

# RIDE THE WAVE

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## Economy & Real Estate Report Holiday Home and Hospitality Markets

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Greece 2018

## Overview

### Greek Economy's prospects for further growth appear promising as all basic indicators record steady improvement

Following a period of instability and uncertainty, Greek Economy recorded solid figures in 2017, making the first step towards exiting the economic crisis. Central Government's continuous effort to carry out the prerequisites of the 3<sup>rd</sup> MOU coupled with the rigorous oversight of institutions regarding the program's implementation, led Greece on the path of stability and growth. Greek Economy's prospects for further growth appear promising as all basic indicators record steady improvement.

In 2017, GDP recorded a +1.5% growth while forecasts for 2018 and 2019 predict further growth of +1.9% and +2.3% respectively. Picking up from 2016 performance, unemployment rate continued its downwards course in 2017 as well, standing at 20.8%. Projections for 2018 and 2019 show a further decline to 19.9% and 18.1% respectively. It

should be noted that the projected figures are lower than the 20% benchmark for the first time since 2011. Consumer Price Index stood positively in 2017 for the first time in four years, reaching 1.1%. The abovementioned figure is mainly explained by the overall evolution of indirect taxation and the energy pricing. Nonetheless risks do exist for 2018 due to the increase in oil prices recorded in H12018.

The rise in the Economic Sentiment Index above 100 points in the second half of 2017 (101.0) for the first time since 2014 as well as its further growth for the first half of 2018 (102.5), came as a confirmation of the positive course of the economy during this period.

For H12018, Greece's exit from the 3<sup>rd</sup> MoU Program was the most noticeable update on the country's economy. For the first time since 2010, when Greece entered IMF, EU and ECB support mechanism, the country will have again free access to the markets. However, for reasons of budgetary discipline, Greece entered a post program surveillance period, meaning that the pre-requisites' implementation upon which the country received financial aid from the institutions, will be reviewed quarterly by them. (European Committee, European Central Bank, European Stability Mechanism, International Monetary Fund).

During the first semester of 2018, the country's fiscal performance

its positive course. Cumulatively, for H12018, the economy grew by +2.15%. Unemployment rate further shrank to 19.1% mainly because of seasonal work due to the beginning of tourist season. The banks' restructuring of their NPE and NPL portfolio remains Greek Economy's biggest issue at the moment. According to recent data, NPE's decreased by 4.1% compared to December 2017 reaching €88.6bil. (NPE ratio: 46.9%), being lower by €1.6bil. compared to the target set. On the other hand, NPL stock failed to reach its target by €0.3bil., reaching a total of €61.0bil. (NPL ratio: 31.5%). Despite the upward trend however, there are still much to be accomplished. The banks need to enhance their effort in order to meet their fiscal targets, so as to be able to provide liquidity to the business sector, which in return will provide an overall positive impact to the economy.

The road to Greek Economy's full recovery is still long as many structural reforms need to be implemented. However, as the country is seeing solid growth for the first time in years, the prospects are favorable once again. For that, it is imperative for the Greek Economy to continue walking the path of improvement with solid steps so as to ride the wave of growth and prosperity once again.



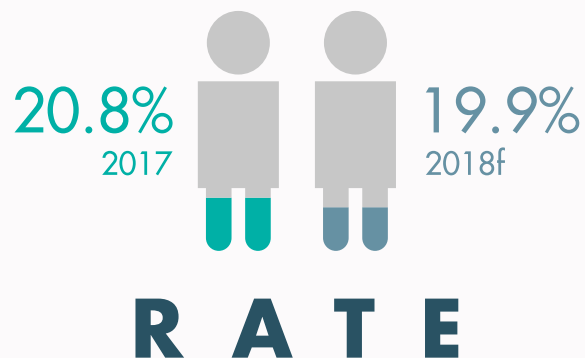
## GPD Growth 2009-2018

|         |       |       |
|---------|-------|-------|
| ◦ 2009  | ..... | -3.1% |
| ◦ 2010  | ..... | -4.9% |
| ◦ 2011  | ..... | -7.1% |
| ◦ 2012  | ..... | -7.0% |
| ◦ 2013  | ..... | -3.9% |
| ◦ 2014  | ..... | 0.7%  |
| ◦ 2015  | ..... | -0.2% |
| ◦ 2016  | ..... | 0.0%  |
| ◦ 2017  | ..... | 1.5%  |
| ◦ 2018f | ..... | 1.9%  |

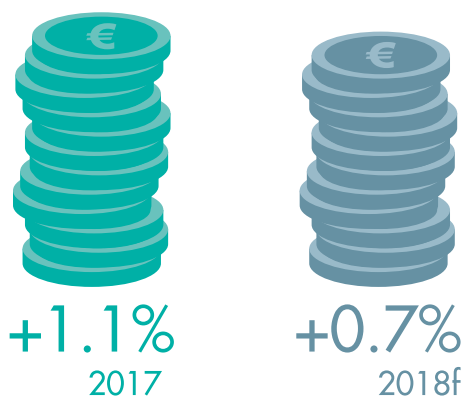
## Unemployment Rate 2009-2018

|         |       |       |
|---------|-------|-------|
| ◦ 2009  | ..... | 9.6%  |
| ◦ 2010  | ..... | 12.7% |
| ◦ 2011  | ..... | 17.9% |
| ◦ 2012  | ..... | 24.4% |
| ◦ 2013  | ..... | 27.5% |
| ◦ 2014  | ..... | 26.5% |
| ◦ 2015  | ..... | 24.5% |
| ◦ 2016  | ..... | 23.6% |
| ◦ 2017  | ..... | 20.8% |
| ◦ 2018f | ..... | 19.9% |

