

The current report was based on figures up to the 25<sup>th</sup> of November

# Industry Pulse Report: Travel & Tourism

Greece | December 2022

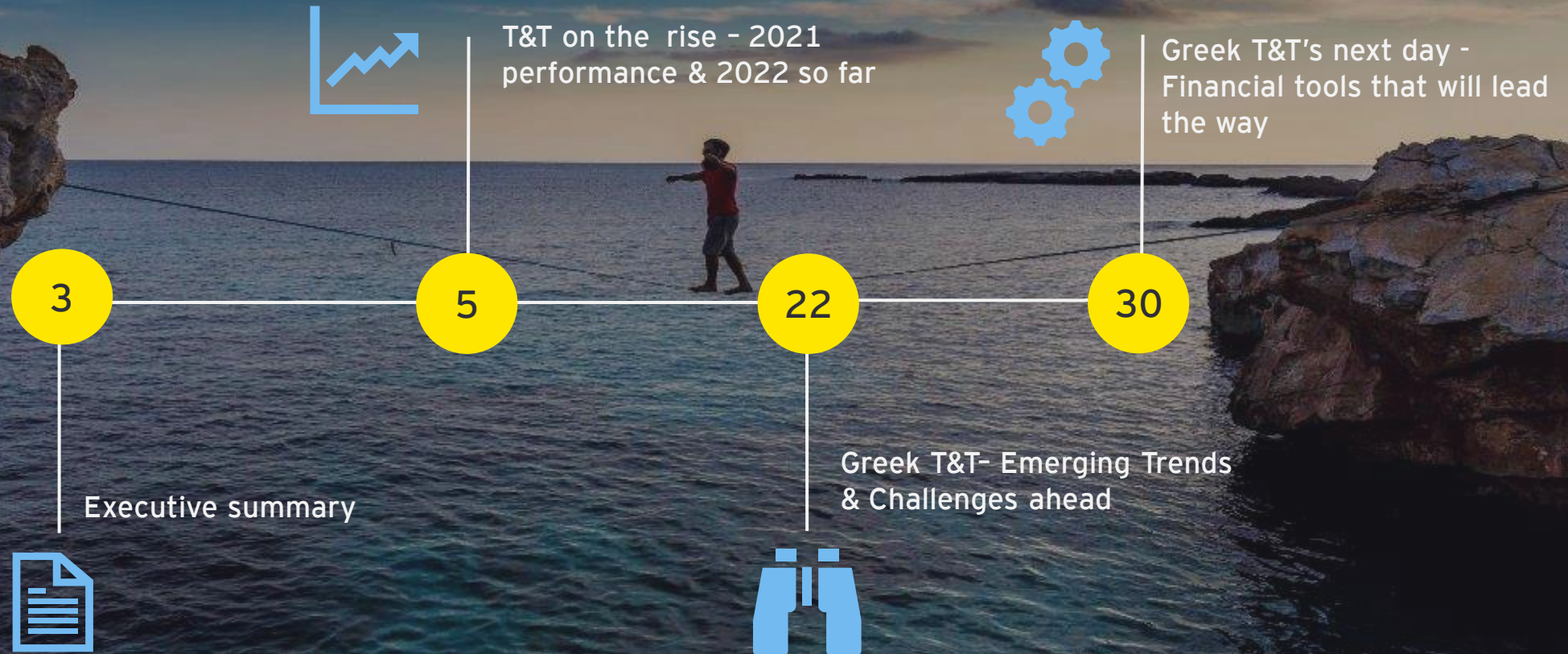


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# Overview of the Greek Travel & Tourism (T&T) Sector

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The Tourism sector is one of the Greek economy's main pillars, accounting for almost ¼ of the country's GDP. Thus, it is vulnerable to external "shocks", such as the COVID-19 pandemic. Due to the subsequent severe disruptions on a global and domestic level, many challenges for the Tourism sector have arisen since early 2020.

Nevertheless, the Greek Tourism sector managed to regain some of the lost ground during 2021, while preliminary figures for 2022 show that the sector has almost fully recovered, reaching 2019 figures, even in periods which are traditionally considered "slow" for the sector (September-October). The hotel sector showed resilience during 2021, as hotel revenues nearly reached pre-pandemic levels and, in some cases, exceeded them. In particular, hotel performance was better than originally anticipated, with occupancy and ADRs showing significant recovery, especially in the luxury segment. For 2022 and up until October, hotel revenues are exhibiting improved figures compared to 2019, leading to expectations for a very successful year for the T&T sector, affirming the industry's potential in exhibiting a solid performance until late in the year. Particularly Athens, has showed improved hotel KPIs (occupancy, ADRs) throughout the year.

Hotel capacity has continued growing, mainly for 5-star hotels, with the growth of this segment also observed in refurbishments. The trend observed toward the luxury segment, as well as the increasing running expenses due to the energy crisis and increasing inflation, are contributing to higher room prices being asked.

Despite the impact of COVID-19, significant hotel transactions have taken place during the last three years (2020-2022). In addition, important development projects are currently on the pipeline, signifying investors' trust in the Greek Tourism industry, who are mainly focused on 4-star and 5-star

accommodation, further supporting the sector's repositioning toward the luxury segment. This focus appears to be justified with relative hospitality quality indicators, indicating that 4 and 5-star accommodations score higher than lower category hotels, while overall, Greece achieves the highest score in terms of service quality, compared to its direct competition in the Mediterranean.

The Airbnb market has also bounced back strongly in 2022 - with active listings almost reaching 2019 performance - while overall demand has also recovered significantly, recording the strongest figures compared to the European competition.

