



HOTEL INDUSTRY REPORT

Facts, Trends and Prospects in Greece

2 0 1 9

Overview

The hotel industry is tourism's most vital component and its significant growth lately has positively affected all key tourist figures and performance indices.

The need to keep the Greek tourist product competitive and address the ever increasing international demand, has led to the sector's gradual upgrading over the last few years. Many existing hotel

units renovated their facilities while new developments emerged throughout the country thus adding quality and quantity to the overall hotel capacity.

Tourism's recent impressive performance has attracted the interest of domestic and foreign investors, consequently, large hotel chains and hotel management companies have strongly entered

the market, foreseeing the excellent prospects being created.

As the Greek economy continues its recovery and the country is entering a period of political stability, conditions are ideal for the industry's further strengthening and development which will allow the Greek hotel sector to reach its true potential.

Legal Framework

According to Article 1 of Law 4276/2014, Tourist accommodations are the tourist business that hosts tourists and provides them with accommodation and other accommodation-related services such as dining, entertainment, recreation, sports. The main hotel accommodation can be built either independently or in combination with a special tourist infrastructure and can be distinguished as follows:

- Main Hotel Accommodation
- Non-Main Hotel Accommodation

- Tourist Accommodation in buildings of architectural heritage

Hotels belong to the "Main Hotel Accommodation" tourist establishment subcategory and are defined as accommodation establishments which can provide overnight accommodation in rooms or apartments of one or two or more bathrooms, common areas, guests' stay, and a breakfast room for at least one meal. The same subcategory includes the following types of establishment:

- Organized Tourist Camps (Camping)
- Youth Hostels
- Complex Tourist Accommodation
- Co-Ownership Hotels (Condo Hotels)

According to Article 32, Law 4582/2018, for the classification of all Main Hotel Accommodation in star category, the Greek Chamber of Hotels is designated as the competent body.

Hotel Capacity

According to the latest official data for the year 2018, the total number of hotel units reaches 9,873, with 425,973 rooms and 835,773 beds. In the last six years, the increase in units, rooms and beds has not been comparable to the booming increase in tourist numbers in the country (international arrivals, tourist expenses). In particular, for the period between 2013 and 2018, hotel capacity increased by +2.0%, while the corresponding increase for rooms and beds stood at +6.1% and +8.0%, respectively.

Hotel Capacity Greece 2013 - 2018

	2013	2014	2015	2016	2017	2018	% 2013 - 2018
Units	9,677	9,745	9,757	9,730	9,783	9,873	+2.0%
Rooms	401,322	404,779	406,200	407,146	414,127	425,973	+6.1%
Beds	773,445	780,721	784,315	788,553	806,045	835,773	+8.1%

Source: Greek Hotel Chamber

While taking a closer look at the structure and evolution of the hotel capacity by category, we notice that, between 2013 – 2018, the number of four and five-star hotels increased significantly, as opposed to one, two and three-star category hotels where a decrease was recorded. Correspondingly, the same changes were recorded in the capacity of both “rooms” and “beds”. For the period between 2013 – 2018, the number of 5-star hotel units increased by +42.9% (2013: 361 – 2018: 550) while the corresponding number of 1-star hotels decreased by -9.3% (2013: 1,478 – 2018: 1,340).

The total “rooms” capacity for 5-star hotel units increased by

+45.2% (2013: 57,878 – 2018: 82,496) while the corresponding number of 1-star hotels decreased by -9.3% (2013: 28,334 – 2018: 25,688). Finally, the total “beds” capacity for 5-star hotel units increased by +42.5% (2013: 117,555 – 2018: 170,673) while the corresponding number of 1-star hotels decreased by -8.3% (2013: 54,226 – 2018: 49,736).

The qualitative upgrading of the hotel capacity in Greece is due largely to the penetration of large hotel chains as well as to the strengthening of the domestic ones. It is characteristic that over the last 2 years a total of €3.8bil. has been invested for the development of new hotel units

and the renovation of existing ones, with 41.3% of the total costs being for bedrooms in four and five star units. According to the latest official data, the total number of hotel chains operating in Greece stands at 209, ranking 4th overall in Europe, behind only from Spain (253), Italy (240) and Germany (222), and recording a +5.6% increase compared to 2019 (198 brands). The total number of units belonging to hotel chains reached 730 in 2018 (7.4% of the country’s total hotel capacity), marking an increase of +5.0% compared to 2017 (695 units). The total rooms capacity is 12% of the country’s total (101,021 chain rooms).

