



**SPOTLIGHT**

Savills Greece Research

# Greek Hospitality Market

KENTRIKI





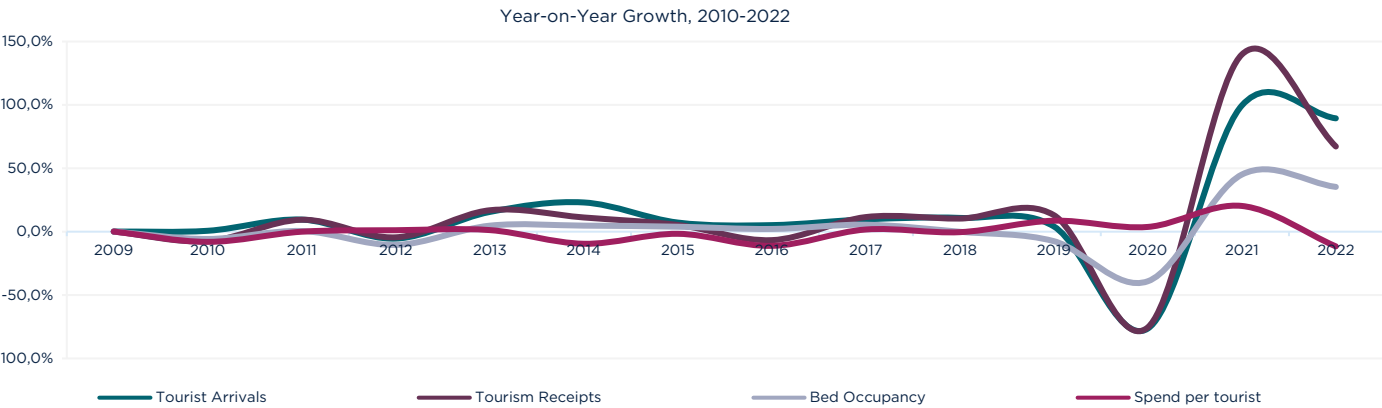
# Overview

Tourism has traditionally had a significant contribution to the Greek economy and is expected to continue being conducive for positive economic developments in Greece. According to information from the Bank of Greece and the Greek Statistical Authority, tourism’s direct contribution to the country’s GDP reached 12% in 2019 (23 bn €), and almost recovered to the same level in 2022 (11.5%) after two years of significant setback to the sector due to the Covid-19 pandemic and its widespread effect.

From the beginning of the financial crisis in 2009, Greek tourism has gone through two major phases: the first that lasted until 2012, when tourist arrivals collapsed and the second phase that begun in 2013 and continued until early 2020, with arrivals reaching historical heights every year. The Hospitality sector was hit severely during the pandemic COVID-19 after a record high year in terms of arrivals and revenues in 2019. However, it appears that the sector managed to bounce back quicker than expected, with 2022 reaching almost pre-pandemic levels in all KPIs and 2023 (based on initial published data) set to continue at a growing pace.

In more detail, 2014 was a remarkable year for Greek tourism, when international tourist arrivals in Greece reached a record 22 million, an increase of 23% over 2013. Tourism receipts in 2014 reached €13.4 billion, up from €11.6 billion in 2008.

This growth hit a hurdle in 2016 with receipts decreasing by 6.8% (€12.75 bn). However, both tourist arrivals and receipts kept on a positive y-o-y growth pattern until 2019, when also the average spend per tourist recorded a record growth of 8.5% after a 10-year steady decline. As expected, the 2020 data (Covid-19 pandemic effect) show stunning drops of c. -75% both in receipts and arrivals. Data for 2021, even if they cannot compare to a typical year in absolute terms due to the continuing effect of the pandemic, already presented significantly augmented growth rates of all basic figures, from 24% (spend per person) to 147% (total revenue) compared to 2020. In 2022, growth rates slightly normalized and forecasts for 2023 are very positive, especially in terms of bed occupancy and arrivals, which are expected to reach, and in cases surpass, respective 2019 levels.