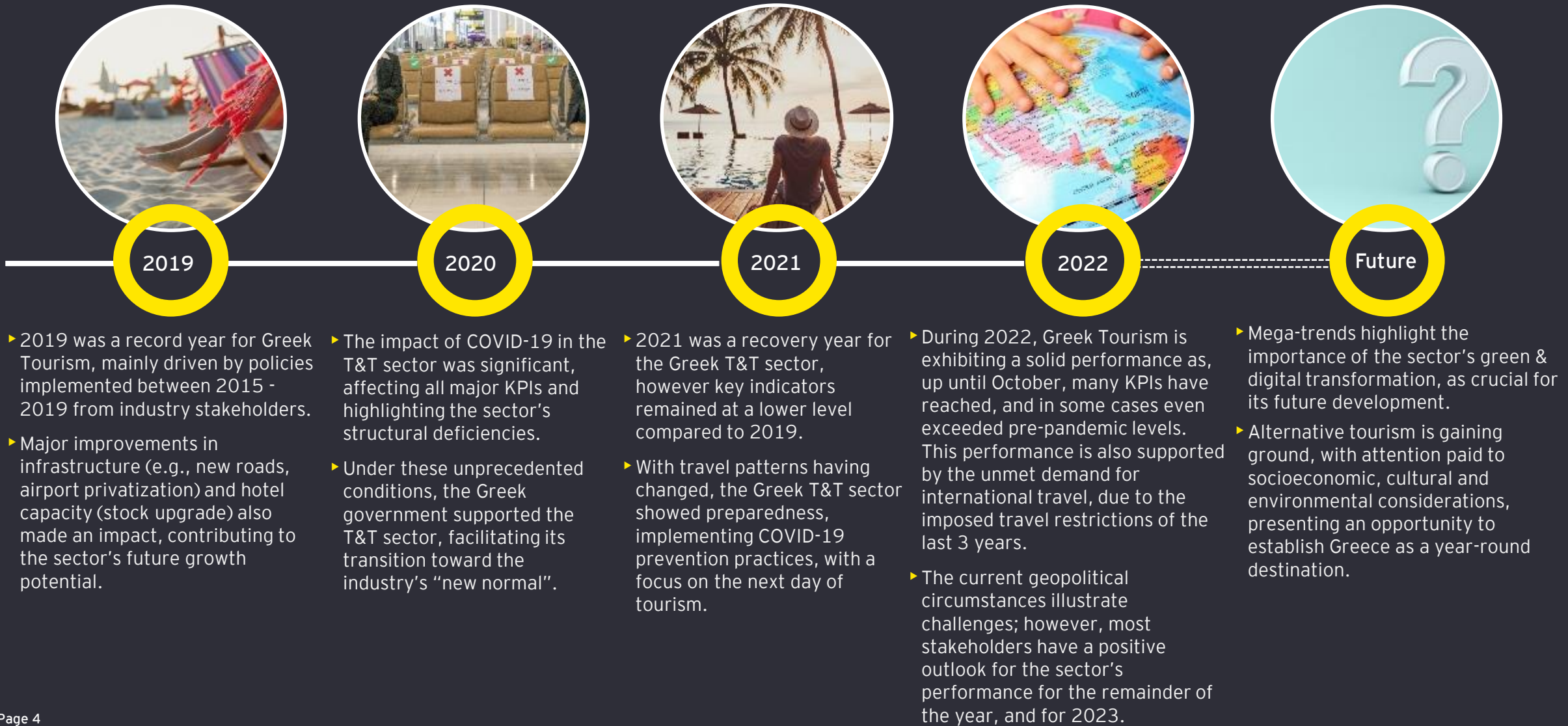
In spite of the rising uncertainty spurred by the geopolitical tension and the energy crisis, expectations remain positive for the Tourism industry from 2022 onwards.

Important mega-trends, such as consumer behavioral changes (emerging destinations, wellness tourism, workcations, etc.) and the sector's digital and sustainable transformation, are already impacting the Greek T&T sector. Therefore, Greek Tourism's growth potential will largely depend on the level of preparedness to face the challenges arising.

The access to EU and national funding, as well as to financial instruments, especially during periods of heightened uncertainty (war in Ukraine, inflation environment), can prove to be crucial for the T&T sector's resilient development, with tourism related businesses benefitting from grants, loans, guarantees, working capital or other risk-taking mechanisms, combined with interest rate subsidies.



# Greek T&T sector timeline



T&T on the rise -  
2021 performance &  
2022 so far



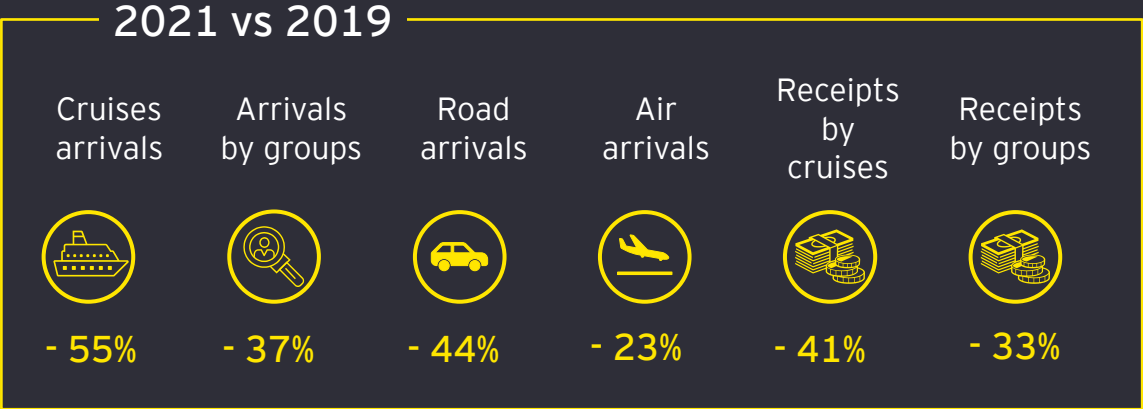


# With 2021 being a transition year for the Greek T&T sector, 2022 appears to be a year of recovery, managing to cover much of last years' lost ground

Having recovered some of the losses of previous years within 2021, the Greek T&T sector's performance within 2022, has almost returned to pre COVID-19 levels, paving the way for a solid year, despite the geopolitical turmoil and the consequent economic challenges (energy crisis, high inflation).

2020-2021

- ▶ Main tourism figures in 2021, indicated a strong interest from travelers in visiting Greece, despite COVID-19, however, remaining below the record levels of 2019.
- ▶ Specifically, international arrivals in 2021 increased by ca. 106.0% compared to 2020, however decreased by ca. 55% compared to 2019.
- ▶ Similarly, although tourist receipts in 2021 increased by 143%, relative to 2020, they were ca. 43% lower compared to 2019.
- ▶ However, expenditure per overnight stay in 2021, displayed a moderate increase of 2.1%, compared to 2019 (ca. 17% compared to 2020).