Greek Hotel Capacity 2018
Eastern Macedonia & Thrace


	5*	4*	Total
Units	12	30	386
Rooms	1,207	1,908	11,234
Beds	2,441	3,966	22,385

Attica


	5*	4*	Total
Units	33	118	649
Rooms	6,414	9,480	32,250
Beds	12,295	18,276	61,029

Northern Aegean


	5*	4*	Total
Units	8	34	392
Rooms	939	1,686	11,924
Beds	1,909	3,166	22,752

Western Greece


	5*	4*	Total
Units	4	44	273
Rooms	1,461	2,430	9,720
Beds	3,127	4,751	18,973

Western Macedonia


	5*	4*	Total
Units	3	15	122
Rooms	61	343	2,794
Beds	137	735	5,927

Epirus


	5*	4*	Total
Units	14	101	431
Rooms	1,052	2,049	8,850
Beds	2,201	4,348	17,931

Thessaly


	5*	4*	Total
Units	29	117	552
Rooms	1,442	3,576	14,656
Beds	2,943	7,171	28,824

Ionian Sea


	5*	4*	Total
Units	50	150	965
Rooms	7,126	13,298	50,066
Beds	14,642	26,151	98,223

Central Macedonia


	5*	4*	Total
Units	52	118	1,186
Rooms	8,967	9,673	46,257
Beds	18,718	19,222	92,290

Crete


	5*	4*	Total
Units	118	296	1,598
Rooms	21,525	29,867	94,288
Beds	44,248	58,959	182,296

Southern Aegean Sea


	5*	4*	Total
Units	194	385	2,120
Rooms	29,301	34,351	108,991
Beds	60,598	68,900	216,954

Peloponnese


	5*	4*	Total
Units	25	125	672
Rooms	2,771	4,451	19,447
Beds	5,903	8,790	38,461

Mainland Greece


	5*	4*	Total
Units	8	48	527
Rooms	680	3,033	15,496
Beds	1,511	5,967	29,728

Greece - Total

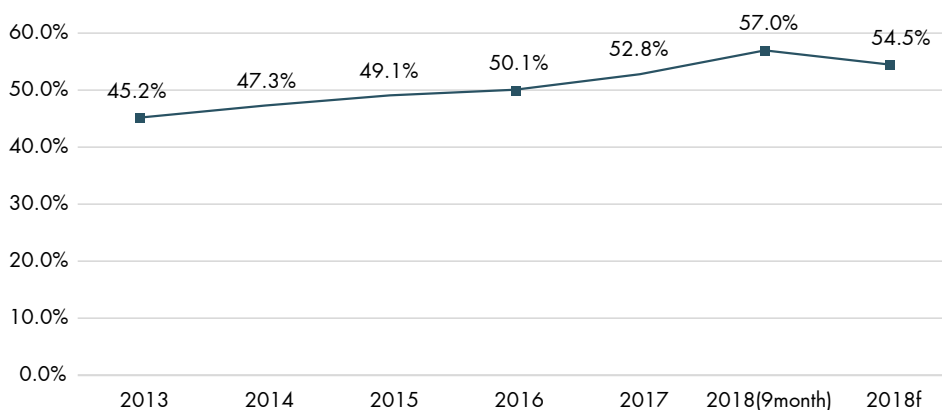

	5*	4*	Total
Units	550	1,581	9,873
Rooms	82,946	116,145	425,973
Beds	170,673	230,402	835,773

Hotel Performance

The performance of the Greek hotel industry has been impressive, especially in recent years.

The country's steady growth in tourist figures (international arrivals, tourist spending) has boosted the hotel industry's basic KPI's (Occupancy Rate, ADR, RevPar), creating expectations for the sector's further growth. More specifically, for 2018, the occupancy rate of beds in hotel type accommodation has recorded a +3.2% growth* (provisional data) compared to last year, while it should be noted that, for the period 2013-2018, the figure is exponentially higher (+20.6%), eloquently reflecting the progress being made the last 6 years.

Greek Hotels 2013- 2018 Average Occupancy Rate



Source: Greek Statistical Authority

Average Daily Rate (ADR) recorded in popular destinations in Greece came as a confirmation of the positive year for the industry. An analysis on "Sun and Sea" destinations shows that the Cyclades is the most expensive destination, recording an ADR of €204 followed by Chalkidiki (€134), the Ionian Islands (€120), Crete (€110) and the Dodecanese Islands (€98).

Average Daily Rate(€) - «Sun & Sea» Destinations - 2018

Dodecanese Islands	Ionian Islands	Crete	Cyclades	Chalkidiki
98	121	111	204	134

Source: Trivago – SETE Intelligence edited by Algean Property Research team

"Main Destinations" analysis shows that Mykonos is the leader, recording an ADR of €216, followed by Santorini (€211), Athens (€110) and Thessaloniki (€91).