## UNEMPLOYMENT



## INFLATION



## Inflation 2009-2018

|         |       |       |
|---------|-------|-------|
| ◦ 2009  | ..... | 1.3%  |
| ◦ 2010  | ..... | 4.7%  |
| ◦ 2011  | ..... | 3.3%  |
| ◦ 2012  | ..... | 1.5%  |
| ◦ 2013  | ..... | -0.9% |
| ◦ 2014  | ..... | -1.4% |
| ◦ 2015  | ..... | -1.3% |
| ◦ 2016  | ..... | 0.0%  |
| ◦ 2017  | ..... | 1.1%  |
| ◦ 2018f | ..... | 0.7%  |



## Tourism

### 2017 was a record year for Greece, marking top performances in both international arrivals and total receipts

With a total contribution of approximately 25% of the country's total GDP, tourism is Greek economy's heavy industry. Keeping in line with our estimates, as those were stated in Algean Property's previous Economy Report ('Back on Track: Economy & Real Estate Report 2017') 2017 was a record year for Greece, marking top performances in both international arrivals and total receipts.

Compared to 2016, international arrivals increased by + 9.68% in 2017 (24.8 million visitors), reaching 27.2 million visitors, with the compound annual growth rate (CAGR) for the last five years being 8.72%. Tourism expenditure for 2017 produced a robust performance, reaching €14.2bil, recording an increase of +10.93% compared to 2016 and a +3.94% CAGR for the last five years. Greek tourism's 5 major markets (Germany, United Kingdom, France, USA, Russia) accounted for 41.35% of total arrivals, 49.5% of

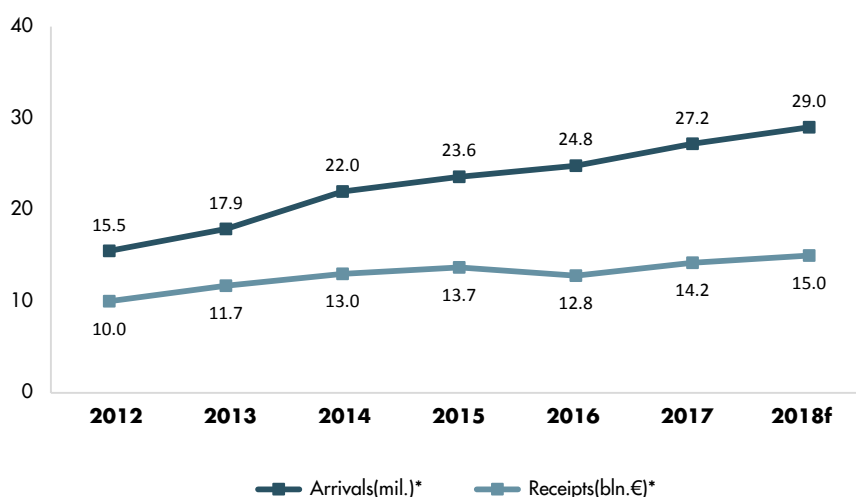
total overnight stays and 53.5% of total tourist receipts. For the first half of 2018, tourism data is more than encouraging, as its upward course continues unabated. More specifically, tourist arrivals posted an impressive increase of 19.1% (9.5mil. arrivals) compared to the same period in 2017 (7.9mil. arrivals), while tourism receipts recorded a similar increase, recording an increase of 17.7% (€4,6bil.), compared to the same period last year (€3.9bil.). If anything, expected results for 2018 exceed even the most bullish forecasts, while at the same time create a momentum for a strong 2019.

After several years of decline, 2017 was a year of recovery for domestic tourism. Due to the uncertainty in Greek society and the economy by extension, the total number of domestic tourists as well as their total spending had been shrinking over the last two years. More specifically, compared to 2014, Greek Economy's last year of growth before 2017, total

number of domestic tourists shrank by -4.6% and -4.0% for 2015 and 2016 respectively. Tourist expenditure on the other hand, while shrinking by -6.6% in 2015, showed an increase of 5.8% in 2016. For 2017, both figures recorded positive growth, marking a 6.6% and 5.7% increase for inbound tourism and tourist expenditure correspondingly.

With the industry's prospects improving and key indicators going on a steady upward trend, the continued investment of significant capital in tourism is imperative in order to maintain high growth rates. According to WTTC (World Travel & Tourism Council), in 2017, a total of €3.1bn (or 15.9% of the total investments made in the country) was invested in tourism. According to WTTC forecasts, in 2018, total investment in tourism will grow by 3.6% per year, while for the next 10 years it will increase by 5.5% or €5.5bn, accounting for 17.4% of the total investments made.