Source: Savills Hellas Research

# Arrivals

Tourist arrivals had been on a steep upward curve since 2012, with the total number of incoming tourists surpassing for the first time 30 million visitors in 2018, and growing by a further 4% in 2019 at 31.3 million tourists. Arrivals during 2020 which was affected in its majority by the Covid-19 pandemic, dropped by a staggering 76% at 7.4 million, even though the first two months of the year (Jan-Feb) incoming tourists were 22% more

than during the respective period of 2019. During 2021, arrivals returned to about 50% of 2019 (14.7mil) recording an annual growth of almost 100%, which can be attributed to the country's tourism industry re-opening in mid-May. A further 89% increase was recorded in 2022, with arrivals just shy of the 30mil mark (27.8mil).

While formal data for 2023 have not yet been announced, based on international arrivals to the main Greek airports, it appears that total arrivals could surpass the threshold of 30 mil, induced heavily by increased arrivals in the shoulder months from tourists aiming to avoid over-crowded and saturated destinations, or take advantage of off-peak season prices.



Source: Savills Hellas Research

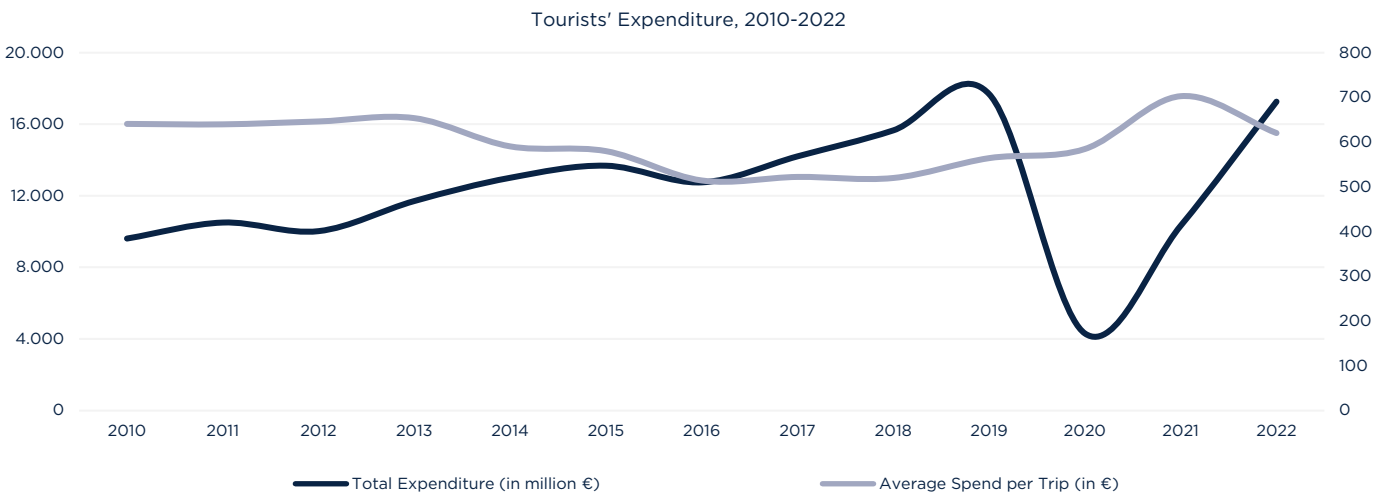


# Tourist Expenditure

Until 2019, the total tourist expenditure of incoming tourism was following a rather steady upwards curve, despite dips in 2012 and 2016, with total growth of almost 84%, from €9.6 bn in 2010 to €17.7 bn in 2019. On the other hand, the average spend per trip, regarding only foreign tourists, had been on the decline between 2013 (€653 per capita) and 2019 (€564 per capita) at -12%. The former fact has been a true relief for the Greek economy, reinforcing further the tourism sector as one of the most important industries of the country.