Average Daily Rate(€) - Main Destinations - 2018

Athens	Thessaloniki	Mykonos	Santorini
110	95	221	213

Source: Trivago – SETE Intelligence edited by Algean Property Research team

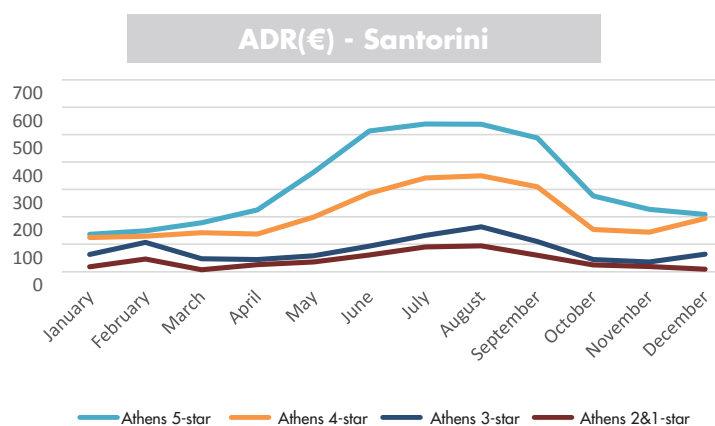
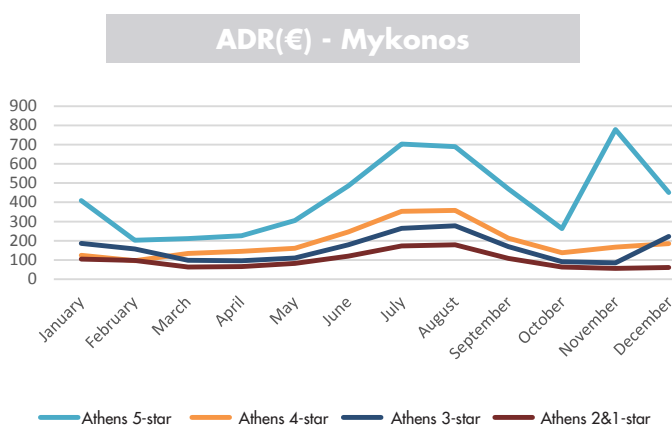
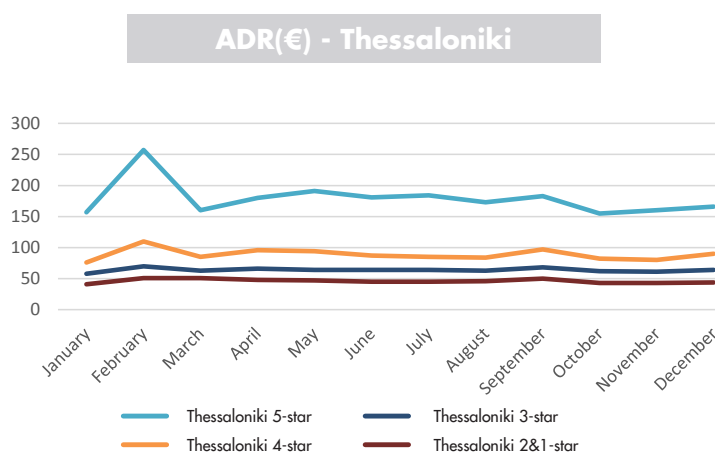
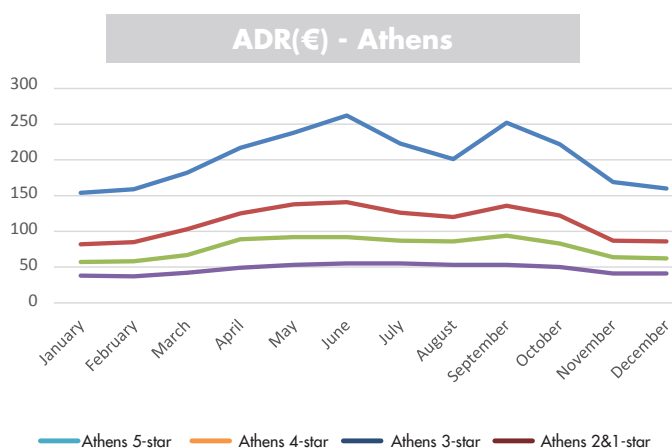
*Source: Provisional data from the Hellenic Statistical Authority (ELSTAT) and EUROSTAT edited by Algean Property Research Team



Taking a closer look into the monthly average daily rate/ category/region, we notice the strong seasonality recorded, a phenomenon that defines the hotel

industry and tourism in general. Main cities in Greece (Athens, Thessaloniki) depending on the "City Break" tourism model, follow the same arrival pattern as well-

established summer destinations like Mykonos, Chalkidiki, Crete and the Ionian Sea, areas that rely heavily on the "Sun and Sea" tourism model.



Source: trivago HPI - SETE Intelligence

Revenues per available room (RevPar) for 2018 come as yet another confirmation of the sector's positive course. More specifically, RevPAR for hotels in Athens recorded a 10% increase to last

year, 6.1% in Thessaloniki and 10.1% in island resorts and similar establishments that work mainly on a seasonal basis. On average, for the period 2016-2018, revenue per available room has recorded

a +31.6% increase, confirming the industry's upward trend as well as the profit margins such an investment has to offer.

