



# Athens, Greece – Upscale Hotels Market Snapshot

This is the third in a series of articles that HVS publishes every month on a series of key markets. In writing these articles we are combining the hotel market expertise of HVS with STR Global data for each key city. Our analysis is based on a customised sample of hotels provided by STR Global. We consider that in today's challenging environment a regular update is more vital than ever in helping to assess the changing market conditions and determining the best strategy for each hotel.

## *Highlights*

- Despite the satisfactory performance of the upscale hotel market in Athens throughout the fall of 2008, the capital of Greece suffered from an unexpected social turbulence in December 2008 that resulted in continually diminishing visitation numbers, which in turn severely affected the performance of the entire hotel industry.
- Throughout July 2009, the negative publicity experienced by the social turmoil, combined with the globally unstable economic environment, resulted in a 16.3% decrease in occupancy to 56.0% and a simultaneous decrease in average daily rates of 12.5% to €123.37. This resulted in a steep drop in RevPAR of 26.8% to a low €69.14.
- New supply in the upscale and luxury market sample, currently totalling 18 hotels and 4,443 rooms, will increase by more than 300 rooms in the next two years, mostly in the luxury segment. However, we expect that by the time these new hotel rooms come on stream, the recovery of the worldwide economy should stimulate additional visitation to Athens and demand growth is expected to partially compensate for the significant drop in occupancy that was recently experienced as a result of the social unrest in December 2008.

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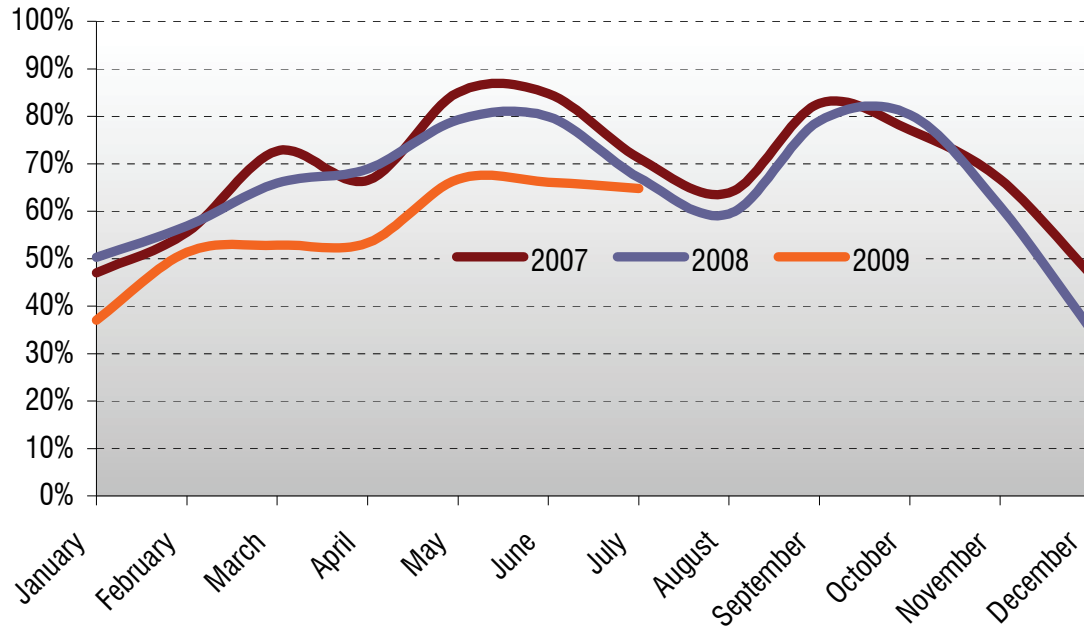
## DEMAND

We make the following comments on the recent accommodation demand trends for the overall Athenian hotel market.

- Most tourists visiting Greece during the summer months select Athens as part of their trip for a few days and then continue on to the Greek islands for the remainder of their trip. During the winter months, the Greek islands are not offered as a tourist destination. However, the city of Athens is becoming a popular destination for hosting conferences and events which, according to industry experts, last approximately three to four days.
- The economic slowdown negatively impacted total overnights in 2008, which decreased overall by 4.8% compared to the previous year, led mostly by a 7.1% decrease in international bednights;
- Official data about the hotel visitation for 2009 is not available. However, according to a survey conducted by the Athens Hotel Association, room occupancy dropped by 16.6% during the first five months of 2009 compared with the same period in 2008.

## Seasonality

Athens has a rather typical seasonality of visitation for a city destination. The demand for hotel accommodation starts with relatively low levels during winter and increases during the first months of the year to reach a peak around May, mainly owing to business activity and conferences/congresses organised in the city. It slows down again during the summer months when resort destinations are more preferable than urban ones and it peaks again in September, another popular month for conferences/congresses. It then drops quite stiffly from October towards the Christmas period. Table 1 shows the seasonality of hotel occupancy in Athens from 2007 to July 2009 for the upscale hotel market.