Source: INSETE Recovery Tracker, Eurostat

## With 2021 being a transition year for the Greek T&T sector, 2022 appears to be a year of recovery, managing to cover much of last years' lost ground

	H1 2019	2019	H1 2021	2021	H1 2022
International tourist arrivals (000's)	10,160	34,005	1,178	15,246	8,492
% y-o-y change	-3.56%	2.82%	-19.74%	105.87%	377.56%
Overnight stays (000's)*	71,347	236,547	19,657	133,735	64,371
% y-o-y change	2.76%	2.52%	77.19%	108.40%	227.46%
International Receipts (€ mn)	5,413	18,179	1,194	10,503	4,983
% y-o-y change	13.33%	13.01%	62.72%	143.19%	317.35%
Expenditure per overnight stay (€)**	70.7	76.9	59.2	78.5	67.2
% y-o-y change	11.93%	10.33%	-18.25%	16.64%	38.81%

Source: Bank of Greece

\*Overnight stays refer to non-residents' overnight stays in Greece by country of origin

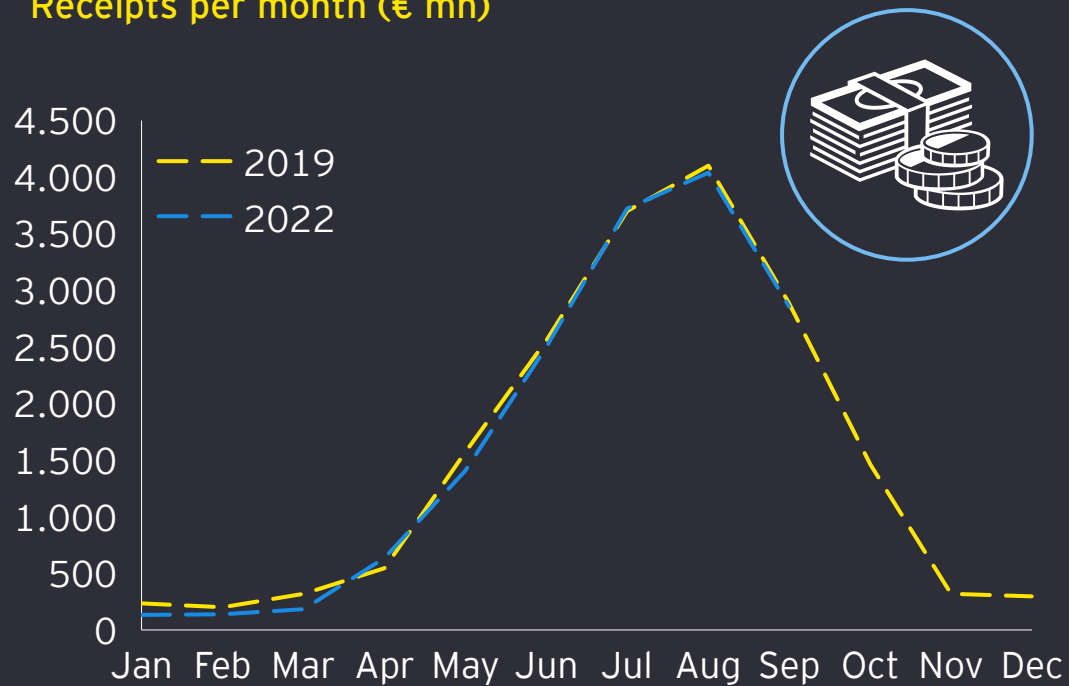
\*\*Expenditure per overnight stay refers to non-residents' expenditure per overnight stay in Greece by country of origin, which includes any combination of travel services for tickets, accommodation and other services, provided by travel agencies, as well as cruises.



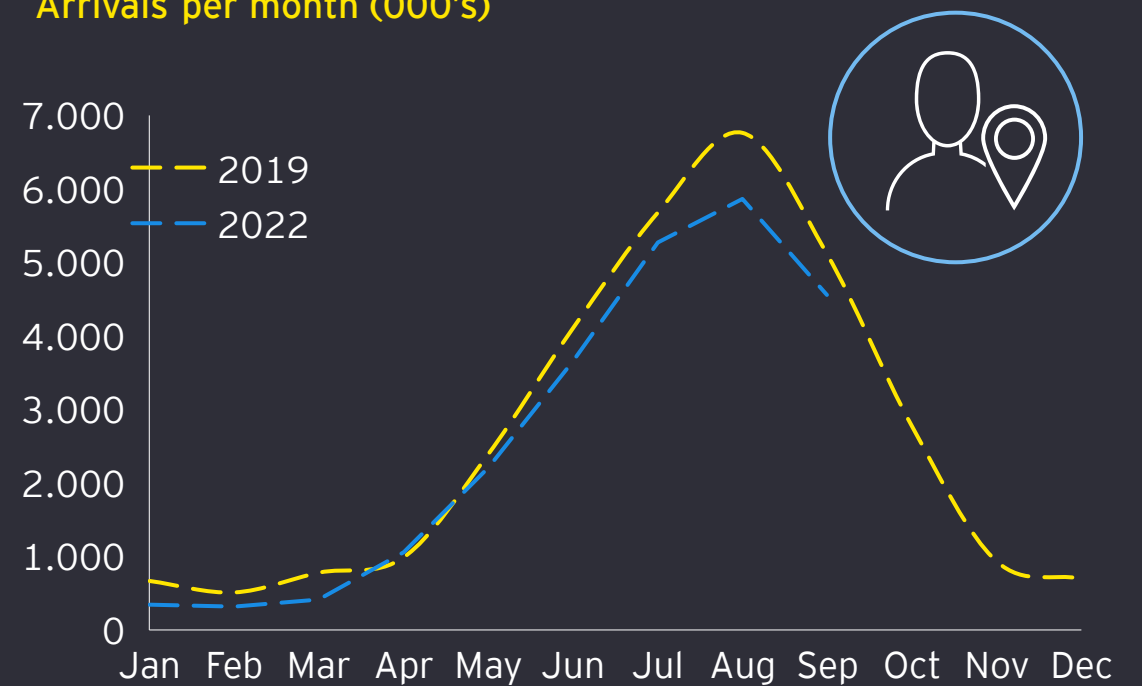
- ▶ Tourist arrivals in 2022 are expected to reach ca. 30mn, which corresponds to 90% of 2019 levels, while according to T&T sector stakeholders, tourist receipts are expected to be in the region of €19bn, surpassing 2019 figures.
- ▶ Up to H1 2022, main tourism figures indicated a strong recovery from COVID-19, having achieved better performance than the corresponding period in 2021, however remaining slightly below the record levels of 2019.
- ▶ Specifically, International arrivals in H1 2022 increased by ca. 377.56% compared to the same period in 2021, however being lower by ca. 16%, compared to H1 2019.
- ▶ Also, Expenditure per overnight stay in H1 2022 was marginally lower, compared to the same period in 2019.