Average Revenue Per Available Room - 2016-2018 (€)

2016	2017	2018
13,243	15,428	17,432

Source: ITEP - Field Research in Greek Hotel Industry 2018

In recent years there have been serious and systematic attempts to enrich the tourist product with the clear aim of better allocation of international visitors throughout the year in order to stimulate destinations not so popular during the summer. Though slow, preliminary results show an improvement in arrivals and receipts, in periods of the year which are traditionally low. Of course, there is still much effort needed to be made in order to achieve results which will have a direct and tangible impact on the hotel sector.

Hotel Quality Indicators – Greece vs. Countries in the Mediterranean

The Mediterranean Sea is one of the most popular destinations worldwide. Room rates in areas that traditionally attract a large number of tourists are generally at the same level. That said, the quality of services provided in hotels is a factor that can make the difference in choosing a destination.

The qualitative upgrading of the country's hotel industry has had an immediate positive impact on its quality indicators. According to Global Review Index (GRI- an index used to benchmark an individual hotel or group of hotels, compare results between properties or against competitors

and track the evolution of a hotel's performance over time), for 2018, Greece recorded the highest score in the Mediterranean with 86.3%, followed by Spain and Cyprus with 84.2%, Italy with 83.8%, Croatia with 83.7%, Turkey with 81.3% and France with 78.9%.

Hotel GRI – Greece Vs. Destinations in the Mediterranean

2018	Greece	Spain	Cyprus	Italy	Croatia	Turkey	France
Average	86.3%	84.2%	84.2%	83.8%	83.7%	81.3%	78.9%

Source: ReviewPro, INSETE

By comparing top destinations in the Mediterranean, the Greek islands are the first to record high yields over their direct competitors. More specifically, Santorini was a top destination for 2018, with the satisfaction index reaching 89.2%, followed by Mykonos with 88.5%; Sardinia ranks third with 85.1%, followed by St Tropez with 85.0% and Ibiza with 83.8%

Hotel GRI - Premium Destinations

2018	Santorini	Mykonos	Sardinia	Saint Tropez	Ibiza
Average	89.20%	88.50%	85.1%	85.0%	83.8%

Source: ReviewPro, INSETE

By analyzing the index by category of stars, the highest percentage of the Satisfaction index in Greece is held by the 5-star hotels with 89.3%, followed by the four-stars with 86.0%, the three-star with 85.9% and the 1 & 2-star with 85%.

Hotel GRI per Category

2018	Greece	5*	4*	3*	1* & 2*
Average	86.3%	89.3%	86.0%	85.9%	85.0%

Source: ReviewPro, INSETE

Tourism in Greece relies heavily on the “Sun and Sea” model. Therefore, most seen regions in Greece recorded higher rates of satisfaction than similar destinations in the Mediterranean. More specifically, the satisfaction index in the Cyclades was 90%, followed by Crete, Halkidiki and Dodecanese with 86.2%, 86.1% and 85.8% respectively. Marbella is the first non-Greek destination on the list, recording a 85.3%, followed by the Ionian region with 85.0%. The rest of the list comprises of Mallorca (83.0%), Istria (83.7%), Antalya (82.0%), Bodrum (82%) and Rimini (82.0%).

Hotel GRI - Destinations in the Mediterranean

2018	Cyclades	Crete	Chalkidiki	Dodecanese Islands	Marbella	Ionian Islands	Mallorca	Istria	Antalya	Bodrum	Rimini
Average	90.0%	86.2%	86.1%	85.8%	85.3%	85.0%	83.9%	83.7%	82.0%	82.0%	82.0%

Source: ReviewPro, INSETE

Investment Landscape

The rising trend of tourism in recent years has been eloquently reflected in the balance sheets of the country’s largest hotel companies. Algean Property used a random sample of hotels from all over Greece with an annual turnover of more than €1 million and calculated financial indices and corporate liquidity indices to

establish the industry’s course over the last three years. For the period 2015-2017, the sample revenue showed an increase of 20%. The EBITDA margin decreased from 22.9% to 17.3%, recording a 13.1% correction in 2016 where it had recorded a 15.3% margin. In terms of borrowing viability, for

the same period, the Net Loans/ EBITDA index decreased to 2.1X to 5.8X. Finally, the sample’s capital leverage index decreased from 20.4% to 11.1%, eloquently capturing the improvement of the financial figures and the growth of the industry.

As a confirmation of the sector's growing trend, the turnover index in the accommodation services sector recorded an increase of +47.1% between 2015-2018 and an annual increase of +8.2%. At the quarterly level, for Q4 2018,

compared to the corresponding index of Q4 2017, the Index recorded an increase of +4.3% compared to an increase of +12.0% in comparison to the same period of the year 2017. Compared to the corresponding

Index for the third quarter of 2018, the Index recorded a decrease of -77.2% compared to a decrease of -76.6% (2017), indicating the industry's high seasonality.