**Table 1 Seasonality of Luxury and Upscale Hotels – Monthly Occupancy 2007, 2008 and Year-to-July 2009**

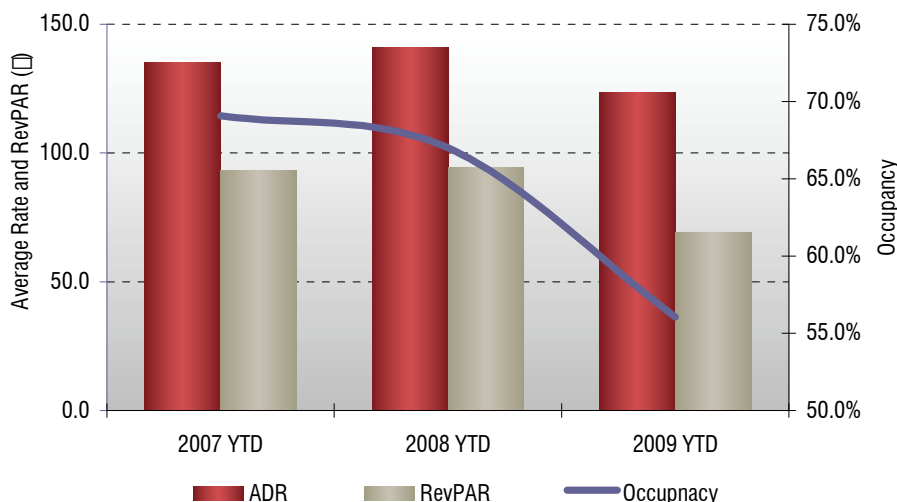
Source: STR Global

As shown in Table 1, the current economic slowdown in 2009 has exacerbated the drop in demand during the traditionally low-season months of January and February. Year-to-July 2009 occupancy decreased by 11 percentage points compared to the same period a year earlier. The drop was especially steep in January and April, at more than 20% when compared to the respective months of 2008. Nonetheless, the decrease was significantly less in July 2009, at only 2.3 percentage points lower than in July 2008, which suggests that the year-on-year gap could be beginning to narrow.

**HOTEL PERFORMANCE**

Table 2 shows the year-to-July hotel performance for the upscale market in Athens from 2007 to 2009.

**Table 2 Year-to-July Luxury Hotel Performance in Athens 2007-09**



Source: STR Global

The whole of 2007 and the first half of 2008 were, for Athens, (as for most markets throughout the world) exceptional years in terms of hotel performance. Although occupancies year-to-July showed a slight decrease from 2007 to 2008, at 69.1% and 67.0%, respectively, the upscale markets managed to achieve a moderate increase in average rate of 4.3% by July 2008 compared to the same period a year earlier. This resulted in an overall increase in RevPAR of 1.2% for year-to-July 2008.

For the first eight months of 2009, hotel performance has significantly worsened when compared to the same period last year, revealing the impact of the unstable global economic environment. In a sample of 4,443 daily available rooms, RevPAR decreased from €94.45 to €69.14, originating from a decrease in average rate of 12.5% (€140.97 versus €123.37) and a decrease in occupancy of 11 percentage points (67.0% versus 56.0%).

The growth in RevPAR recorded in 2008 is assuring of the healthy hospitality conditions in Greece following the three post-Olympic years of 2005 to 2007. Moreover, the market in this period seems to be absorbing the higher rates commanded by the Athenian hotels, even if it is doubtful whether or not the continuous upward pressure in prices can be sustained for much longer, given the expected tough period ahead,

the instability of the markets, and the vague expected performance of tourism visitation in the coming years.

## SUPPLY

This analysis is based on a customised sample of upscale hotels, all of them classified by the Hellenic Chamber of Hotels under the five-star category. The sample comprises 4,443 rooms in 18 hotels which are located in the greater Athens metropolitan area.

The greater Athens metropolitan area has a number of international brands, including Athens Hilton, Starwood (Grande Bretagne, Astir Palace Vouliagmeni), IHG Group (Athenaeum InterContinental, Crowne Plaza Athens City Centre, Holiday Inn Attica Avenue), Ledra Marriott, and Accor (Sofitel Athens Airport, Novotel Mirayia). The leading local hotel brands that operate units in Athens are Classical Hotels, Divani Collection and Electra, whereas, several other hotels have joined hotel marketing consortiums (Great Hotels of the World, Design Hotels, Best Western, etc.).

During the period of 2003 to 2008, eight upscale hotels have opened their doors, namely, Classical Athens Imperial, Classical King George Palace, Plaza Resort, Holiday Inn Attica Avenue, Life Gallery, Grecootel Cape Sounio, Semiramis and Classical Baby Grand Hotel.

## New Supply

Table 3 highlights the most relevant new openings and future developments within the upscale and luxury segments.

