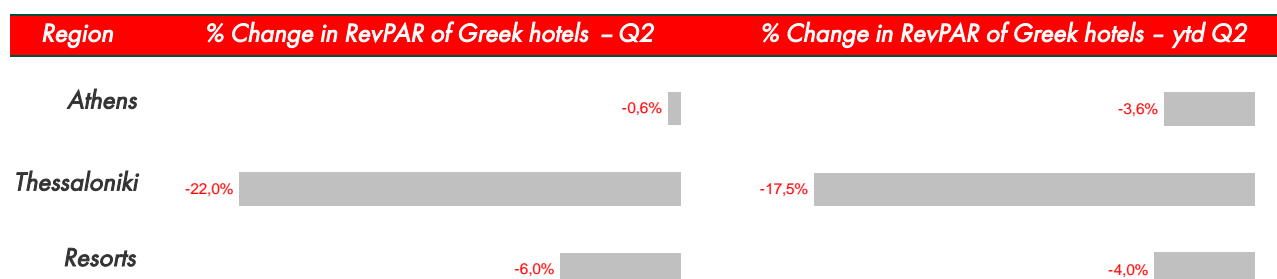
This newsletter provides a snapshot of the evolution of the performance of Greek hotels, based on a sample of approximately 180 hotels & resorts in Greece. The hotel performance data is compared with data regarding international arrivals in Greece as well as international hotel data, so as to place the Greek hospitality industry in the context of Greek tourism and of the International Hospitality Industry. Finally, a topic of special importance to the hospitality industry will be presented each time.

International arrivals¹ in Greek airports, 2010 compared to 2009



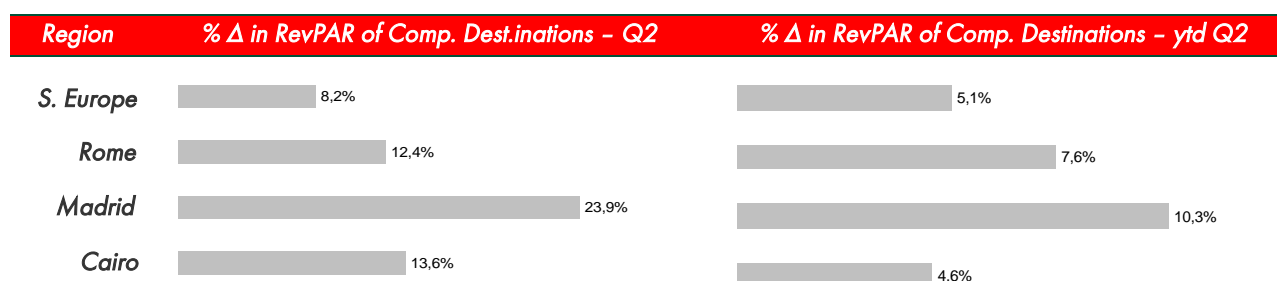
Source: SETE, processed by GBR Consulting

RevPAR² in Greek hotels, 2010 compared to 2009



Source: GBR Consulting

RevPAR in Competitive Destinations, 2010 compared to 2009



Source: STR Global, processed by GBR Consulting

Commentary

- International arrivals in Q2 dropped in comparison to last year (by 6.7% in Athens, 12.7% in Thessaloniki and 4.4% across the country) for a number of reasons. First one was the volcanic ash from Iceland in April, which led to numerous flight cancellations across Europe. Secondly, the austerity measures implemented by the government in March have greatly affected business travel within the country, a major driver of arrivals in Thessaloniki ([see endnote 1](#)). Finally, the demonstrations in Athens during Q2 affected negatively the image not only of the city, but of the other destinations as well, putting off a number of travelers from coming to Greece.

- Athens experienced extensive and sometimes violent demonstrations in Q2 which affected negatively the RevPAR. However the overall RevPAR change in Q2 was marginally negative (-0.6%) as the biennial Posidonia shipping exhibition took place in June, driving up rates and occupancy mainly in the 5* and 4* hotels of Athens. Comparing, however, 2010 Q2 with 2008 Q2 when the previous Posidonia exhibition took place, the Athens RevPAR is down by approximately 25%.
- In Thessaloniki the situation worsened further, as the increased hotel room supply ([see our previous newsletter](#)) was compounded by the drop in domestic business travel following the austerity measures announced by the government last March. As a result, the RevPAR in Q2 fell by 22% compared to last year.
- The decrease in the Resort Hotels' RevPAR (-6%) hides a much larger drop in revenues, which was largely offset by the late opening of many seasonal hotels.
- The overall picture does not compare favourably to competitive destinations (S. Europe, Rome, Madrid, Cairo) which showed a marked increase in their RevPAR in Q2 (8.2%, 12.4%, 23.9% and 13.6% respectively).