Accommodation Services Turnover Index

Year	Quarter	Index	Annual Change (%)	Quarterly Change (%)
2015	A	30.7	12.0	-44.9
	B	107.7	17.0	251.0
	C	213.5	11.4	98.4
	D	48.1	-13.6	-77.5
	Annual Average	100.0	9.1	
2016	A	30.4	-0.9	-36.8
	B	120.6	12.0	296.8
	C	248.5	16.4	106.0
	D	62.2	29.3	-75.0
	Annual Average	115.4	15.4	
2017	A	35.8	17.7	-42.5
	B	141.0	16.9	294.2
	C	297.3	19.7	110.8
	D	69.7	12.0	-76.6
	Annual Average	136.0	17.8	
2018	A	39.0	8.9	-44.1
	B	157.7	11.9	304.9
	C	318.8	7.2	102.1
	D	72.7	4.3	-77.2
	Annual Average	147.1	8.2	

Source: Greek Statistical Authority

Hotel Transactions - Europe

For 2018, total transactions volume for hotels reached €18,6bil., down by 14% compared to 2017. Nonetheless, this is the 5th largest amount recorded over the last 10 years and the

3rd largest over the last 5. Single asset transactions accounted for 51% of the total volume recorded (€9,5bil), with portfolio investment volume measuring 49% or €9.0bil. It should be noted

that the % difference between the two categories (single asset vs. portfolio investment), is very balanced compared to the average 60-40 ratio recorded historically.

Hotel Transactions - Greece

Hotel Transactions - Greece
 Investment activity in the hotel industry has been in the last two years with Athens holding the lion's share as an ever-growing city break destination. The most important transactions were the acquisition of Athens Ledra from Hines for €33,5mil., King George from Lampsa SA for €43mil. and "Asteria Glyfadas" Resort from Grivalia Hospitality for €29,5mil.

(80% of shares), all of which took place in 2017. In 2018, the most significant transactions were the acquisition of Lakitira Hotels in Kos island for €62,9mil. from Atlantica Hotels & TUI AG in February, Amanzoe Luxury Hotel & Resort in Porto Cheli for €82,3mil from Grivalia Hospitality (of which €76,5mil. are liabilities towards 3rd parties) and Grand Hotel in Rhodes for €50,1mil from Mitsis

Hotels Group. For 2019, the most important deals so far are a lease agreement of the former Esperia Hotel, between EFKA pension and healthcare fund and Fattal Group, an Israeli hospitality company, for a monthly rent of €95,830, and a lease agreement of Zeus International to operate former "Kanigos 21 Hotel" in downtown Athens.

2018 Milestones

Project	Seller	Investor	Type of Investment	Status	Amount
Olympos Naousa Thessaloniki	Eurobank	Grivalia Hospitality	Acquisition	Opening end 2019	€5,5mil.
Lakitira Resort Village Lakitira Suites Helona Resort Kos	Lakitira SA	Atlantica Hotels	Acquisition	Completed	€62,9mil.
Lazart Hotel Thessaloniki	N/A	NBG Pangaia REIT	Acquisition	Completed	€7mil.
Meli Palace Melia, Crete	ELLINIKO PALATI A.E.	Grivalia Hospitality	Acquisition	Completed	€13mil.
Iniohos Hotel Athens Athens	HRADF	3K Techniki Emporiki Anonimi Etairia	Acquisition	Completed	N/A
Mr. & Mrs. White Paros	N/A	BRIQ Properties	Acquisition	Completed	€3,5mil.
Sheraton Resort Hotel Rhodes	Golf Residences	Lampsa SA	Acquisition of 50% share	Completed	€7,7mil.
Amanzoe Luxury Hotel & Resort Porto Cheli	Dolphin Capital Investment	Grivalia Hospitality	Acquisition	Completed	€5,8mil.
Nikki Beach Resort & Spa Porto Cheli	Dolphin Capital Investment - Fortress Investment - Monarch Alternative Capital	Invel Real Estate - Dolphin Capital Partners	Acquisition	Completed	€6,6mil.
Grand Hotel Rhodes	NGB	Mitsis Group	Acquisition	Completed	€50,1mil.
Aktia Lounge & Spa Stalida, Crete	Piraeus Bank	Skyserv	Acquisition	Completed	€18,1mil.
Malia Beach Malia, Crete	Polenis Family	Alltours	Acquisition	Completed	N/A
Blue Palace Village Heights Creta Malian Park Agaou Beach Resort Koutouloufari Village Holidays Club Crete	Sbokos Family	Evergolf Tourist Investments	70% acquisition of Golf Residences	Completed	N/A
Amilia Mare Paradise Village Rhodes	TEN SA	HIG Capital Partners	Acquisition	Completed	N/A

Source: Algean Property Research Team

The REITs' Case

The significant investment prospects presented by the hotel industry in recent years were acknowledged by Real Estate Investment Trusts worldwide. For 2018 alone, buying volume in Europe increased by 9% compared to 2017 (€1,6bil.) amounting to €1,7bil. In Greece, through the creation of special purpose companies (Grivalia Hospitality, Ble Kedros REIT), domestic REITs pledged a

proportionally substantial amount of money towards their hotel portfolio development, taking advantage of the sector's positive conjuncture and tourism's strong performance. More specifically, for 2018, in terms of value, investment in tourist units accounted for 21.7% of total investments made, showing a sharp rise compared to 2017, where the corresponding figure was only 2.4%. Some of

the most important deals include the acquisition of Amanzoe Luxury Hotel & Resort from Grivalia Properties REIC for €5,8mil. (plus Amanzoe's existing loan liabilities amounting to €76,5mil.) as well as the acquisition of 'Asteria Glyfadas' resort from Grivalia Properties REIC for €17mil. (plus, existing loans to a private lender amounting to €12,325mil.)