The latter however possibly indicates a divergence of the incoming tourism from the luxury tourism model that Greece has attempted, and for some locations has succeeded, to promote internationally.

Assuming that the average spend per capita will continue on an upward trend in the next years (post-pandemic-stabilization), we believe that this phenomenon will normalize, especially taking into consideration the corresponding amelioration of the accommodation offering being observed. Concerning 2020 and 2021, we observe that despite the low levels of incoming tourists, the average spend per trip showed significant increase, possibly due to the fact that arranging last minute trips without budgetary constraints during this time was easier for tourists with higher spending power. In 2022, total expenditure returned to almost 2019 levels, while average spend remained in high levels.



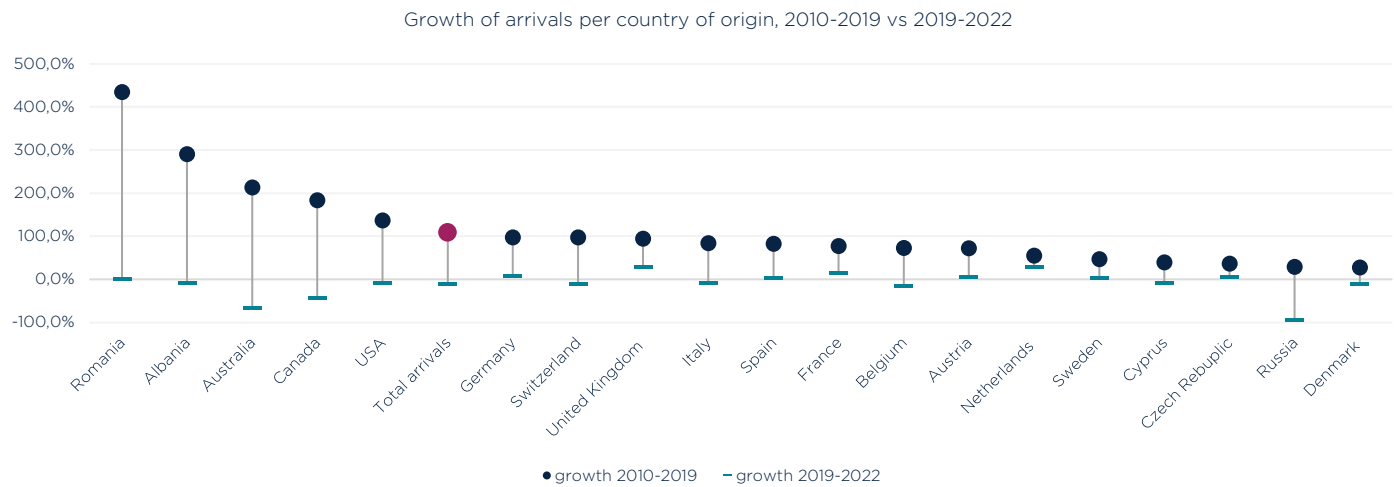
Source: Savills Hellas Research

# Key Source Markets

The main source market for Greek tourism is Europe (approximately 82% in 2022), while the next most important pool comprises tourists from American and Asian countries. In 2022 the majority of incoming tourists were from the United Kingdom and Germany (approximately 22% and 21% respectively). French and Italian tourists also constitute an important share of total tourist arrivals to Greece (approximately 9% and 7% respectively), while a large share of tourists come from neighbouring countries.

Pre-and post-pandemic, Greece's inbound tourism shows a changing nationality demographic with rising numbers of tourists of non-European origin. North American markets, along with Australia, saw a large increase in the number of tourist arrivals in Greece between 2010 and 2019, while the largest growth has come from neighbouring Albania and Romania.

As is expected, during the pandemic years (2019-2021) some negative growth was recorded, especially for the countries that are further geographically (e.g. Australia & Canada), but even so the majority of the top countries either kept their incoming numbers steady or at a slight increase (e.g. Germany, UK, France, Netherlands etc.).



