



FLASH REAL ESTATE REPORT 2018

Tourism Trends, Holiday Home
& Hospitality Markets



Overview

Preliminary figures show that 2019 is going to be a great year for the industry as Greece is now established as one of the top holiday destinations in the area.

2018 was a landmark year for the Greek economy. After eight years of vigorous monitoring by the European institutions due to the country's lingering economic crisis, Greece completed the 3rd MoU in August, marking a new era for the country's Economy. Greece now has free access to the markets, however, for reasons of budgetary discipline, the institutions (IMF, EU, ECB) will continue monitoring the country quarterly as there are still many pending prerequisites from the last program that need to be implemented. For yet another year tourism was the driving force

behind the country's growth course. The upward trend of all individual industry indices was the result of proper programming by all parties involved. Preliminary figures show that 2019 is going to be a great year for the industry as Greece is now established as one of the top holiday destinations in the area.

The steady upward course of tourism had a positive impact on the hospitality market as well. A series of hotel acquisitions, new developments and hotel re-launchings took place in 2018, building up a new dynamic for

the industry. The growing interest by international hotel chains in entering the Greek market has created a new momentum for the country, thus enhancing its international investment profile.

The holiday home market continued its strong performance in 2018, recording solid rental yields in all main tourist destinations. The high transaction volume is witness to the increased investment interest, with perspective buyers hastening to exploit the tremendous prospects created in the market.



Tourism

Picking up on a fruitful 2017, tourism continued its upwards course unabated in 2018, confirming the sector's ever growing prospects. The continuous investment towards the improvement of the tourist product as well as the significant growth of alternative forms of tourism beyond the "Sun and Sea" model (City Break, Cruises, MICE) contributed decisively to the upwards course of tourism figures last year.

According to the latest available data, 25.95 million international tourists visited Greece between January and September 2018 - excluding cruise arrivals - recording a 10.3% increase compared to the corresponding period in 2017. Individually, for the same period, visitors from the USA, Germany, France and from countries outside the EU recorded an increase of 14%, 25.1%, 2.9% and 15.4% respectively. On the other hand, visitors from Russia recorded a -7.0% decrease, mainly due to the recovery of the Turkish market during last season. Finally, visitors from the UK remained stable, recording a marginal decrease of -0.05%.

For the period between January - September 2018, tourist receipts - excluding receipts from cruises-

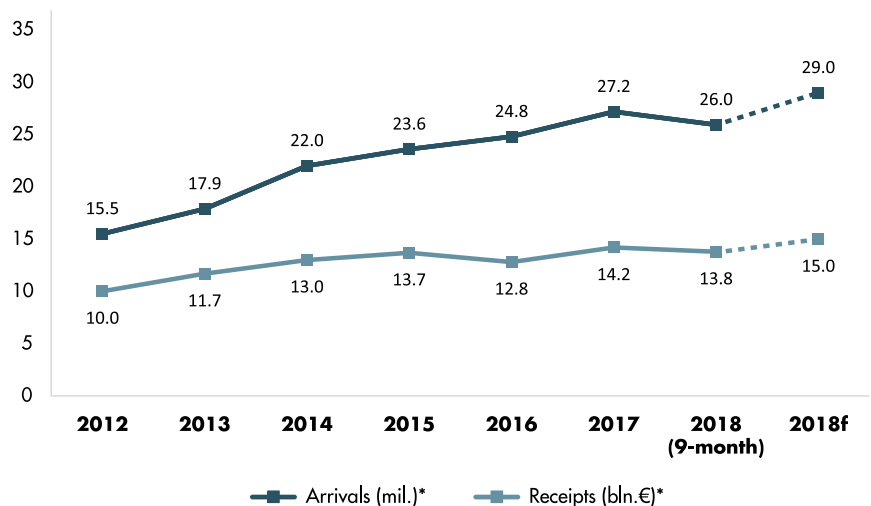
increased by 6.1% compared to the corresponding period in 2017, reaching €13.8bil. Tourist receipts from Germany and the USA recorded the highest increase, reaching 20.3% and 18.9% respectively. The biggest drop recorded was from the Russian market (-20.7%).

For 2018, according to Algean Property's latest report "[Ride the Wave: Economy & Real Estate Report 2018](#)", international arrivals -excluding cruise arrivals- are expected to reach 29 million* while tourist receipts will reach €15bil*.

Greek economy's steady course in recent years has had a positive impact on tourism, which, coupled with the industry's impressive performance worldwide, managed to record great figures.