Year	Project	Location	Seller	Investor	Amount (€ mil.)	Liabilities (€ mil.)	Total (€ mil.)
2016	Moreas Beach Hotel Arena Apartment	Patra	Karolou SA	NBG Pangaia REIC	3,7	-	3,7
2017	Asteria Glyfadas	Glyfada, Athens	Nafsika SA (remaining 20% of shares)	Grivalia Properties REIC (80% of shares)	17,0	12,35	29,35
2018	Olympos Naousa	Thessaloniki	Eurobank	Grivalia Properties REIC	5,5	-	5,5
	Lazart Hotel	Thessaloniki	Madison Point SA	NBG Pangaia REIC	7,0	-	7,0
	Meli Palace Hotel	Crete	Hellenic Palace SA	Grivalia Properties REIC	9,0	-	9,0
	Amanzoe	Porto Heli	Dolphin Capital Investors(remaining 15% of shares)	Grivalia Properties REIC (85%) & Dolphin Capital Partners(15%)	5,8	76,5	82,3
	Mr. and Mrs. White Paros	Paros	N/A	BRIQ Properties REIT	3,5	-	3,5
2019	Mr. and Mrs. White Tinos	Tinos	N/A	BRIQ Properties REIT	2,96	-	2,96

Source: REIT's Press Releases

Total 143,46

New Entries - Greece

Recognizing the industry's massive prospects, all major domestic and international brands strengthened their presence in Greece in recent years. For 2019, the most expected arrival was the relaunching of «Astir Vouliagmenis» in Kavouri, Athens under the management of Four Seasons Hotels & Resorts, opening its doors in March 2019. Thomas Cook is launching 4 new

units within the summer of 2019 (2 in Kos, 1 in Crete and 1 in Rhodes) while in Q2 2019, the Singaporean brand "Banyan Tree" opens its first hotel in Corfu under the name "Angsana Corfu". "Ibis Style" hotels, a worldwide brand powered by "Accor Hotels" is planning to open its second unit in Greece in Athens, following the successful launch of its first unit

in Heraklion, Crete, in summer 2018. Marriot Hotels is planning to open three new units in 2019 and 2020 (Autograph Collection in Athens and Mykonos, Moxy Hotel in Patras) while "TUI" tour operator is launching two more units in Crete and Santorini, following the launching of TUI SENSIMAR Blue Lagoon Palace in Chalkidiki in 2018.

Mega Projects - Greece

In addition to individual hospitality projects currently developing in Greece, a series of mega-projects are currently in the pipeline. Massive developments featuring a plethora of deluxe hotel units are expected to materialize in the years to come, establishing Greece as a luxury destination worldwide. With a €1,5bil. budget, "Atalanti Hills" project in Lokros, Fthiotida, will be an integrated touring golf project that will reshape tourism in Greece. The project will include the

construction of three 5-star hotel units with a total size of 420,823 square meters, and a capacity of 2,990 beds. In Elounda, Crete, an €400mil project called "Elounda Hills" is planning to start within 2019. Except for the construction of deluxe holiday homes, the project includes the development of three five 5-star hotel units with a total capacity of 730 beds. "Itanos Gaia" project in Siteia, Crete (currently on hold) has received the green light for the beginning

of its development, with a total budget of €418mil. The project includes the construction of five 5-star units plus a golf course. Finally, the much-expected re-development of the former airport in Hellinikon, Athens, will include the development of two deluxe hotels, one of which will be the first integrated Casino tourist complex in Greece. Both units will have an overall capacity of over 2,200beds.