Source: Savills Hellas Research



# Spend Per Tourist



The average daily spend per tourist for the whole country in 2022 was calculated at €79.5, a significant increase, even compared to the pre-pandemic peak of 2019 (€76.1).

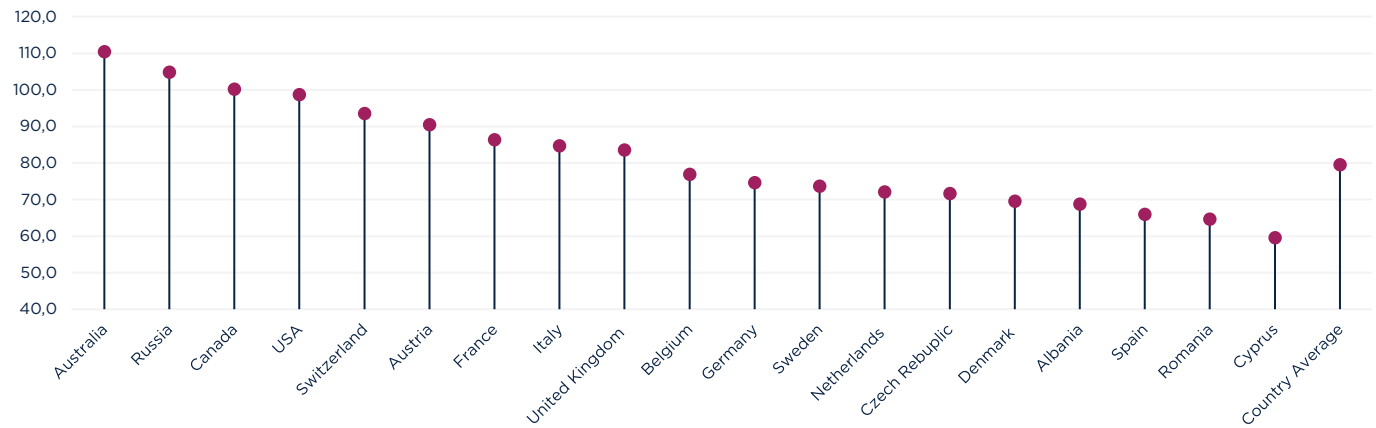
In 2022, non-European tourists (Australia, Russia, Canada and USA) spent the largest amount per day during their vacations in Greece (€98-€110) followed by visitors from Switzerland and Austria who spent €90 - €94 per day per visitor. Cypriot, Romanian and Spanish tourists spent the least, with an average daily spend of €66 or less.

Not taking into account the year 2020 due to the severe effect of the pandemic, there has been significant growth in the average daily spend over the last 10 years. The overall average for Greece shows an increase of 12%. Czech, Italian,

German, Romanian and Dutch visitors have significantly increased their daily spend since 2012 (growth of >18%). On the other hand, tourists from Spain and Australia have greatly reduced their daily spend, (-29% and -12% respectively).

As with tourist origin, the average daily spend is also rather diverse between the various regions of the country. The highest daily spend is recorded in the South Aegean with ~104€ per day, followed by the Ionian Islands and Crete, at ~90€ and 89€ respectively. The regions of Macedonia on the contrary are found at the bottom, with ~53€ per tourist per day or less, possibly due to the origin of the majority of the tourists (Balkan countries). Large differences are noted in many regions between 2016 and 2021, with the most significant being observed in South Aegean, the Ionian Islands and Thessaly (+34%, 28% and +27% respectively).

