



FLASH REAL ESTATE REPORT 2016

Tourism Trends, Holiday Home
& Hospitality Markets





Overview

Greek tourism continues its upward trend, remaining the main driver of the Greek economy. According to the provisional data up to September 2016, a new record high is expected in international arrivals in 2016. Receipts from foreign visitors are expected to remain high and the projections for the next few years are very positive.

The holiday home and hospitality markets are showing very encouraging signs, benefiting from the increased strength of Greek tourism. These markets are drawing the attention of investors who realize that they can ensure very attractive returns through the acquisition and/or development of a hospitality investment.

A significant volume of developments, investments and transactions is projected for the coming years.

Tourism

For the fourth year in a row tourism continues its positive trend despite challenging national and global factors. After a challenging first semester, where arrivals and receipts were lower than those of the previous year - due to the increase in VAT, the refugee crisis and the political and economic uncertainties in the EU -, Greek tourism remained both strong and stable.

According to the latest available data, 21.35 million international tourists visited Greece between January and September 2016 - excluding the arrivals of cruises - and recorded a 3.5% increase compared to the same period in 2015. These figures indicate that a new record high in international arrivals is expected for the whole year with approximately 25 million visitors. Visitors from the UK, Russia and Germany recorded an increase of 15.6%, 18.9%, and

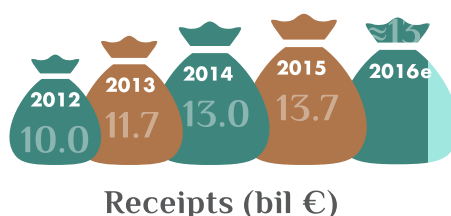
6.2% respectively, while visitors from France and countries outside the European Union recorded a decrease of 11.6% and 13.2% respectively.

Receipts for the period between January - September 2016 decreased by 6.1% compared to 2015 reaching €11.7 billion - excluding receipts from cruises. Receipts from France and the USA recorded the highest decrease by 24.3% and 26.7% respectively. This decrease was mainly due to the instability of the first semester which resulted in last minute bookings. Short vacation periods are the new global phenomenon, a trend which seems to have reversed in the last months of the year. The receipts are estimated to reach slightly below €13.5 billion in 2016, remaining the second highest figure in the history of Greek tourism.

The first signs for 2017 are very encouraging and a new record high both in arrivals and in receipts is expected. The prospects are even greater if the necessary investments for the upgrading of the infrastructure and the tourist product take place.

Algean Property estimates that Greek Tourism could reach over 30 million arrivals and €20 billion receipts in 2020, provided that the necessary investments in this sector are made.

A new record high both in arrivals and in receipts is expected.



2020 Projections

Arrivals (mil)	31,5
Receipts (bil €)	20



Holiday Home Market

The volume of transactions has substantially improved as compared to 2015.

The recovery of the holiday home market was apparent in 2016. The interest from abroad was further reinforced with demand coming from Europe, Russia, China, USA, Lebanon, Turkey, Egypt, and UAE.

Demand is still focused on the main tourist destinations as well as in the Athenian Riviera. Holiday home buyers can be divided in two categories: those who see the holiday home as an investment and expect a high return through either through property rental or sale with better terms in the future. The majority of interest is in properties in destinations with existing track records and within a price range of €500k to €1,5million. The second category of buyers are those who acquire a property for personal use, looking for exclusive seafront villas with all the modern amenities and are willing to pay even more than €3million. There is still a gap in prices between buyers and sellers but this division is being bridged at a fast pace.

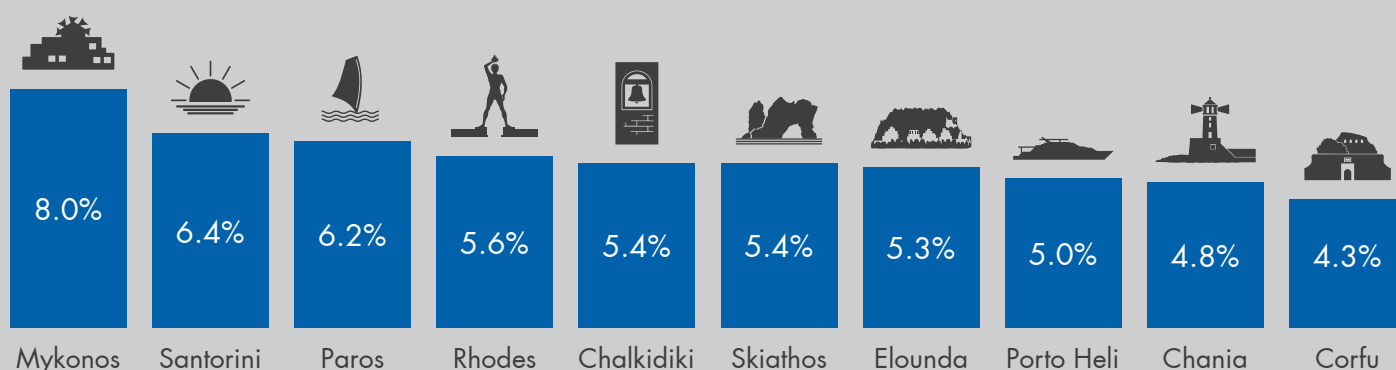
We believe the volume of transactions remains still below the country's potential but has substantially improved as compared to 2015. This recovery is more evident in prime destinations. The foreign capital income for residences reached €122.3 million for the period between January to August 2016 recording an increase of 4.6% compared to the same period in 2015. An increase in foreign capital is expected in the last months of the year. A noteworthy volume of property transactions are carried out directly abroad as in many cases the sellers prefer to be paid in their foreign accounts - due to capital controls. This trend grew substantially in the previous year indicating the upturn in the holiday home market and a further increase of foreign capital income.