Mega Projects						
s/n	Project	Developer	Location	Estimated Budget(€)	Hotels	Future Hotel Capacity (beds)
1	Atalanti Hills	Lokros MEPE	Atalanti, Fthiotida	1,5bil.	Three 5* hotel units	2,990
	Project Stage	Relative Government Gazzette was issued on Septmber 2018, characterizing the area of development as an Integrated Tourism Development Area (POTA) which was a prerequisite				
2	Elounda Hills	MIRUM SA	Elounda, Crete	> 400mil.	Three 5* hotel units	730
	Project Stage	Approval of Strategic Environmental Impact Assessment (SMPE) in the framework of the Specialized Spatial Development Strategy for Strategic Investments (ESHASE). The project also received an approval from the board of the Municipality of Agios Nikolaos, Crete				
3	Itanos Gaia	Loyalward Ltd.	Siteia, Crete	267,7mil.	Five 5* hotel units	1,936
	Project Stage	Approval of Strategic Environmental Impact Assessment (SMPE) in the framework of the Specialized Spatial Development Strategy for Strategic Investments (ESHASE) from the Council of State				
4	Scorpios Island	Dmitry Ribolovlev	Skorpios, Lefkada	165mil.	One 5* hotel unit	60
	Project Stage	The Council of State approved the investment of Dmitry Ribolovlev for the development of a VIP Exclusive Club on the privately owned Scorpios Island in Lefkada				
5	Killada Hills	Dolphin Capital Group	Ermionida, Argolida	418mil.	One 5* hotel unit	N/A
	Project Stage	Relative Government Gazzette was issued on August 2018 with the joint ministerial decision approving the town planning study and the environmental impact assessment				
6	Hellinikon Project	Lamda Development	Elliniko, Athens	8,2bil.	One 5* hotel unit and One Casino Hotel (possibly 6*)	>2,200
	Project Stage	The Strategic Environmental Impact Study is currently being under public consulting while the tender for the Casino management is underway, with binding offers expected to be deposited in June 2019				

Source: Algean Property Research Team

Greek Hotels and NPL's

Non-performing loans constituted a major problem for the Greek economy in recent years and the hotel industry was no exception. Nevertheless, with the rise in tourist figures, hotel businesses improved their financial performance, simultaneously reducing their exposure to the banks. According to the latest available data, from

loans in the accommodation sector, non-performing loans or loans with delays in payment are estimated to be circa €3.0bil. setting the proportion of non-performing exposures in the tourism sector to approximately 42.0%, recording a 10% decrease compared to the end of 2016 where the corresponding figure

was set at 46.5%. Banks are in the process of selling non-performing loan packages to hedge funds and institutional investors that include hotel properties, while in 2019 similar packages are being prepared which will be purely hotel-based, in an effort to further de-congeal the hotel industry.

Market Snapshot

Despite the improvement in the hotels' balance sheets, however, a significant number of hotel units are available for sale. More specifically, according to the latest available figures for 2018, about 1 in 10 hotels are currently being sold in Greece. The actual number is estimated to be larger as several owners did not publish a sales announcement on a website or newspaper but used other communication channels to make their availability known to the public.

In our opinion, the increased supply observed can be interpreted

in two ways:

- a) The growing competition, both domestically (new luxury hotel units, entry of large hotel chains in the market, renovation and upgrading of existing hotel units) and abroad (increasing tourist arrivals in competitive destinations in the Mediterranean) lead hoteliers of mostly lower category hotels (1, 2 and 3 stars) to disinvestment and search for alternative ways of investment.
- b) Many hoteliers consider it a good time to sell their business as they think they will achieve the maximum price. At the moment,

tourism is at its peak and in the coming years a correction in all basic tourism figures is expected. This in return is likely to have a negative impact on the financial results of the companies and, by extension, in the hotels' asking prices.

As both domestic and international competition is not expected to slow down in the near future, market correction is expected to continue, with more new and/or renovated units replacing the old ones.

Taxation

At a period of great growth in the country's tourism figures, the hotel industry's taxation regime remained a hindrance to its further development. Due to the recent economic crisis, tax breaks and special tax regimes in islands and tourist areas were cancelled, as

pre-requisite measures agreed on in the 3rd MoU. Consequently, the country's tourist product was affected negatively, with hotel revenues slowing down instead of growing further. Apart from the changes in the taxation rates on accommodation and catering,

from 1/1/2018 the hotel industry was further burdened with a daily residence tax per room or apartment (Law 4389/2016, Article 53 and Law 4472/2017, Article 72). More specifically:

Hotel Category	Daily Residence Tax Imposed
1&2-star	€0,50/room or apartment
3-star	€1,50/ room or apartment
4-star	€3,00/ room or apartment
5-star	€4,00/ room or apartment
Rented Furnished Rooms - Apartments	€0,50/ room or apartment + 0.5% (incidental tax)

Source: Article 120 Law 4514/2018(as ammended from article 53, Law 4389/2016)

As the hotels' balance sheets are gradually improving, it is important for the hotel sector to be de-taxed so that it may reach

its true potential. Such initiatives will strengthen the hotel's liquidity, releasing funds that can be used to improve existing facilities

and allow new investments, thereby boosting the industry's competitiveness compared to other destinations in the Mediterranean.