Average Daily Spend (in €) per Country of Origin, 2022

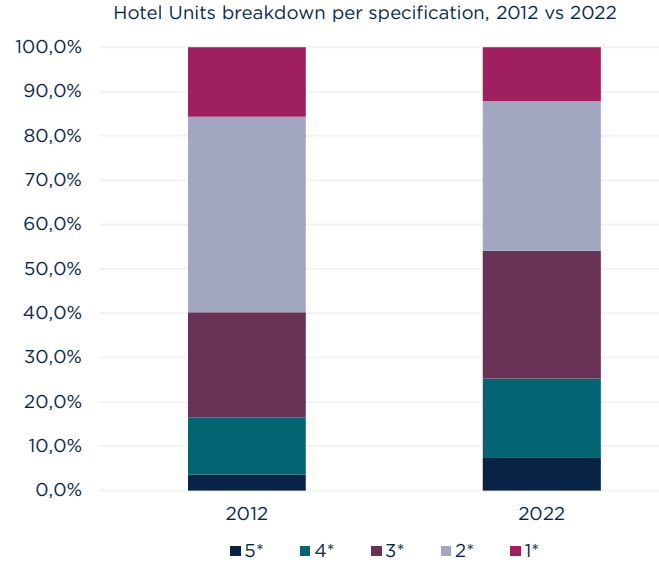


Source: Savills Hellas Research

# Hotel Supply & Performance

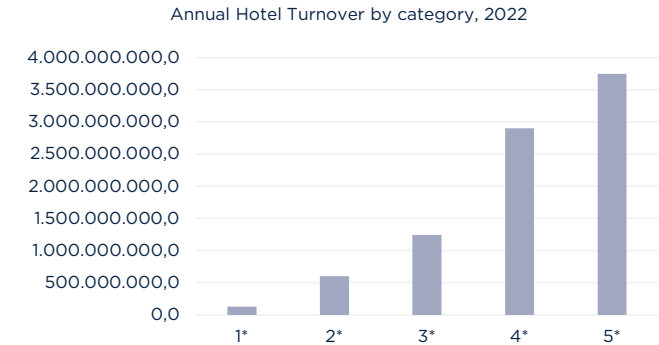
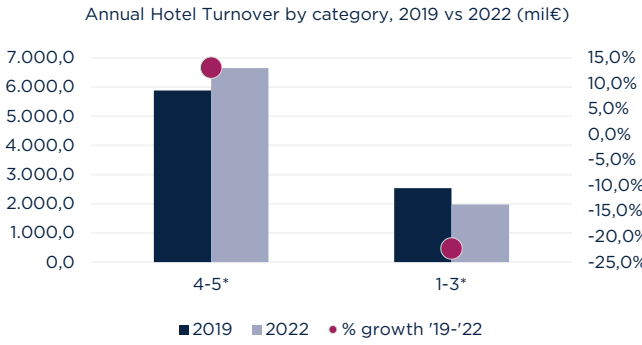
During recent years Savills has noticed a trend of developing more hotels at the top-end of the market (4\* and 5\*) as a response to demand for services and amenities of higher quality. This trend is apparent in most regions of the country where there is a continuous increase in the number of luxurious hotels. Since 2012, 5\* units have actually doubled in number (+117% growth) and 4\* units have increased by 45%, while 2\* and 1\* hotels have decreased by -20% and -19% respectively.

More specifically, more than 400 new 5\* hotels have opened over the past 10 years, along with more than 560 new 4\* hotels, with both categories adding c. 73,000 available rooms to the country total. However, the total supply of hotel rooms in Greece increased by only 44,800, since approximately 37,000 rooms in the 1\* and 2\* categories discontinued their operation.



According to the Greek Institute for Tourism, 2022 saw a good bounce-back in terms of hotel performance and turnover. In total, hotel turnover recorded a 2.4% increase from 2019 to 2022, due to the good performance of hotels with seasonal operation. The significant decrease in turnover for hotels in continuous operation (-21%) can be attributed to the low rates they offer in the high-season due to the demand being reoriented to mostly resort destinations.