**International Tourist Arrivals and Tourism Receipts**



\*International cruise passenger arrivals and receipts have not been counted



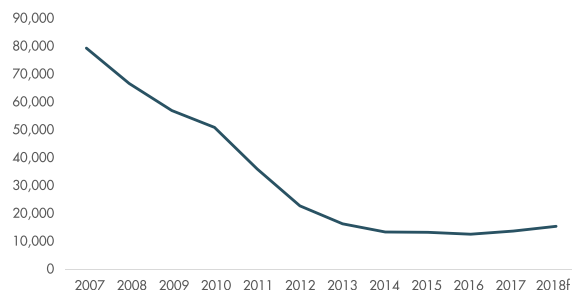
## BUILDING PERMITS

13,785  
2017

15,500  
2018f

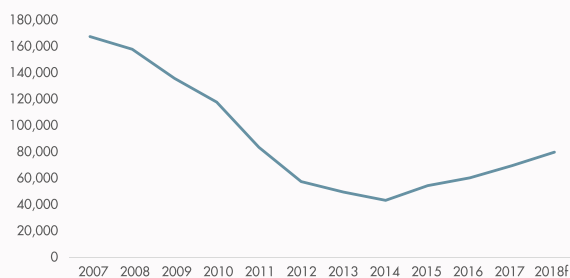


### Building Permits 2007-2018



Source: Hellenic Statistical Authority

### Real Estate Transactions 2007-2018



Source: Hellenic Statistical Authority

## REAL ESTATE

69,826  
2017

80,000  
2018f

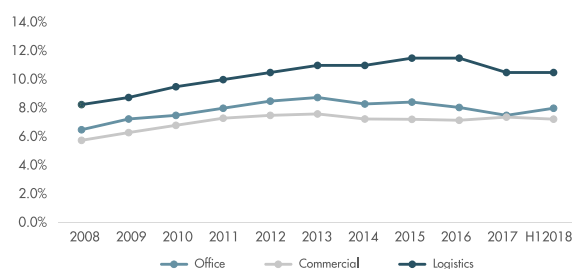


## TRANSACTIONS

## AVERAGE PRICE YIELD PER SECTOR

|            | 2017  | 2018f |
|------------|-------|-------|
| OFFICE     | 7.50% | 8.00% |
| COMMERCIAL | 7.38% | 7.24% |
| LOGISTICS  | 10.5% | 10.5% |

### Average Price Yield per Sector 2007-2018



Source: Hellenic Statistical Authority

### Residential Prices Index 2007-2018



Source: Bank of Greece

## RESIDENTIAL PRICES INDEX



-1.0% 2017

0.8%  
H1 2018

1.5%  
2018f



## Building Activity

Building activity showed signs of recovery in 2017, achieving a positive growth for the first time since 2006. In particular, for 2017, 13,847 building permits were issued, recording an 8,6% increase compared to 2016 (12,751 permits issued). This increase comes as yet another affirmation of Greek

economy's positive performance last year and a clear indicator that the sector's crisis is finally over. Over the last three years, the sector's figures have stabilized, following a massive correction since 2007 (-84,1%). The country's overall political and economic stability, as well as banks' NPE

and NPL portfolios settlement are expected to further stimulate building activity over the coming years. Provisional data for H12018 show an increase of 7,8% in issued permits compared to the corresponding period in 2017, re-establishing the country's building activity development.

## Market Watch

2017 was a year of stability and mild growth for the Greek real estate market, while major projects concerning Greece's infrastructures were put on the pipeline. Greek REICs also played an important role in Greek real estate market recovery by investing substantial capital in commercial real estate. More specifically, for 2017, Greek REIC's invested a total of €247.15mil., which was almost three times the amount spent for 2016.

Demand for quality offices, commercial real estate and warehouses was increased throughout 2017, with corresponding rents picking up and the respective yields reaching rational market levels.

Prime office space demand in 2017 was higher than in 2016, with the market focusing mainly on high specification spaces, ranging between 500-1,500m<sup>2</sup>. Interest for average quality office spaces with upgrading potential remained steady. For 2017 office yields ranged between 7.0-8.0%. Retail sector had a stable year with mild growth, with 2017

closing with a positive margin. Yields ranged between 7-8%, the same as 2016, as rents in high commerciality venues picked up. Retail still remains the most promising commercial sector in real estate as a number of projects being announced (Hellinikon Project, Thessaloniki Metro, etc.) are expected to give new impetus. Logistics continued in its steady upwards course throughout 2017. Existing logistics facilities improved greatly and a number of major infrastructure developments (new roads, privatization of Greek Railway Organization, further improvement of Piraeus Port, privatization of Thessaloniki Port) increased demand, both for high end warehouses as well as for low specification assets. As the sector is still developing, existing supply is struggling to keep up with the increased demand, so new developments are in order. Yields in the sector range between 10-11%, verifying its positive course in 2017 and its high prospects for 2018 and 2019.

For H1 2018, the commercial sector continued vigorously its

upward course, setting the pace for a solid year. Greek REICs have been the leading force behind the sector's growth, having already invested more than €80mil so far. However, despite the sector's positive course and outlook so far, the limited supply of prime properties in all sub-sectors is expected to drive yields down while mitigating the investment potential.

The industry's problems are widely known and it will take great effort to simplify procedures that will allow its relaunching. REICs' rapid growth over the last few years and their continued faith in the Greek Real Estate sector has given new life to the industry. The money invested by them as well as their extensive know-how, coupled with the opportunities created in the market due to the economic crisis, will create the conditions for the industry's re-start and the Greek Real Estate re-establishment as a market with solid investment potential over the years to come.

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## Domestic Residential Market

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In 2017, residential sector in Greece recorded yet another year of negative growth thus completing 9 years of recession albeit at a slower pace compared to previous years (-1.0%). In H1 2018 however, for the first time during the last 10 years, property price index recorded growth (+0.8%), giving the first positive sign for the end of the housing crisis in Greece.

The smooth price correction recorded in 2017, combined with the increase in demand overall was a sign that the housing market had entered the path of recovery. The rapid growth of short-term leasing platforms in recent years has played a very important role in the stabilization of housing market in Greece. The prospect of residential properties' commercial exploitation along with the exponential growth of tourism in Greece, provided a new perspective in the residential sector as investors hastened to capitalize

on the market's positive momentum and attractive prices offered.

The "Golden Visa" scheme has had a positive impact on the housing market so far. According to the latest data from the Ministry of Immigration Policy, 3,404 residence permits have been issued to property investors so far, with the Chinese being first on the list with 1,700 residence permits, followed by the Russians (450) and the Turks (356). Total funds invested are accounted at approximately €1bil., with the average transaction value being estimated at €350,000.

In regards to the banks' NPE's and NPL's portfolio, despite the significant improvement recorded in the ratios, yet it did not have the necessary positive impact on the market so far. However, actions such as the introduction of e-auctions as well as the sale of real estate "packages" to major funds were important steps

towards the housing market's further improvement.