**Table 3 New Upscale and Luxury Supply – Athens**

Proposed Property	Category	Number of Rooms	Opening Year	Location
The Y Hotel	Upscale	46	2009	Kefalari
Yes! Athens	Boutique	79	2010	Syntagma Square
Civitel	Upscale	100	2011	Kifissia
W Athens	Luxury	100	2011	Vouliagmeni
Alcity	All-Suite	30	2011	Elliniko
<b>Total</b>		<b>355</b>		

The most significant (through September 2009) changes in the city's hotel market for the last few years are highlighted in the following bullet points.

- A new, four-star, 38-room hotel on Kifissias Avenue started operations in October 2008 and is managed by Civitel, a Crete-based hotel company. Another Civitel property (about 100 rooms) is planned to commence operations in 2011 in the same region;
- Formerly known as the Best Western Hotel Caterina Kifissia, in the north suburbs of Athens, the property was re-launched in April 2009

as “The Y Hotel”. Following a major renovation, the hotel is now operating as an upscale hotel with 46 rooms;

- In 2010 the formerly abandoned Olympic Palace hotel, currently under renovation, is intended to be re-launched in the upscale market as the Yes!Athens hotel. The hotel is planned to open its doors in 2010, with 79 rooms and suites, and be operated by Yes!Hotels (a Greek hotel group that currently operates four additional boutique hotel properties in Athens);
- After having raised its Luxury Collection flag on the Arion hotel and the Westin flag on the Nafsica hotel, Starwood Hotels & Resorts is planning to re-brand the third hotel of the Astir Palace complex, Aphrodite, to become a W hotel in April 2011 following an extensive renovation;
- In summer 2011, an €150 million investment in the former Olympic Sailing Centre is planned to be completed and the entire site will be utilised as a multi-purpose facility including, among others, a 30-suite luxurious hotel.

Additionally, a number of luxury hotels in the city are undergoing renovation and extension schemes. The most relevant projects are as follows.

- A new three-year investment plan is still under way at Astir Palace in the region of Vouliagmeni in the so-called Athenian Riviera. The plan, which is due to finish by the end of 2009, is estimated to exceed €50 million. Apart from the reconstruction and the brand change of all three hotels of the complex, the plan also includes a new spa, which is in the area of Arion and started operating a few months ago, a renovation plan of 58 bungalows, which is also under way and aiming at offering sophisticated and comfortable rooms with private swimming pools, and the creation of a new conference hall, covering an area of 3,000 m<sup>2</sup>;
- The current investment plan of the Athenaeum InterContinental is due for completion by the end of 2009 at an estimated cost of €15 million. The hotel is planning to further penetrate the MICE segment by fully utilising its recently renovated 3,500 m<sup>2</sup> of conference facilities, and by assuming the management of an adjacent conference building facility that is currently owned by Ethniki Asfalistiki (Greece’s leading insurance company).

## **CONCLUSION**

The Athenian hotel market as a whole has several business and leisure demand generators. As the capital and financial centre of Greece, Athens enjoys a dynamic network of prominent multinational companies that generate significant demand for hotel accommodation from domestic and international business travellers.

The successful staging of the Olympic Games has, according to statistics, vastly improved the attractiveness of Athens as a destination in general. However, the impact in terms of arrivals and overnight stays in the city, as a destination and not as a transit city, is slowly emerging.

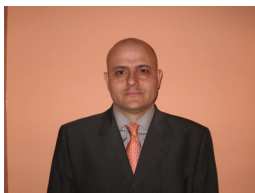
In December 2008 the city faced extensive damage from street riots that occurred in the centre owing to the killing of a young man by a police officer. The fact that these incidents were broadcast globally, combined with the high level of economic uncertainty caused by the volatility in the debt markets ('the credit crunch') and speculation as to the effect and duration of the current global economic slowdown (key economies including the UK, the USA and the Eurozone being officially in recession) have made the majority, if not all, of hoteliers highly concerned about the immediate future of the Athenian tourism industry, bringing up damaging scenarios for its performance. The rest of 2009 is expected to continue to be a challenge for this market and any material recovery may well not come until 2010.

Nevertheless, the 'redesigned' city centre, the unique archaeological sites, the beautiful islands within an hour's reach, the clean beaches (EU 'Blue Flag' carriers), the recently upgraded marinas, extensive shopping and vibrant night life, all constitute the most desirable attributes for Athens to become a top city-break destination. The founding of the Athens Tourism and Economic Development Company, together with the formerly non-existent Athens Conventions Bureau, was also helpful in order for the city to obtain central management as a tourism destination. However, there is still a lot to be done as far as a proper marketing strategy is concerned in order to attract the ever-increasing number of city-break visitors from the demand side and world-renowned hotel brands from the supply side.

### *About the Authors*



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*No investment decision should be made based on the information in this survey.*

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