As expected, turnover of upper category hotels contributed most heavily to the total, and also presented a significant growth compared to lower categories (+13% vs -22%). Of course, we must note that a similar pattern is also observed in the number of the respective hotels in operation. For 2022 specifically, 5\* hotels account for 43.5% of total hotel revenues registered in Greece, and a further 33.6% is attributed to 4\* hotels., i.e. 3.75 bn € and 2.9 bn € respectively.

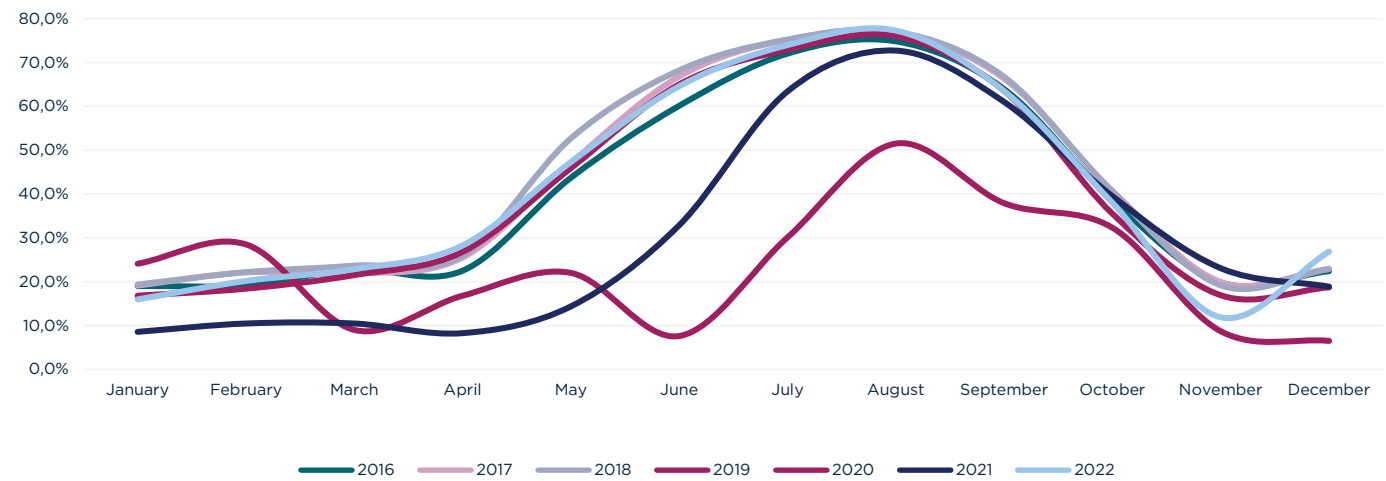


Source: Savills Hellas Research

# Occupancy Rates

On a national level, between 2015 and 2019, occupancy rates varied from as low as 16.8% in January 2019 to 77.0% in August 2018, with the country averaging approximately 48.7% in 2019 (-7.6% from 2018). After a record year in monthly occupancy rates in 2018, 2019 saw a drop back to 2015-2016 levels, inconsistent with the respective growth in arrivals and receipts; which can however be explained by the stunning increase in airbnb properties and similar accommodation options.

Monthly occupancy rates in hotel units, 2016-2022



Source: Savills Hellas Research

From February of 2020 onwards, the pandemic effect is apparent; August recorded the highest rate at 46%, i.e. a decrease of 40% compared to 2019. Occupancy at the beginning of 2021 is similarly compressed, but from August till December it bounced back to “normal” levels, with November in particular hitting a record 23%. In 2022, we observe a return to the typical pattern of pre-pandemic years, with a record 26.9% in December, as well as a 14-year overall peak of 77.3% in August.

On a regional level there is significant variability, with Crete and the two island groups, i.e. South Aegean and Ionian Islands, having a noticeable lead in occupancy rates compared to all the other regions that more or less range between 20% and 40%. Exceptions are Attica and Central Macedonia, where the two main Greek cities are located and occupancy rates average at 45-50% within the same period. It is apparent that international destinations perform much better than destinations that rely heavily on domestic demand.