Investor's interest was focused mainly on the country's two major urban centers (Athens, Thessaloniki).

In Athens, the most attractive sub-markets were:

- a) The historic center and its surroundings (Koukaki, Pagkrati, Plaka) because of their proximity to the city's monuments and their accessibility by public transport and
- b) The southern suburbs, due to the area's extraordinary urban planning as well as their proximity towards the sea and a number of crystal clear beaches in the Athenian Riviera.

In Thessaloniki, a particular interest was recorded for properties close to the city's beachfront as well as in the sought after area of Panorama.

## Overview

### The signs of recovery are already visible and the sector's prospects seem more favorable than ever

The holiday home market has been Greek real estate's steam engine in recent years sector experiencing an unprecedented boom. Greatly assisted by the continuous upwards performance of tourism and the positive economic climate recorded in 2017, demand for holiday

homes in Greece grew greatly, simultaneously creating a positive momentum for 2018 as preliminary figures are already reaching pre-crisis levels. The gradual stabilization of the banking sector also boosted the construction industry; new luxury residential

projects are under development, contributing to the qualitative and quantitative upgrading of the existing stock, which had remained relatively stable in recent years. The signs of recovery are already visible and the sector's prospects seem more favorable than ever.

## Supply

The economic crisis of recent years led many holiday home owners to put their properties for sale. Currently, it is estimated that about 50,000 properties are available on the market, the majority of which are mostly private residences, while many more are on the pipeline.

According to [Algean Property's report "Back on Track: Economy & Real Estate Report 2017"](#), many hospitality projects under

development include the construction of holiday homes within their premises, in an effort to diversify their product and address growing demand, with the estimated figure being close to 3,000.

The stabilization of the economy in recent years has allowed construction companies re-accessing bank lending, thus advancing new residential projects or projects which had stopped due

to financing issues.

As demand is picking up and holiday home market is steadily correcting, both the existing as well as the new holiday home stock is expected to achieve high absorption rate. This will allowing further upgrading of the tourist product with new, luxurious and modern constructions that meet the ever-increasing demands and needs of international investors.

## Demand

For 2017, demand for holiday home registered a significant increase compared to previous years. The positive course of the Greek economy, the competitive asking prices in holiday homes compared to other destinations in the Mediterranean as well as the meteoric increase of tourism figures recorded in recent years played an important role to this increase, paving the way for the sector's further growth.

Main areas of interest were

Mykonos, Paros, and Antiparos, mostly attracting European buyers (German, Italians, and British) as well as Middle Eastern (Lebanon, UAE), Turkish and Americans.

Santorini was a pole of attraction for European and Chinese buyers. Crete, Corfu and Rhodes mostly attracted British and German while in Corfu, Russian buyers have reappeared after many years.

In mainland Greece, Porto Heli remained a popular choice,

while Argolida and Messinia in general won investors' interest, mainly because of the existence of worldwide resorts located in their vicinity (Amanzoe and Costa Navarino). Great Britain, France and Belgium are the markets showing a keen interest in acquiring property in this area. In northern Greece, great interest is shown from the Germans and the Russians, as well as from buyers from the Balkans such as Serbia and Bulgaria.





## Prices - Yields - Transactions

Last year, holiday home prices mostly remained at 2016 levels, indicating that the market has stabilized. A mild increase was recorded in areas of high tourist interest (Mykonos, Paros, Corfu), while a slight slowdown appeared in less popular destinations.

In recent years, the market benefited greatly from the development of tourism in Greece. Consequently, in tourist-developed areas, there has been an increase in asking prices. Characteristically, for the period 2015-2018, average asking prices for high end residences in Mykonos have experienced an 18% growth while the respective gross average yield has skyrocketed, recording a 14.8% increase.

For 2017 overall, holiday home yields continued improving, certifying the superiority of popular tourist destinations in Greece over its direct competitors

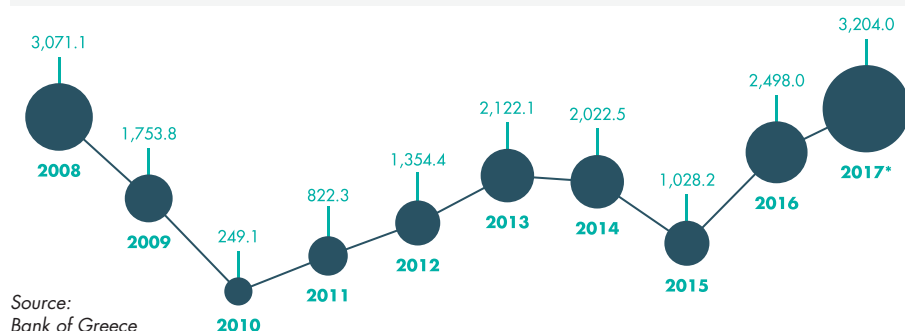
in the Mediterranean. As [Algean Property's latest report \("Yields Report 2018: High End Holiday Homes in the Mediterranean"\)](#) shows, Mykonos, Santorini and Paros markets occupy the first three places in the Mediterranean for 2017, achieving gross average yields of 8.4%, 6.4% and 6.3% respectively. Other popular areas in Greece such as Rhodes, Porto Cheli, Elounda and Chalkidiki, clinching a spot in the top ten (5.3%, 5.1%, 4.8% and 4.8% respectively), surpassing established tourist destinations (Marbella: 4.0%, Ibiza: 3.9%, St. Tropez: 3.8%, Mallorca: 3.5%).