Despite the rising uncertainty spurred by the geopolitical tension and the energy crisis, expectations remain positive for the tourism industry for 2022 and beyond...

### Receipts per month (€ mn)



### Arrivals per month (000's)



Source: INSETE Intelligence Recovery Tracker



# Despite the rising uncertainty spurred by the geopolitical tension and the energy crisis, expectations remain positive for the tourism industry for 2022 and beyond...

- ▶ The evidence so far suggest the T&T sector's positive course within 2022, with expectations pointing out to the sector's return to a pre-pandemic performance.
- ▶ Preliminary data for tourist receipts for the June - September 2022 period, show a decrease of 1.1%, compared to the corresponding period in 2019, indicating that the expectations for a similar-to-2019 performance in tourist receipts could be attainable.
- ▶ Regarding international arrivals up to September 2022, these remained below 2019 levels, for the corresponding period (-12%). On the contrary, international air arrivals in Greece increased by ca. 5.2% in Q3 2022 and ca. 5.4% for the September-October 2022 two-month period, exhibiting one of the highest increases amongst EU countries, compared to the corresponding periods in 2019, suggesting a strong finish to a solid year for tourism, marking the sector's return to robust figures.
- ▶ Greece's Tourism sector is expected to feel the impact of the recent geopolitical tension, nevertheless, to a limited extent regarding arrivals and receipts from the two countries in conflict. Particularly, Russian tourists in

Greece accounted for 7.5% of total arrivals in 2013, before dropping to ca. 2% in 2019, while during the pandemic, the share of Russian tourists was further compressed (2020: 0.3%, 2021: 0.8%). Also, Russian receipts in 2019 amounted to ca. 2.4% of total inbound tourism receipts in Greece, dropping to 0.3% and 1.1% in 2020 and 2021, accordingly. Ukrainian tourist arrivals in 2019 accounted only for 0.4% of total arrivals, while during the past decade, said figure remained below 0.6% (out of total arrivals).

- ▶ While the impact of a drop in Russian and Ukrainian arrivals and receipts is expected to be minimal for the Greek Tourism, the high inflation environment - depending on how long it will last - could impact tourism, with travelers limiting their vacation plans and related expenditures, in view of the noticeable price increases.
- ▶ In 2021, prior the start of the conflict in Ukraine, INSETE released the "Hellenic Tourism 2030 Action Plans", forecasting a strong growth up to 2030 in the sector, in both visits and nights spent (CAGR of +3.5% and 4.0% in visits and nights spent, respectively).



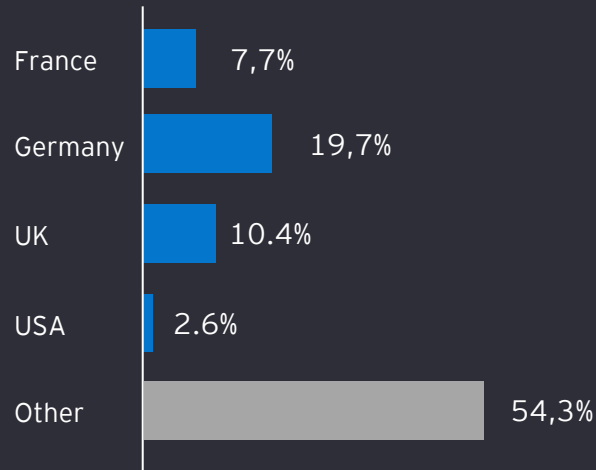
Source: Weekly Economic Bulletin, 14<sup>th</sup> March, Bank of Greece, INSETE: "INSETE 2030 report" , naftemporiki.gr: "Tourism: Increased by 17% compared to 2019 arrivals in the Aegean islands during the first week of August, 18.08.2022" and "Greece: August international flights over 2019 levels, 12.09.2022", Greek Reporter: "Greece Sets New Record for October Tourism"

# Germany, UK and France maintained their positions as the three highest contributing markets to Greece's tourism performance in H1 2022, after setting the pace in 2021

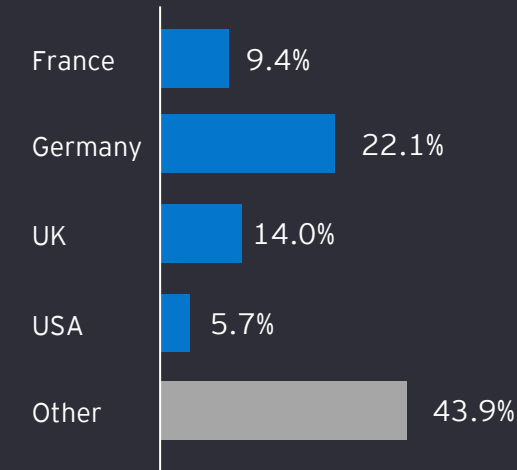


## Arrivals and receipts by origin\*

Tourist arrivals by origin (2021)



Tourist receipts by origin (2021)