With the signs for 2019 being very promising, it is imperative for Greece not to deviate from its course and continue investing in the industry's qualitative upgrade. Preliminary figures show that 2019 will be a year of new records in both international arrival and tourist receipts.

International Tourist Arrivals and Tourism Receipts



Source: Bank of Greece

*International cruise passenger arrivals and receipts have not been counted

Holiday Home Market

Investors' interest in buying a holiday home in Greece was strong in 2018. Tourism's impact on the industry's rapid growth in recent years has been crucial, as the rise of international arrivals had a positive effect on the demand for holiday home in Greece.

Renting one's holiday home for the summer has become a common practice for property owners in Greece nowadays, as the yields offered in prime holiday destinations are way higher than in competitive destinations in the Mediterranean. The rapid growth of holiday home rental platforms confirms this trend, with the dynamics being huge. A characteristic example is "AirBnb" where, according to the latest available data, from 132 properties advertised within the platform in 2010, this figure reached 126,000 in 2018.

The South Aegean islands, such as Mykonos, Santorini, Paros and Rhodes continued to remain at the top of investors' preferences, with gross rental yields recording solid figures (8.4%, 6.4%, 6%, 3%, 5.5%), as demonstrated in

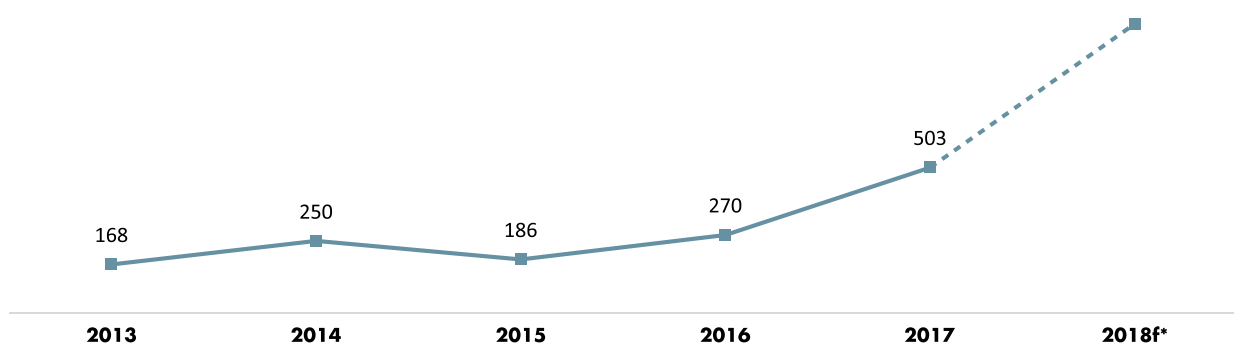
Algean Property's report "[Yields Report 2018: High End Holiday Homes in the Mediterranean](#)". Equally important interest was also observed in traditionally popular markets in Greece such as Porto Cheli, Elounda and Halkidiki. The Athenian Riviera has begun gaining ground in the holiday home market over the last few years. The combination of direct access to the sea, the Greek microclimate and the area's proximity to the city, is slowly establishing the area as a very attractive investment destination. Moreover, the area's growth prospects through a series of major urban and tourist developments taking place (Hellinikon Project, Astir Vouliagmenis-Four Seasons) are expected to generate tremendous additional value to the properties in the area, thus further attracting investors' interest.

In recent years, and as a result of tourism's excellent performance, holiday home sales volume has increased significantly. For 2017, foreign capital income for purchasing real estate in Greece reached €503mil. while for the

period between January-September 2018, a +172.3% increase was recorded compared to the corresponding period in 2017. It should be noted that many transactions take place outside the Greek banking system so the actual number of incoming foreign capital is higher than the official figures released. The Golden Visa scheme has also had a very positive impact on the market so far. Up to November 2018, a total of 3,620 permits has been issued. The Chinese are first on the list with 1,945 residence permits, followed by the Russians (423) and the Turks (384).

The holiday home in Greece has firmly established itself as an excellent investment product with significant returns. With the country's economy pacing steadily after a long time, and tourism recording a rise in arrivals and tourist receipts year after year, the sector's prospects for further growth appear more promising than ever.