The positive climate in all areas of the economy, has put Greece back on the global real estate investment map. The rapid growth of short-term rental platforms (Homeaway.co.uk, Airbnb, VRBO, Luxury Retreat, etc.), has resulted in a huge influx of capital from abroad to buy a home in Greece. More specifically,

for 2017, foreign direct investment intended for real estate amounted to a record €503mil., recording an 85.6% increase compared to 2016. Preliminary data for 2018 (January-August) show an increase of +170.8% over the corresponding period in 2017. As a result, the total amount for 2018 is expected to approach or even exceed €1bil. as many transactions were made outside the Greek banking system and are not accounted for in the official figures.

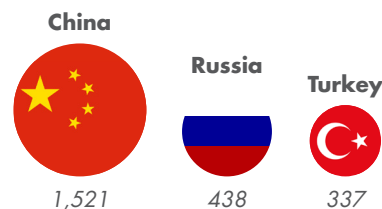
2017 was a robust year for the holiday home market. Nonetheless, despite the massive increase in demand, there are still core issues that need to be addressed for the industry's further development. The simplification of the transaction process as well as the application of tax incentives for individual and institutional investors will help the market to further advance and reach its potential.

### Foreign Direct Investment (Net inflows in mil. €)



### Golden Visa in Greece

Total Permits Issued: 3,154



Source: Ministry of Foreign Affairs  
\* Reference date: September 2018

## Outlook

The inflow of foreign capital in 2017 pushed the market to higher levels, continuing the positive path recorded in 2016. The high returns recorded in key

destinations attracted a huge number of potential investors while at the same time the Gold Visa program has begun bearing fruits. Tourism's steady growth and the

political stability of recent years are a sign that Greece is finally exiting the crisis and a good omen for the holiday home sector further development over the next years.



## Overview

### Greek tourism's new perspective spurred foreign investor's interest in entering the hospitality market

2017 was a great year for the hospitality sector. The individual hotel performance indices, such as occupancy rate, average daily rate and revenue per available room recorded solid growth, confirming the industry's positive performance.

The need to address the ever increasing tourist demand as well as to stay in front of the

competition, led to a large number of investments in the upper scale categories including acquisitions, new developments and renovation of existing units.

Greek tourism's new perspective spurred foreign investor's interest in entering the hospitality market. Furthermore, domestic investors strengthened their position,

grasping the industry's positive momentum.

Overall, the strong dynamics recorded in 2017 created a positive flow for an even better 2018, with preliminary signs putting Greece amongst the top performers in the Mediterranean.

## Supply

According to the latest data available from the Greek Hotel Chamber, hotel capacity for 2017 amounted for 9,783 hotel units, with 414,127 rooms and 806,045 beds, achieving positive growth in each sub-category by 0.5%, 1.7% and 2.2% respectively.

For the second consecutive year, the largest increase in hotel units, rooms and beds was recorded in the four and five-star category hotels. More specifically, 5-star hotel units increased by 11.7% compared to 2016 (2017: 496 - 2016: 444), while four-star units rose by 5.2% (2017: 1,485 - 2016: 1,415).

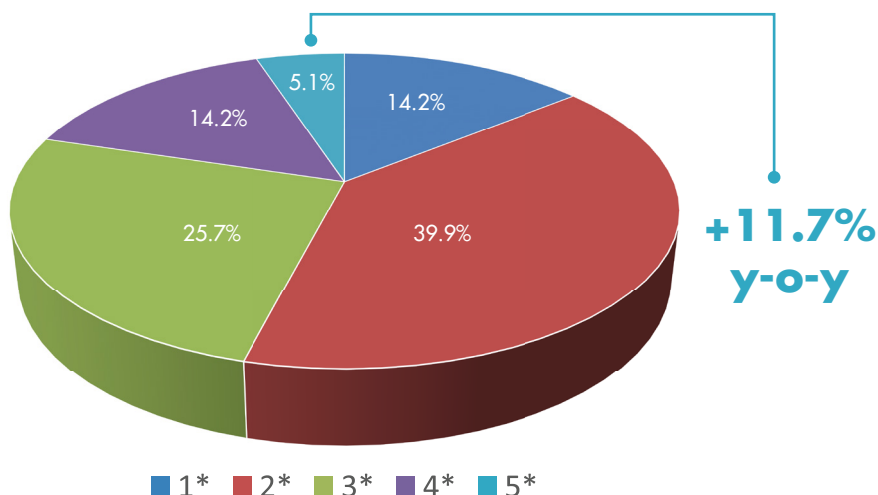
Greece's repositioning in the tourism investment map became a springboard for many new, high end hospitality projects across the country, while the vast majority of the existing units proceeded in

upgrades and renovations so as to address the advancing demand for quality accommodation.

As the growing numbers of tourism in Greece leave no room for

complacency, the need for further strengthening of the hotel product has become imperative, for the country to stay afloat and remain a top choice for visitors across the Mediterranean.

**Allocation of Hotel Units per Category in Greece 2017**



## Perspectives – Key Performance

The hospitality sector continued its positive course throughout 2017, maintaining the course started in 2016. The exceptional performance of tourism last season was eloquently reflected in individual performance indices, as well as to the hotels' economic figures, which recorded a +51.6% in their earnings for 2017. More specifically, the average length of stay reached 7.1 days, increasing by 2.9% compared to 2016 (6.9 days) while expenditure per overnight stay recorded a marginal increase of 1.4%, reaching €68. Average expenditure increased by 1.5% in 2017 reaching €522 from €514 (2016). Average occupancy rate recorded a small growth last year ranging between 57%-67% on an annual basis while seasonally it reached over 75%. Average Daily Rate (ADR) remained at the same levels as last year, ranging between €90-€180, while RevPar recorded a small growth for 2017, ranging between €55-€185.