- ▶ In 2021, in terms of contribution to Greece's total tourist arrivals and receipts, Germany was the European country with the best performance, with a 19.7% and 22.1% contribution, respectively.
- ▶ France followed, with a contribution of 7.7% and 9.4% to total arrivals and receipts, respectively. In 2019, said figures accounted for 4.5% and 6.0% accordingly, indicating a strong interest from French tourists in visiting Greece, despite the COVID-19 pandemic.
- ▶ UK also recorded a solid performance, in terms of arrivals and receipts during 2021, however, remained below pre-pandemic levels.
- ▶ Preliminary figures for the first 9 months of 2022 show that the three aforementioned markets are performing better in terms of arrivals and receipts, compared to the corresponding period in 2019, creating positive expectations for a new record year.
- ▶ In 2021, USA had the smallest contribution to total arrivals and receipts, marking 2.6% and 5.7%, respectively. In 2019, said figures contributed to 3.5% (arrivals) and 6.5% (receipts), indicating a drop, due to the travelling restrictions applied, and other COVID-19 containment measures. However, after efforts of the Greek government, more direct flight connections between Greece and USA have been introduced (Atlanta, Chicago, New York, Boston, Washington DC, Philadelphia). Preliminary figures for the first 9 months of 2022, in terms of arrivals and receipts, approach 2019 figures, especially in terms of receipts (82% and 89% respectively) for the same period.

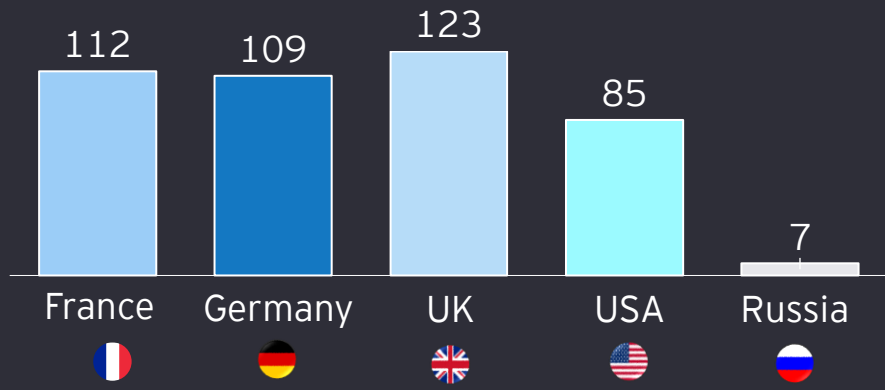
Source: INSETE Intelligence

\*Data are up to July 2022

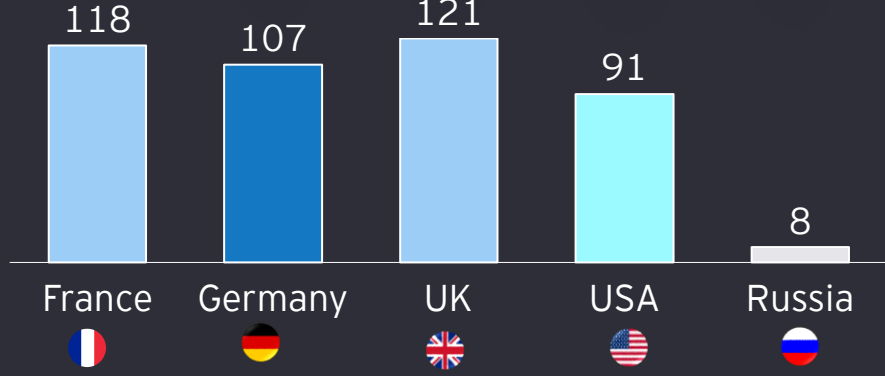
# Germany, UK and France maintained their positions as the three highest contributing markets to Greece's tourism performance in H1 2022, after setting the pace in 2021

2022

Arrivals by origin\* - 2022 compared to 2019\*\*



Receipts by origin\* - 2022 compared to 2019\*\*



Source: INSETE Intelligence

\*Numbers represented as D%

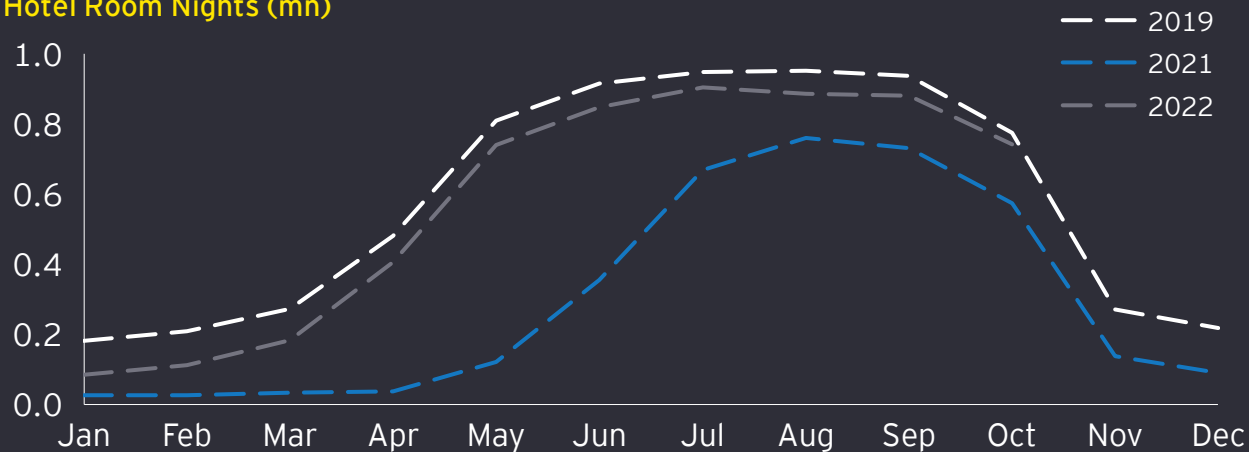
\*\*Data are up to September 2022



# In 2021, hotel revenues nearly reached pre-pandemic levels, while 2022 data suggest a solid performance, close to 2019 figures