The increasing demand for rental of luxury holiday homes encouraged a record number of owners to let their homes, with approximately

11,000 holiday homes licensed by EOT (Greek National Tourism Organization). More than 70% of these homes were registered in the last three years, in part to compensate for the lack of prime hotel resorts. High-end holiday homes available for rental offer attractive returns to their owners. According to our latest report [«Ride the Momentum»](#) the average gross yield achieved in the prime Greek holiday destinations such as Mykonos, Santorini, Paros, Rhodes, etc. is much higher than that in the competitive destinations of the Mediterranean such as Ibiza, St. Tropez, Cannes, etc.

We believe the future prospects of the market are very strong as Greece is increasingly one of the most attractive destinations for European holiday makers, with year round weather, excellent conditions and a growing global draw of young affluent visitors.

Top 10: Average Gross Rental Yield in Greek Main Destinations





Hospitality Market

New 4 and 5 star hotels entered the market, while lower categories either closed or upgraded.

The hospitality market continues its positive trend in spite of a remarkably strong growth in VAT, capital controls, Brexit, the refugee crisis and terrorist activity.

According to provisional data for the period between January to September 2016, Greek hotel units recorded a growth in all key performance indicators. More specifically, the average daily rate (ADR) and the revenue per available room (RevPar) increased by approximately 5% compared to the respective period in 2015. The occupancy rate grew by 2% in spite of the slow performance in the first months of the year. The occupancy

rate significantly improved in the last months of the year - September to December - indicating partial easing of seasonality. The corresponding figures for resort hotels and for those in the upper category are significantly higher. On the other hand, the lower categories faced strong competition and offered special rates in order to improve their performance.

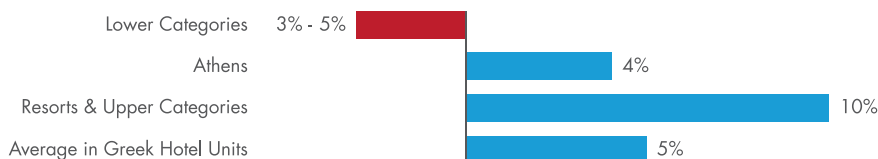
Throughout 2016 investment activity in the hospitality industry picked up, boasting a significant number of transactions. The hotel stock continued to upgrade in 2016. New 4 and 5 star hotels entered the market, while lower categories either closed or upgraded. The share of the upper category hotel beds is still below 20%, marking an unrealized opportunity in the

high-end market where there is a growing demand.

A number of existing hotels changed hands and reopened or undergo renovations. Foreign investors, developers, and international hotel operators are reportedly planning to enter the Greek hospitality market, specifically in well-known tourist destinations as well as in Athens.

A significant number of developments have already been planned, while new investments and transactions are expected in the coming years, leading the hospitality market to the next phase of growth.

RevPAR Rate, January - September 2016



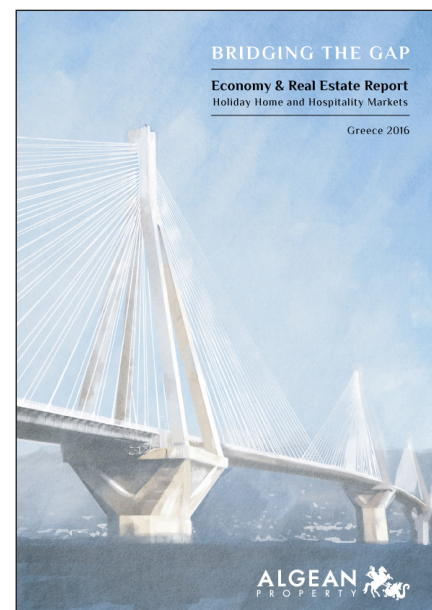
Outlook

Greek tourism is expected to open sails in the coming years in spite of unanticipated winds. This trend will further boost the potential of the hospitality and holiday home sector.

The existing track record and fantastic potential of the sector is drawing the attention of additional investors looking for attractive returns. The introduction of a

stable investment framework and the development of the necessary investments will unleash the untapped potential of the tourist industry.

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