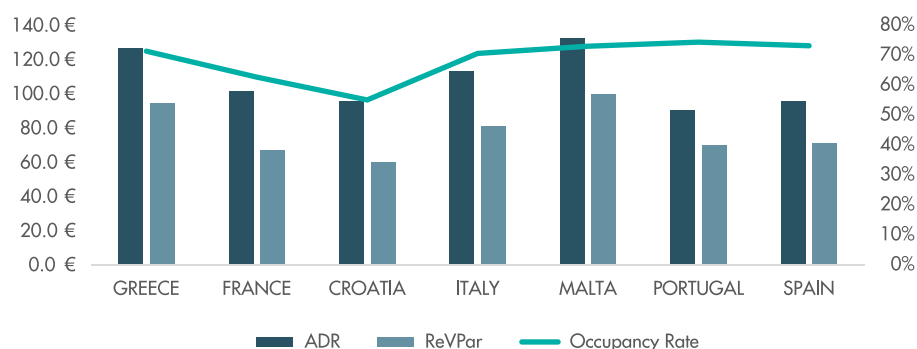
Seasonality remains Greek tourism's main issue, as it continues to rely heavily on the "Sun and Sea" model. Nonetheless, increased arrivals recorded at the international airports of the country in months traditionally welcoming a small number of tourists, reflect a gradual normalization of the phenomenon.

Greece has tremendous prospects in all sectors of alternative forms of tourism, which will be a significant part of global tourism in recent years. With a reduced

cost of services compared to other destinations worldwide, medical tourism in Greece can become a pillar of tourism development while the country's abundant thermal springs (over 800 springs recorded) are a treasure that, if properly exploited, can make the country the top wellness destination in the Balkans and the Mediterranean. The signs for that are already positive, as medical

tourism recorded an average growth of 10% compared to 2016. MICE tourism is steadily gaining ground, with Greece occupying the 31<sup>st</sup> place globally for 2017. Athens, the country's capital, is emerging as a popular city break destination in Europe, recording solid growth in international arrivals and all the basic hospitality KPI's (Occupancy rate, RevPar, ADR) year after year.

**Hotel Units: Key Performance Indicators, 2017**



**Greece: Hospitality Sector – Performance**

|                                     |              |
|-------------------------------------|--------------|
| Annually Occupancy Rate             | 57% - 67%    |
| Average Duration of Stay            | 7.1 days     |
| Expenditure per Overnight Stay      | € 68         |
| Average Daily Rate (ADR)            | € 90 - € 180 |
| Revenue per Available Room (RevPAR) | € 55 - € 185 |

## Transactions - Investments

Investment interest in the Greek hotel industry for 2017 was enormous. From acquisitions of hotel units to undertaking management and new hotel developments, the hospitality sector is picking up the pace, creating the infrastructure for its qualitative and quantitative growth experienced by tourism in recent years. At the same time, these investments contribute both to the country's economy with the inflow of foreign capital as well as to unemployment through the creation of jobs in the most active dynamic sector in Greece at the moment.

The increased presence of large tour operators, world renowned hotel chains and well-known investment schemes in the Greek market is very important for tourism and a sign of confidence for the country's growing prospects.

TUI and Thomas Cook, tour operators with global reach, announced that intend to strengthen their presence in the Greek market by purchasing 10 additional hotels each. Two of the most important hotel chains worldwide (Four Seasons, Accor Hotels), have already set foot in the Greek market, with plans of further

expanding the presence.

During 2017, a great number of deals took place, while a plethora of new developments enhanced the country's hotel capacity, both in quality and quantity. Undoubtedly, the most important transaction for 2017 was the acquisition of King George hotel in Syntagma Square, Athens (owned by Eurobank SA) from Lampsa SA for a total price of €43mil. In terms of hotel management, Four Seasons announced the undertaking of the newly developed Astir Palace in Kavouri. For the first half of 2018, the deal that stood out from the rest was the acquisition of Lakitira SA hotels in Kos from Atlantica Hotels for a total price of €62.9mil., while, during the same period, many more, lower volume transactions, developments and undertakings took place.

Greek REITS have entered dynamically the Greek hospitality sector in an effort to enrich and further diversify their property portfolio, foreseeing the great yields offered. Grivalia REIC, through its subsidiary Grivalia Hospitality, proceeded in numerous acquisitions these years including

a private island in Panama (Pearl Island Project) for €27mil., "Asteria" resort in Glyfada, Athens for €30mil., "Olympos Naoussa" in Thessaloniki for €5.5mil and "Melia Palace Hotel" in Athens for €9.0mil. Grivalia REIC's latest acquisition was Amanzoe Luxury Hotel & Resort in Porto Cheli, Argolida for €5.8mil. The company also agreed to undertake all of Amanzoe's existing loan obligations amounting to €76.5mil. NBG Pangaea REIT signed a franchise agreement with Marriott International to operate "Moxxy Hotel" in Patras and in May 2018 purchased "Les Lazartes" in Thessaloniki for €7.0mil. Finally, the newly established Ble Kedros REIT of the Eformidis family (Coco-Mat), proceeded in a number of purchases of buildings and land plots for the purpose of transforming or erecting them into hotels. Currently, 3 of the company's hotels are in operation, one is under construction and the other under renovation. Finally, a former hotel in the northern suburbs recently acquired is currently inactive.

## Outlook

Greatly assisted by the exceptional performance of tourism, the upward trends of all performance indices and the steady course of the economy these years, the industry has developed a dynamic that is huge and is constantly gaining ground. The investments that took place last year as well as the entrance of large hotel chains

in the Greek market reflect the industry's huge progress in recent years as well as its prospects, which seem endless at the moment.

For the sector to continue growing and to take full advantage of the positive momentum being created, new developments need to take place. It is estimated that, in

order to increase the number of foreign visitors and the tourism industry to maintain the growth of recent years, the hotel market will need further investments of around €6.2bil. by 2022, most of which will be spent on renovation works, as the available capacity is currently capable of meeting existing demand.