## Seasonality

One of the structural problems that Greek tourism faces is the very high seasonality, which means that the vast majority of tourist infrastructure operates for a period of up to 6 months per year. This seasonality presents administrative and practical problems for operators. It is noteworthy that even highly popular destinations do not see much tourism activity throughout the winter months with local's resigned to preparing resorts for the upcoming summer season. The graph (top) illustrates this dramatic seasonality and it can be seen that, on average, arrivals from May to October (6 months) account for approximately 85% of the annual figure (except for 2020 and 2021), and arrivals from July to September account for c. 55% of the total annual arrivals.

# Upscale & Luxury Segment

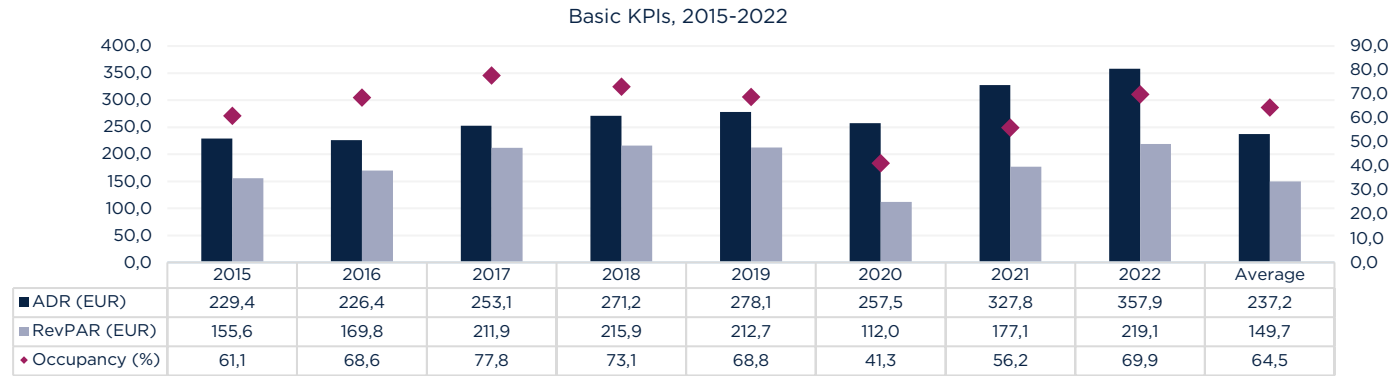
The following hotel performance data is based on a sample of 26 branded hotels, located in Greece's most popular destinations such as Crete, Mykonos, Peloponnese and Attica, and comprising 6,000 rooms in total (average size of 250 rooms per hotel unit). This provides us with more specific data on the performance of Upper Upscale and Luxury hotels in Greece.

Rates (ADRs) demonstrated an increasing trend until 2019, when the hotels assessed achieved an average annual ADR of €278. A decrease was however observed in 2020, of c.7%, even though the shoulder months (June, October, November) performed better than the previous year.

**Despite the pandemic effect, 2021 and 2022 saw great increases in ADRs, possibly in an effort from hoteliers to recover the losses of the lockdowns.**

Average occupancy rates peaked in 2017 at 78%, before dropping to 73% and 69% in 2018 and 2019 respectively. As expected, occupancy rates for 2020 are significantly low, averaging at c. 41%, but recovery was clear in 2021 and 2022 when the average Occupancy reached again 2019 levels. Please note that the occupancy rates shown reflect the tourist season only (non-annualised).

The average annual RevPAR for the hotels in our sample shows a record growth of 25% in 2017 with minimal changes in 2018 and 2019. As expected, 2020 recorded a big drop of almost 50%, however, the data for 2022 show severe amelioration by surpassing the respective figures of 2018-2019, as both available room-nights and occupancy rates (demand) showcased leaping growth.