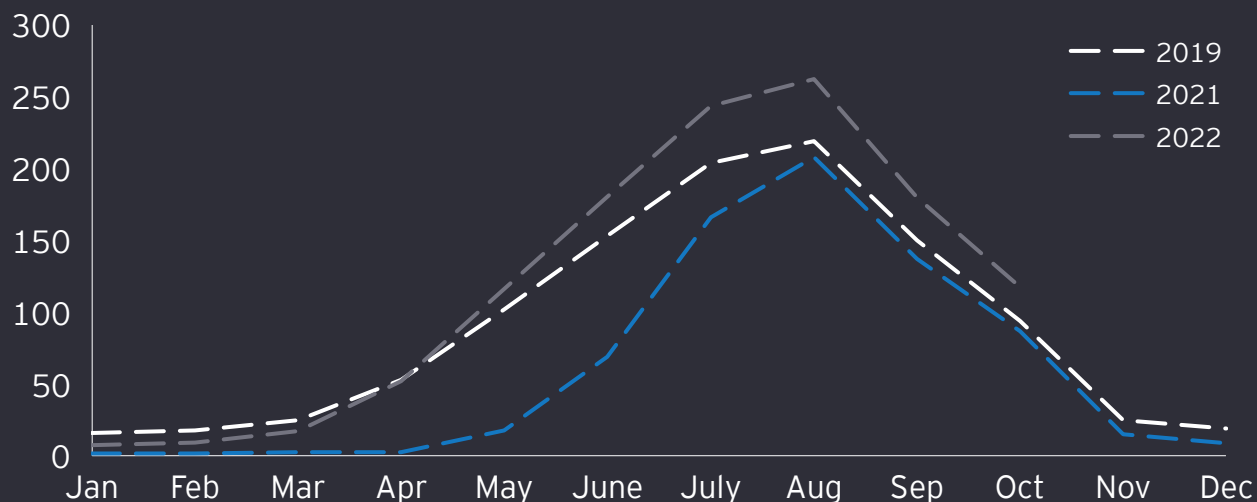
## The Hotel Sector

Hotel Room Nights (mn)



- ▶ The drop in hotel revenues was sharp in 2020, however, hotels nearly managed to recover their pre-pandemic revenues during 2021, from August onwards.
- ▶ Many hotels restarted their operations after May 2021, due to government restrictions related to containment of COVID-19 cases.
- ▶ Hotel room nights throughout 2021, remained at a lower level, compared to 2019.
- ▶ For 2022, particularly between May and September, the period that is traditionally considered to be the peak season for Greek tourism, hotel revenues are exceeding 2019 levels despite a reduction in nights spent, while in October, hotel revenues were ca.+25% higher compared to 2019's performance.

Hotel Revenue (€ mn)

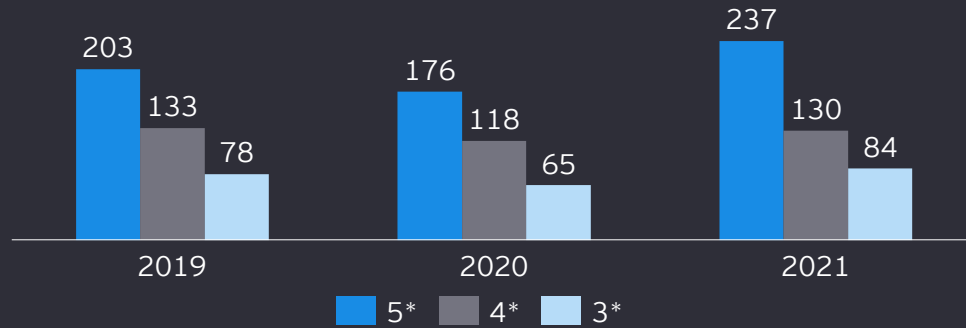


- ▶ The latter evidence supports the positive outlook that hotel revenues in 2022 may, in fact, exceed 2019 levels.
- ▶ A possible explanation for lower hotel nights - relative to hotel revenues in 2022 and 2021, especially from the month of August onwards compared to 2019 - could be attributed to higher prices asked per night in hotels, possibly indicating a shift of the Greek Tourism's position toward the luxury segment.
- ▶ To an extent, increased room prices, as already seen during 2022, could also be attributed to efforts from hoteliers, in the context of mitigating higher running expenses, due to rising inflation and energy costs.

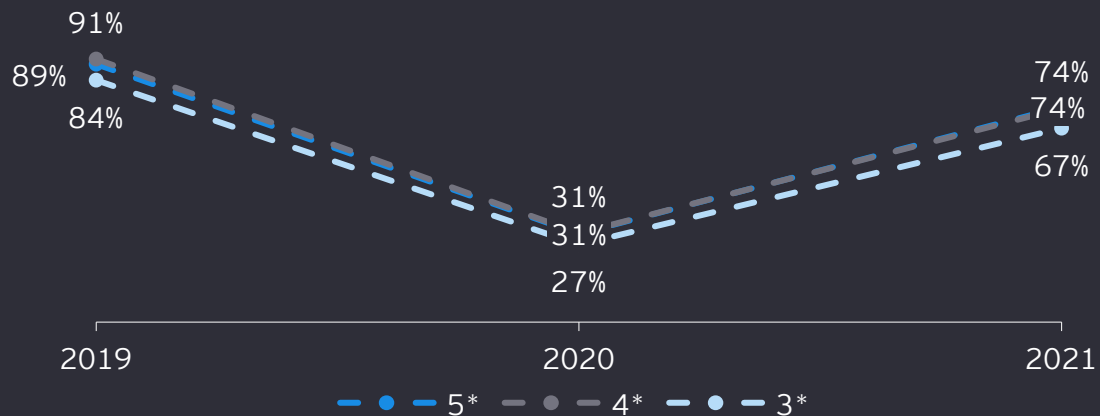
Source: INSETE Recovery Tracker

Hotel occupancy and ADR performance during 2021 was better than originally anticipated, with the luxury segment leading the way, while preliminary figures for 2022 indicate a further increase in asked room prices

Average daily rate (ADR) in August - Country level (€)



Occupancy Rates in August (%) - Country level



The potential extension of the tourist season and the promotion of alternative forms of tourism are expected to contribute to the economic resilience of the sector. Also, shifts in customer preferences, such as new trends in working schemes (**combination of work and travel**), an increased demand for “vacation with a purpose” and the exploration of lesser-known destinations, are expected to further boost the Greek industry.