HOTEL INDUSTRY TAXATION IN GREECE			
	Corporate Taxation	VAT - Accommodation**	VAT - F&B and Services
Greece	29%	13%	24%***
Special Regime Islands* (Chios, Kos, Lesvos, Leros, Samos)	29%	9%	17%

*With a Legislative Content Act, the reduced VAT rate on the islands of Chios, Kos, Lesvos, Leros and Samos was extended for one more semester (1/1/2019 - 30/6/2019) for the goods and services provided for in the provisions of par. 4 and 5 of article 21 of Law 2859/2000

** According to the latest legislation package announced by the Prime Minister on May 2019, high VAT rate in the accommodation will decrease from 13% to 11% from 2020 onwards

*** From 20/05/2019, VAT in F&B and Services was reduced to 13%, excluding the distribution of alcohol and non-alcohol drinks, beverages and juices, which remained at 24%

Spatial Planning

Spatial planning for the construction of new hotel units, the extension of existing units and tourism development in general remains a chronic issue causing several problems as it has hindered the implementation of many large tourism projects throughout Greece over the last few years. The two latest Special Territorial Agendas for Tourism (2009 and 2013) were annulled by similar decisions of the Council of State (2017 and 2015), since for the most recent one, the legal procedure for its adoption had not been followed, thus returning

to the oldest in 2009, which in turn was annulled by Decision 519/2017. Thus, since 2017, the location of tourist developments in Greece is determined by the existing Regional Spatial Planning Plans. Except for the Region of Crete (11/2017) and the Regions of Eastern Macedonia & Thrace, Thessaly, Mainland Greece, Epirus (11/2018), Ionian Islands (2/2019) and Northern Aegean (4/2019), regions that welcome many tourists each year such as the Southern Aegean and the Peloponnese operate under outdated regional

planning established in 2003 and 2004, which means that they do not take into account the modern needs of tourism and sustainable development. In May 2018, the Ministry of Energy commissioned a New Territorial Plan for Tourism to be completed by the end of 2019. Thus, the state's inertia for the adoption of rules for the tourism industry in recent years has been inhibiting, slowing down the dynamics of the country's most rapidly growing and profitable economic sector.

The Next Day

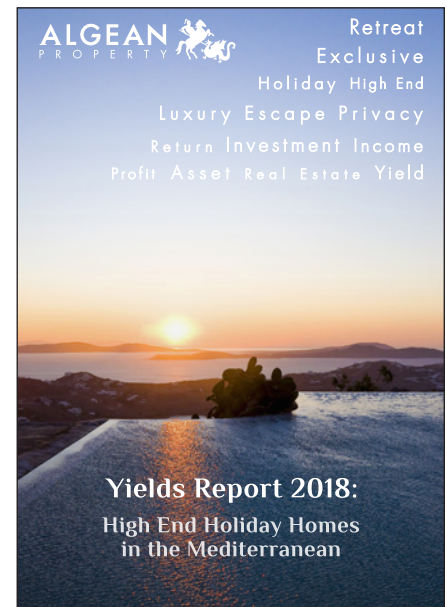
The rapid growth shown in tourism over the last 6 years has had a positive impact on the improvement and development of the hotel industry. The need to maintain positive rates in international arrivals and tourist spending made it imperative to upgrade the country's hotel capacity, both in quality and quantity. Thus, the positive momentum generated by tourism's ever-increasing numbers

attracted the interest of large hotel chains, tourist agents and institutional investors who saw the industry's huge investment prospects. The hotel sector's future at the moment seems auspicious. The ever-increasing trend of tourist figures globally combined with the comparative advantages offered by the Greek tourist product provide an excellent opportunity for the industry's further development.

For this reason, it is necessary to tackle existing problems that distort the industry (business taxation, simplification of bureaucracy, updating of spatial planning regulatory framework) and prevent it from reaching and surpassing its true potential.



Our Latest Reports



George Eliades
Managing Partner

Skype: george.elias.eliades
george.eliades@algeangroup.com

Joanna Leskow
Senior Property Advisor
joanna.leskow@algeanproperty.com

Athens
78, Kifisias Avenue, Marousi
15125, Athens, Greece
T : +30 210 6833 304

Giannikos Giannakos
Senior Analyst

Skype: ggiannakos.algeanproperty
giannikos.giannakos@algeanproperty.com

Christina Kapsali
Junior Property Advisor
christina.kapsali@algeanproperty.com

London
180 Great Portland Street
W1W 5QZ, London, UK
T : +44 (0)20 3608 6917

www.algeanproperty.com
welcome@algeanproperty.com

This report has been produced by Algean Property for general information purposes only and nothing contained in the material constitutes a recommendation for the purchase or sale of any property, any project or investments related thereto. Information on this report is not intended to provide investment, financial, legal, accounting, medical or tax advice and should not be relied upon in that regard. The intention of this report is not a complete description of the markets or developments to which it refers. Although the report uses information obtained from sources that Algean Property considers reliable, Algean Property does not guarantee their accuracy and any such information may be incomplete or condensed and Algean Property is under no obligation to issue a correction or clarification should this be the case. Any information of special interest should be obtained through independent verification. Views are subject to change without notice on the basis of additional or new research, new facts or developments. All expressions of opinion herein are subject to change without notice. Algean Property accepts no responsibility or liability for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. The prior written consent of Algean Property is required before this report can be reproduced/ distributed or otherwise referred to in whole or in part. Algean Property, All Rights Reserved.