Source: Savills Hellas Research



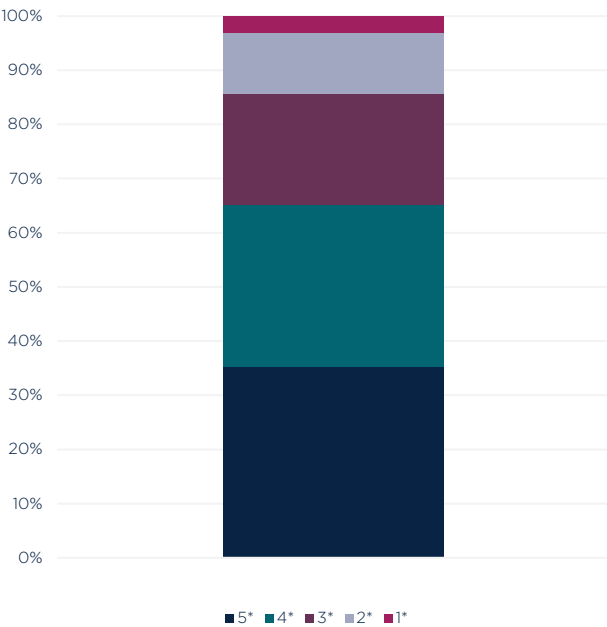
# Transaction & Investment Activity

- The rapid growth of the Greek tourism sector, the inclining international and local demand and the rising position of the country in the international tourist destinations lists have collectively led to significant investments related to the wider hospitality sector both from foreign and domestic capital. Throughout the last decade, total hospitality investments have multiplied exponentially, going from c. 200-250 mil € per annum in 2013-2014, to their peak of 1.9 bn € in 2019. While due to the severe pandemic effect there are no sufficient data to estimate 2020 levels, in 2021 the sector attracted c. 1.5 bn € of investments which led to a further 10% growth in 2022 (c. 1.74 bn €).
- REICs have risen to be a very important player for investments in the country, though tourism has not been their main sector of focus. This is observed by the fact that their annual allocation of capital to tourism projects is not constant through the years, going from 21.7% of their total investments in 2018, to 7.5% in 2019 and back up to 12% in 2021. It appears that in 2022, the sector became again more appealing, leading them to invest c. 110 mil € (21.8% of total). It is also interesting to observe the representation of the REICs in the total tourism investments in Greece. From 2018 to 2022, REICs investments in tourism increased from 2.3% of the total, to 6.2%, indicating that their strategies may be turning more towards the tourism sector, possibly to take advantage of the steep growth patterns of the last few years, especially in terms of the luxury segment of the market.
- The hotel transaction market in Greece became active (after a long period of inactivity) from 2015 onwards. Since then, more than 150 transactions relevant to the hospitality industry have taken place. These transactions include already operating hotels and resorts, abandoned units or old buildings suitable for conversion into hotels, as well as NPL properties sold via auction.
- In terms of investments for refurbishment, renovation and maintenance purposes, in 2021 these represented a noteworthy level of 15% of the total hotel turnover (c. 830 mil €). Despite the positive performance of the sector, in 2022 hoteliers were much more hesitant, spending only 7% of their revenues (c. 620 mil €). However, it is important to note that 18% of total hotel investments in 2022 concerned sustainability actions. The upper hotel categories saw the highest amounts spent for the amelioration of their facilities, with 35% of the total being spent on 5\* hotels and a further 30% on 4\* hotels.

## 2019-2023 Transaction Highlights

- >1.5bn€ total volume
- >200mil€ largest transaction
- More than 15,000 keys changed hands
- 150,000€/key on average
- Up to 600,000€/key
- No1 Holiday Destination: South Aegean
- No1 City: Athens

Allocation of investment per hotel category, 2022



## Savills Hellas

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As well as undertaking individually commissioned research projects and providing support to the service departments of Savills, we also publish a series of highly respected research reports.

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