## 2017 Milestones

| Project                                | Seller  | Investor                              | Type of Investment  | Status    | Amount             |
|--|---|---------------------------------------|---------------------|-----------|--------------------|
| King George                            | Eurobank  | Lampsa SA                             | Acquisition         | Completed | €43mil.            |
| Ledra Marriot Hotel                    | Alpha Bank  | Hines                                 | Acquisition         | Completed | €33.5mil.          |
| Zorbas Village                         | Vita Hotels   | Allsun (Alltours)                     | Acquisition         | Completed | n/a                |
| Carolina Mare                          | Vita Hotels   | Allsun (Alltours)                     | Acquisition         | Completed | n/a                |
| Asteria Glyfadas                       | Nafsika SA (remaining 20% of shares)  | Grivalia Hospitality (80% of shares)  | Acquisition         | Completed | €29.5mil.          |
| Olympos Naousa                         | Eurobank  | Grivalia Hospitality                  | Acquisition         | Completed | €5.5mil.           |
| Avra Hotel                             | Alpha Bank  | Smile Hotels                          | Acquisition         | Completed | n/a                |
| Mistral                                | n/a   | Theodoros Douzoglou (investor)        | Acquisition         | Completed | €12mil.            |
| Listed Building                        | n/a   | Mple Kedros REIT                      | Acquisition         | Completed | €2.5mil.           |
| Hotel near Acropolis                   | n/a   | Mple Kedros REIT                      | Acquisition         | Completed | €10mil.            |
| Poseidon Resort                        | n/a   | Wyndham Hotel Group                   | Management          | Completed | €5mil.             |
| Mare Nostrum Hotel Club Thalasso       | n/a   | Wyndham Hotel Group                   | Management          | Completed | n/a                |
| Acquamarina                            | n/a   | Wyndham Hotel Group                   | Management          | Completed | n/a                |
| Capsis Hotel                           | Eurobank  | Synthesis SA                          | Management          | Completed | €25mil.            |
| Athens Lycabettus Hotel                | Archdiocese of Athens   | Fortitudinem Properties & Investments | Management          | Completed | n/a                |
| King's Palace                          | Social Welfare Fund for Former Workers of the Agricultural Bank             | Lampsa SA                             | Management          | Completed | €1.2mil. /per year |
| La Mirage                              | Aviation's Equity Fund  | Stelios Ioannidis (hotelier)          | Lease               | Completed | €336.000 /per year |
| Listed Building                        | Army Equity Fund  | Intrakat                              | Lease               | Completed | €480.000 /per year |
| Four Seasons Astir Palace Hotel Athens | n/a   | Four Seasons                          | Management          | Completed | n/a                |
| Listed Building                        | n/a   | Lampsa SA                             | Lease               | Completed | €960.000 /per year |
| Listed Building                        | n/a   | Kokkalis Group                        | Lease               | Completed | €40.000 /per month |
| Kubic Athens Hotel                     | Unified Supplementary Insurance (75%) & Public Servants Provident Fund(25%) | Pythagorion SA                        | Lease               | Completed | n/a                |
| Lazart Hotel                           | Hellas Capital Leasing  | Zeus International                    | Management          | Completed | n/a                |
| Moxy Hotel                             | Mariott International   | NBG Pangaia                           | Franchise Agreement | Completed | n/a                |
| Ibis Styles Heraklion Central Hotel    | Polis H.M. SA   | Accor Hotels                          | Management          | Completed | €15mil.            |

## 2017 Openings

| Project                                 | Location         |
|---|------------------|
| K29 Aparthotel                          | Athens           |
| Athenaum Grand Hotel                    | Athens           |
| Kubic Athens Hotel                      | Athens           |
| Athenian Riviera Hotel & Suites         | Vouliagmeni      |
| Athens Lodge                            | Athens           |
| Wyndham Loutraki Poseidon Hotel         | Loutraki         |
| Ramada Plaza Thraki Hotel               | Alexandroupolis  |
| Casa Cook Hotel                         | Kos              |
| Ibis Styles Heraklion Central Hotel     | Heraclion, Crete |
| Lozenge Hotel (former Lycabettus Hotel) | Athens           |
| NHL Fix Hotel                           | Athens           |
| Eagle Villas                            | Chalkidiki       |
| Sani Dunes                              | Chalkidiki       |
| Lesante Blu Exclusive Beach Resort      | Zakynthos        |



## 2018 Milestones

| Project   | Seller                        | Investor                 | Type of Investment | Status           | Amount    |
|---|-------------------------------|--------------------------|--------------------|------------------|-----------|
| Olympos Naousa  | Eurobank                      | Grivalia Hospitality     | Acquisition        | Opening end 2019 | €5.5mil.  |
| Academia of Athens, Autograph Collection                | Single Social Security Entity | Yazbeck Group            | Management         | Renovation       | €7mil.    |
| Lakitira Resort & Village/Lakitira Suites/Helona Resort | Lakitira SA                   | Atlantica Hotels         | Acquisition        | Completed        | €62.9mil. |
| Lango Design Hotel & Spa                                | n/a                           | HIP Hospitality          | Management         | Completed        | n/a       |
| Akti Imperial Deluxe Resort & Spa                       | Eurobank                      | Nikos Koutras(hotelier)  | Management         | Completed        | n/a       |
| Lazart Hotel  | n/a                           | NBG Pangaia              | Acquisition        | Completed        | €7mil.    |
| Melia Palace Hotel                                      | Hellenic Palace SA            | Grivalia Properties REIC | Acquisition        | Completed        | €9mil.    |
| Domes Miramare Corfu                                    | n/a                           | Ledra Hotels & Villas SA | Management         | Completed        | n/a       |
| Athenaum Palace & Luxury Suites                         | n/a                           | Athenaum Hotels          | Lease              | Expected         | n/a       |
| Amanzoe Luxuy Hotel & Resort                            | Dolphin Capital Investors     | Grivalia Hospitality     | Acquisition        | Completed        | €5.8mil.* |