Hotel & Other News

- The *Costa Navarino* resort in Messenia, in the SW Peloponnese, welcomed its first guests at the Romanos Hotel (445 rooms) in May. The Romanos hotel is a Luxury Collection Resort on a seaside area of 130 ha with a 1 km beachfront. Alongside the hotel started the operation of an 18-hole signature golf course. The next unit of the Costa Navarino resort will be a Westin (335 rooms), which will open within the summer. A Banyan Tree hotel and a Four Seasons Resort are also under way as well as more golf courses. Once fully operational, Costa Navarino will comprise of 4 distinct areas / units, covering 1,000 ha, including golf courses and holiday homes. The Costa Navarino has been praised for its environmental practices.
- *Airotel* has opened the 51 rooms 3* *Patras Smart* hotel, built at a cost of € 4 mn. Patras Smart has many 'green' characteristics and is decorated with arts objects. Group Chairman and Managing Director Alexandros Vassilikos has also announced that the group's next project will be the renovation of the 150 room 3* *Galaxy* hotel in Kavala, with a budgeted investment of € 7 mn. Airotel, focuses in urban hotels and -in addition to the above- also has another hotel in Patras, 3 hotels in Athens and a resort-hotel in Eretria.
- The government has announced plans to privatize the remaining *Xenia* hotels, which are not operating and many of them need structural improvements. Xenia hotels were built in prime locations and contributed greatly to the tourist development of Greece in the 60s. As their architecture is considered as exemplary of modern architecture, they are characterized as 'listed' buildings and must be preserved in any renovation.

Things to consider for the next Quarter

- The government has tabled in Parliament the Law about the lifting of restrictions on manning cruise ships ('cabotage' rules) but has received criticism from the industry that liberalization could have gone further and that due to the delay in tabling the Law, the full benefit can not be captured for the 2011 season. Substantial benefits can accrue to Greece and Athens in particular as the lifting of the cabotage restrictions will allow the development of the cruise industry ([see our previous newsletter](#)).
- Current expectation about the rest of the summer season is that arrivals will stabilize at more or less last year's levels with a drop in revenues that will most likely be restricted in single figures.
- The Hotel Federation and the Hotel Employees Union have announced that they have reached a 3 year agreement on labour relations; salary increases will be 1% in 2010 and a further 1% in 2012.

Endnotes

- ¹ 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.
- ² RevPAR : Revenue per Available Room; for Greek resorts, calculations are based on TRevPAR (i.e. Total RevPAR).

Hotel Investments in Greece between 2005 and 2009, under Development Law 3299/04

535 hotels were built under Development Law 3299/04 in the period of 2005 to 2009 in Greece, with a total budget of € 2.6 bn, 44% (€ ~1.2 bn.) of which was subsidized by the government. The number of beds added through these investments is approximately 50,000. The breakdown per hotel category is as follows:

	<u>3 star</u>	<u>4 star</u>	<u>5star</u>
% of new hotels	45%	27%	28%
% of total € invested	13%	15%	72%

Below are key statistics about cost per room and subsidies paid out by the government, per hotel category:

Cost per room *, €				Subsidy as % of total Budget		
<u>3 star</u>	<u>4 star</u>	<u>5 star</u>		<u>3 star</u>	<u>4 star</u>	<u>5star</u>
74,417	93,875	116,844	average	46%	46%	43%
109,231	181,729	212,572	max	60%	57%	60%
38,414	7,829	40,000	min	28%	30%	30%

* as the primary data only includes bed count, the per room calculation is based on the assumption of 2 beds per room

The Greek government has announced plans for a new Development Law, providing financial incentives for investment in Greece in the form of extensive tax breaks and subsidies of up to 50%.

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 CB Richard Ellis, 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.

Feasibility Studies	Valuations	Market Audits	Sales/Acquisitions
Strategic Positioning	Concept Validation	Benchmarking	Management Contracts
Repositioning	Expert Witness	Competition Audit	Managerial Audit
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