Net Inflow of Foreign Capital for Real Estate Purchase in Greece (mil. €)



Source: Bank of Greece

Hospitality Market

The hospitality sector had a robust performance in 2018, continuing its positive course from 2017, with tourism's solid figures helping the industry grow further. The increase observed in international arrivals and tourist receipts had a positive impact on the hotel sector as the industry's major KPIs (Average Daily Rate, Occupancy Rate, RevPAR) recorded sturdy growth. More specifically, for the period between January-September 2018, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) grew by approximately 9% while occupancy rate at the same period grew by 1.2% compared with the corresponding period in 2017. Provisional data for the off season months show that all basic KPIs have recorded mild growth over the last years, highlighting the efforts being made to address seasonality in Greece. For 2018, Greece had three cities among the top 100 most popular destinations for city break tourism (Athens: 49th place, Heraklion: 68th place, Rhodes: 99th place). In addition, nautical tourism has picked up compared to previous years, with its direct contribution to the economy being €2.3bil. Investment activity in the

hospitality sector continued at a high volume in 2018, where new developments, renovations and hotel acquisitions took place. In recent years, the quality of the country's hotel capacity has improved significantly. More specifically, for the period 2009-2017, the total number of hotel units increased by 2.3% (2009: 9,559 units - 2017: 9,783 points) while the number of 5-star category hotel units, for the same period, increased by 77% (2009: 280 units - 2017: 496 units).

For 2018, the most important deal was the acquisition of Amanzoe Luxury Hotel and Resort from Grivalia Hospitality. The net price paid amounted to €5.8mil. while the buyers also undertook all of Amanzoe's existing loan obligations amounting to €76.5mil. The re-launching of former "Athens Ledra" as "Grand Hyatt Hotel" was also a 2018 milestone. Prospects for 2019 are very promising as many hospitality projects which have secured funding will start developing while many new hotels will begin operating. The most characteristic example is the re-opening of "Astir Vouliagmenis" as "Four Seasons AstirPalace Hotel

Athens" on March 2019.




Despite the industry's upward trend over the last few years, nevertheless there are still key issues that remain a hindrance to the sectors further development including:

- Increased VAT in Hospitality Services
- Tax on Accommodation
- Absence of Special Spatial Planning for Hospitality Developments
- Increased Corporate Taxation

It is imperative for all these issues to be addressed for the hospitality sector to continue its positive course over the coming years.

Key Performance Indicators

January - September 2018

	Average Daily Rate (ADR)	+9%*
	Revenue per Available Room (RevPAR)	+9%*
	Occupancy Rate	+1.2%*

* Compared to the corresponding period in 2017.
Source: Hellenic Statistical Authority

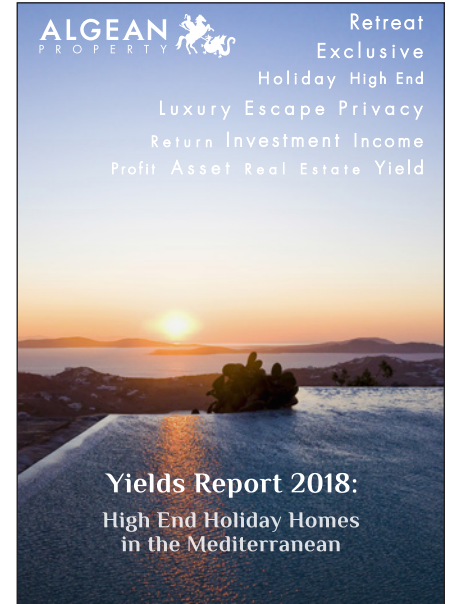
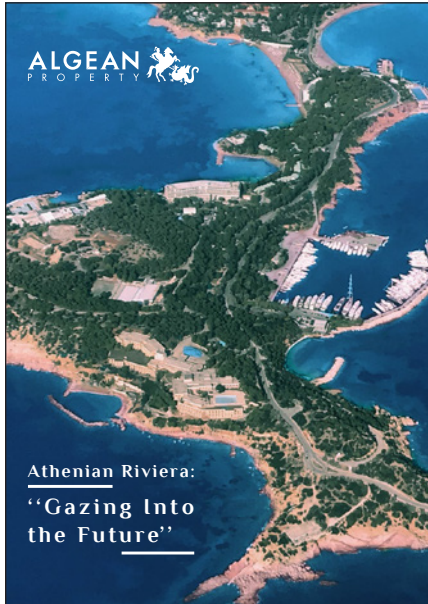
Outlook

The challenges that come for 2019 are many. As this year is an election year, locally, nationally and on the European level, it is important for Greece not to deviate from the course taken so far. The country must remain steady to its commitments towards

the Institutions and simultaneously create the necessary conditions so as attract foreign capital through the simplification of the existing technical and legal framework. The qualitative upgrading of all tourist infrastructure will strengthen the country's position investment wise.

In addition, it will positively affect the holiday home and hospitality sector, industries which have gained investment dynamics over the last few years and are expected to further grow in the near future.

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