\* The investor also agreed to undertake all of the seller's existing loan obligations amounting to €76.5mil

## 2018 Openings

| Project                            | Location           |
|------------------------------------|--------------------|
| Bahar Boutique Hotel               | Thessaloniki       |
| Mood Luxury Rooms                  | Thessaloniki       |
| Olea All Suite Hotel               | Zakynthos          |
| Rodostamo Hotel & Spa              | Corfu              |
| Elive Hotel                        | Skiathos           |
| KB Ammos                           | Skiathos           |
| Domes Miramare                     | Corfu              |
| Wyndham Grand Residences & Suites  | Athens             |
| Breeze Boutique Hotel              | Athens             |
| La Mirage                          | Athens             |
| Ikos Dassia                        | Corfu              |
| MarBella Nido Suite Hotel & Villas | Corfu              |
| Labranda Sandy Beach Resort        | Corfu              |
| Mayia Exclusive Resort & Spa       | Rhodes             |
| Gennadi Grand Resort               | Rhodes             |
| Atlantica Dreams Resort            | Rhodes             |
| Blue Lagoon City Hotel             | Kos                |
| Nana Princess                      | Peninsula, Crete   |
| Canaves Oia Epitome                | Santorini          |
| Katikies Mykonos                   | Mykonos            |
| Euphoria Retreat Hotel             | Mistra, Peloponese |
| Athens Marriott Hotel              | Athens             |
| Abaton Island                      | Peninsula, Crete   |
| Grand Hyatt Athens                 | Athens             |

## Economy

| Macroeconomic Data          |         |         |         |         |         |         |         |         |         |        |       |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|-------|
| Economic Indicators         | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018f  | 2019f |
| Population (mil.)           | 11.2    | 11.2    | 11.1    | 11.0    | 11.0    | 10.9    | 10.8    | 10.7    | 10.7    | 10.7   | 10.7  |
| GDP Growth (%)              | (3.1)   | (4.9)   | (7.1)   | (7.0)   | (3.9)   | 0.7     | (0.2)   | (0.2)   | 1.5     | 1.9    | 2.3   |
| Inflation (%)               | 1.3     | 4.7     | 3.3     | 1.5     | (0.9)   | (1.4)   | (1.3)   | 0.0     | 1.1     | 0.7    | 1.8   |
| Unemployment Rate (%)       | 9.6     | 12.7    | 17.9    | 24.4    | 27.5    | 26.5    | 24.5    | 23.6    | 20.8    | 19.9   | 18.1  |
| FDI (net inflows in mil. €) | 1,753.8 | 249.2   | 822.3   | 1,354.3 | 2,122.1 | 2,022.5 | 1,143.0 | 2,819.5 | 3,204.0 |        |       |
| Spreads (10 year bond)      | 238.7   | 950.9   | 3,313.4 | 1,058.4 | 649.0   | 906.0   | 771.0   | 710.0   | 412.0   | 431.5* |       |
| Athens Stock Exchange       | 2,196.2 | 1,413.9 | 680.4   | 907.9   | 1,162.7 | 826.2   | 631.4   | 643.6   | 802.4   | 626.1* |       |

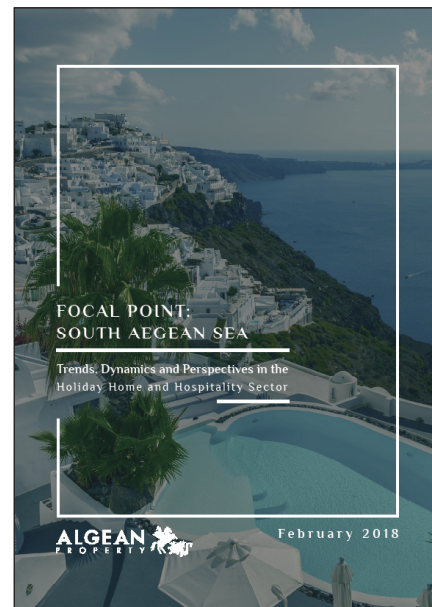
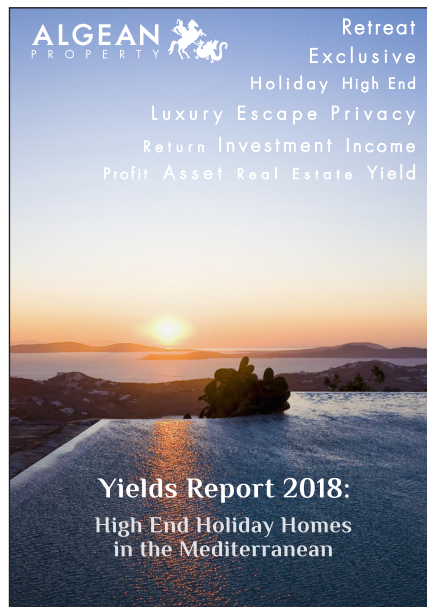
Sources: ELSTAT, Bank of Greece, Alpha Bank, Eurostat, European Commission, IMF, OECD

\* Reference date: 22/10/18

## Real Estate

| Market Trends       |         |       |        |        |
|---------------------|---------|-------|--------|--------|
|                     | Stock   | Price | Demand | Supply |
| Residential Market  | 270,000 | ↘     | →      | →      |
| Holiday Home Market | 50,000  | →     | ↗      | ↗      |
| Hospitality Market  | 9,700   | ↗     | ↗      | ↗      |

## Our Latest Reports



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