Source: ITEP, Hellenic Statistical Survey (ELSTAT), Alpha Bank Economic Research (Insights May 2022)

## Hotel occupancy and ADR performance during 2021 was better than originally anticipated, with the luxury segment leading the way, while preliminary figures for 2022 indicate a further increase in asked room prices

- ▶ Average daily rates (ADRs) in August 2021 were higher compared to 2020, but also to pre-COVID levels (benchmark year: 2019). This trend was more pronounced for 5-star hotels, with the ADR in this segment increasing by 17%, compared to 2019, while for all hotel categories, the ADR increased by ca. 5%.
- ▶ Occupancy rates on a country level (annualized), ranged between 43% to 52% during pre-pandemic years. However, the COVID-19 outbreak resulted in occupancy rates dropping to 30% in 2020, as hotels operated for a shorter period, while local and global travel restrictions, further affected occupancy.
- ▶ With regard to the peak of the tourism season (month of August), hotel occupancy rates in 2021 increased by ca. 47% compared to 2020, with 5-star and 4-star hotels achieving the highest occupancy rates; ca. 75% and 74% respectively. However, occupancy was overall lower in 2021, compared to 2019.
- ▶ Further increase in occupancy is expected during 2022. Indicatively, in the Athens hotel market occupancy, rates of 91%, 89%, 82%, and 93% for September 2022 have been achieved, being very close to the respective figures of 2019 (93%, 90%, 84% and 95%), while for October 2022, occupancy rate levels surpassed the corresponding month of 2019 by 0.4% (86.4% to 86.8%), leading to a strong year-end for the Athens' tourism market in 2022.
- ▶ For the period June - October 2022, the ADR and RevPaR levels were up, by ca. 18% and 17%, compared to the respective period in 2019, setting the tone for the remainder of the year, and 2023. This performance, is in line with the trend that was observed in 2021, with hoteliers asking for higher prices per night.

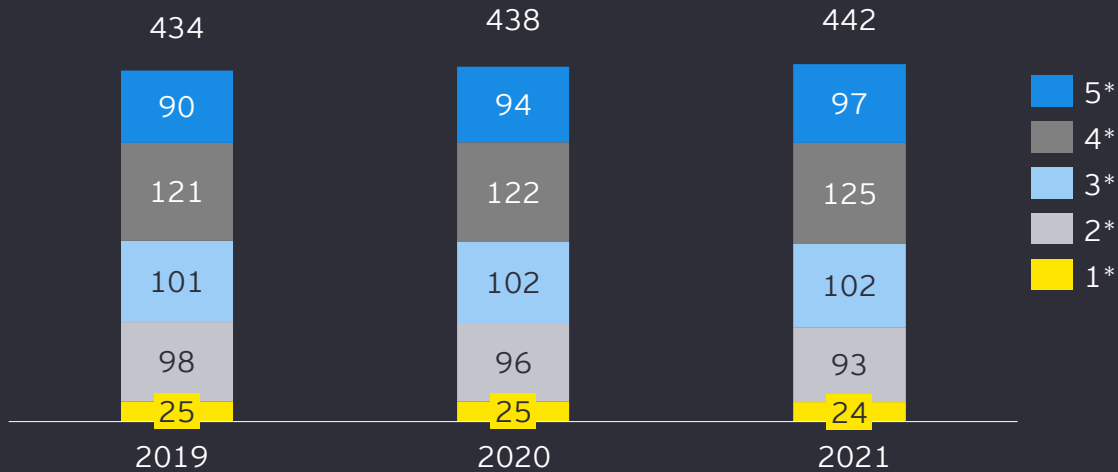


Source: ITEP, Hellenic Statistical Survey (ELSTAT), GBR Consulting

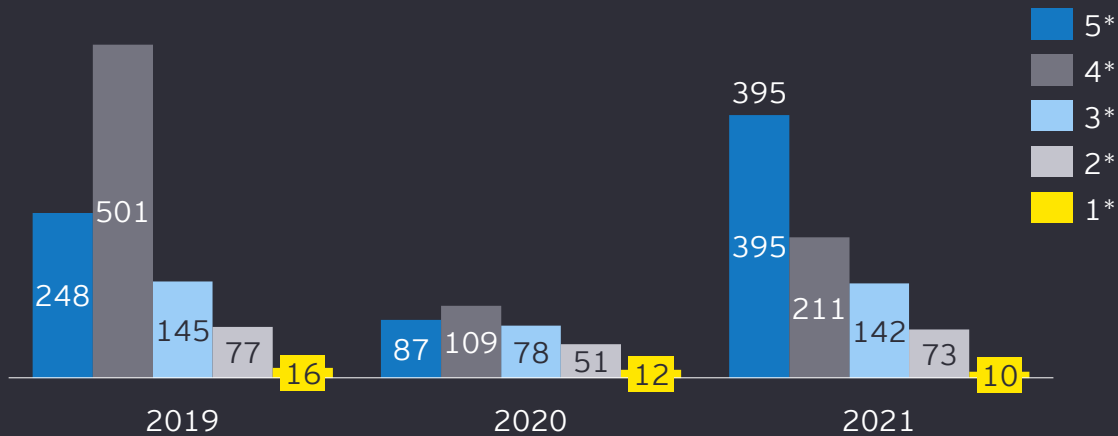


# Hotel capacity continues growing, mainly for 5-star hotels, with segment growth also observed in refurbishments

Hotel Rooms Capacity Evolution per Category (2019 - 2021) (thsnd.)



Refurbishments in Hotels (€ mn)



Source: Hellenic Chamber of Hotels, ITEP Annual Survey, GBR Consulting, Various sources

## Hotel rooms, 5-star segment



2021

**97,342**

+6.1 % CAGR  
2021/2011

**80.7%**

higher than 2011

## Refurbishment works



2021

**€395 mn**

**x1.6**

higher than 2019

# Hotel capacity continues growing, mainly for 5-star hotels, with segment growth also observed in refurbishments

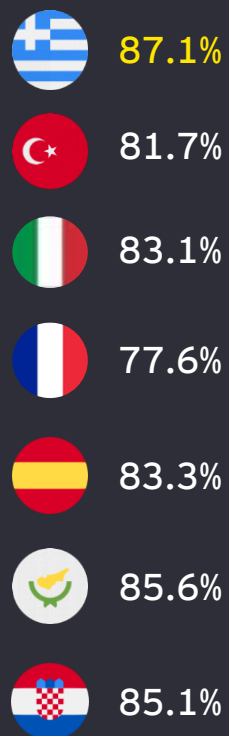
- ▶ Despite the impact of COVID-19, in 2021, hotel capacity further expanded, with the number of 5-star hotels increasing by ca. 8%, compared to 2020, and ca. 15% compared to 2019.
  - ▶ On the contrary, total hotel capacity (all categories) marginally increased (increases of 1.3% and 0.5% in 2021, compared to 2019 and 2020, respectively), indicating a growing interest on the high-end segment of the sector.
  - ▶ The growth of the 5-star segment, is also observed in the volume of refurbishment works that have been performed.
  - ▶ In particular, in 2021, refurbishment works were almost x4.5 higher, compared to 2020, also resulting from works that were put on hold due to the pandemic, and recommenced. Refurbishment works compared to 2019, also exhibited an increase of ca. 59%.
  - ▶ In total, refurbishment volume in 2021 increased by ca. 150%, compared to 2020, but remained below 2019 levels (ca. -16%).
  - ▶ Further growth is expected during 2022, driven by a continuously increasing demand toward the high-end segment and the sector's overall forecasted growth.
- ▶ Indicatively, up until October 2022, a total of 83 environmental permit requests have been submitted in the relative Ministry, for the development of 4-star and 5-star hotel units of over 100 beds each, highlighting the ever-growing potential of the Greek tourist product and the shift toward the luxury segment.
  - ▶ The shift of the Greek T&T sector toward the high-end segment may enhance its resilience toward demand shocks, deriving from significant events that impact the sector in a global scale (geopolitical turmoil, persistent inflation, etc.).



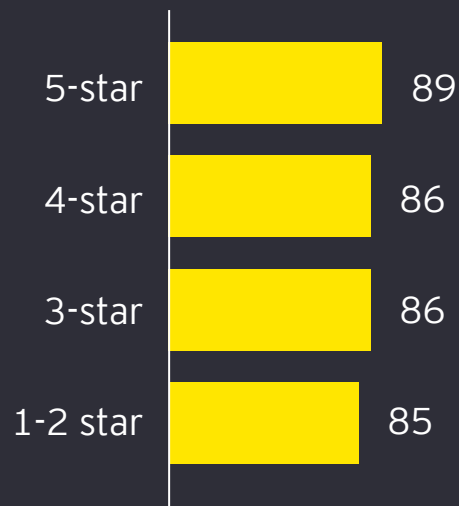
Source: Hellenic Chamber of Hotels, ITEP Annual Survey

In addition, all quality indicators suggest that Greece is overperforming its competitors in the Mediterranean, in 2022, attesting the T&T sector's overall strong performance

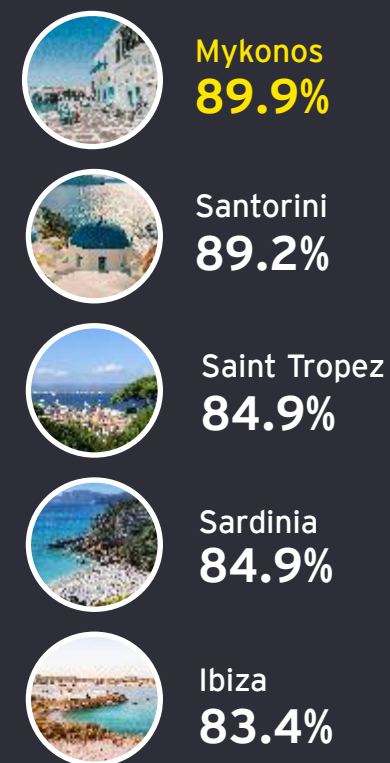
### GRI Hotel Performance Index Jan-Oct 2022



### GRI Hotel Performance Index per hotel category in Greece Jan-Oct 2022



### "Premium" destination GRI Hotel Performance Index Jan-Oct 2022



Source: Insete Intelligence, Review Pro



## In addition, all quality indicators suggest that Greece is overperforming its competitors in the Mediterranean, in 2022, attesting the T&T sector's overall strong performance

- ▶ The Greek hotel sector's solid performance in 2022 is also reflected by quality indicators, demonstrating its superiority over its direct competition in the Mediterranean.
  - ▶ Based on GRI (Global Review Index)\*, an index which captures the satisfaction of hotel customers based on comments they post on on-line platforms, Greek hotels record the best performance up until October 2022 (87.1%) compared to Turkey, Italy, Spain, Cyprus and Croatia. Compared to the corresponding 10-month period in 2019 (87.2%), Greece has maintained to a large extent its performance and preserved its position, while at the same time managing to retain its dynamics until late in the year.
  - ▶ The highest performance in the quality index in Greece is registered in the 5-star hotels (89.1%) compared to the rest of the categories, however being marginally inferior compared to the corresponding performance in 2019 (89.6%).
- ▶ This performance, highlights the sector's correct course in enhancing its luxury segment during the last 10 years. This strategic choice has a positive impact on the quality of services offered, which in return, has translated into strong figures in tourist receipts and hotel revenues.
  - ▶ In the "Sun & Sea" type destinations, the Cyclades are the leading destination based on performance (90.1%), both in relation to domestic (Chalkdiki, Ionian Sea, Crete) and international (Mallorca, Marbella, Istria, Bodrum, Rimini) competition.
  - ▶ In terms of "premium" destinations, Mykonos (89.9%) and Santorini (89.2%) hold their place as superior over similar destinations in the Mediterranean (Ibiza, Sardinia, Saint-Tropez).

\* All review sites require the consumer to give a 0-5 or 0-10 general evaluation of their experience. The GRI™ for a specific date range is the average of the daily GRI™ scores that have been calculated during that date range. The score is calculated on a daily basis for each hotel, by analyzing the quantitative scores associated with reviews posted. The GRI™ is calculated using a proprietary algorithm developed by ReviewPro, in conjunction with input from industry experts and advisors from leading graduate programs in hospitality management. It is not an average of all review scores.

Source: Insete Intelligence, Review Pro



# Investment activity remains high, from both local and foreign investors, who see significant growth potential in the Greek T&T sector

## Investment highlights / projects on the pipeline as of September 2022

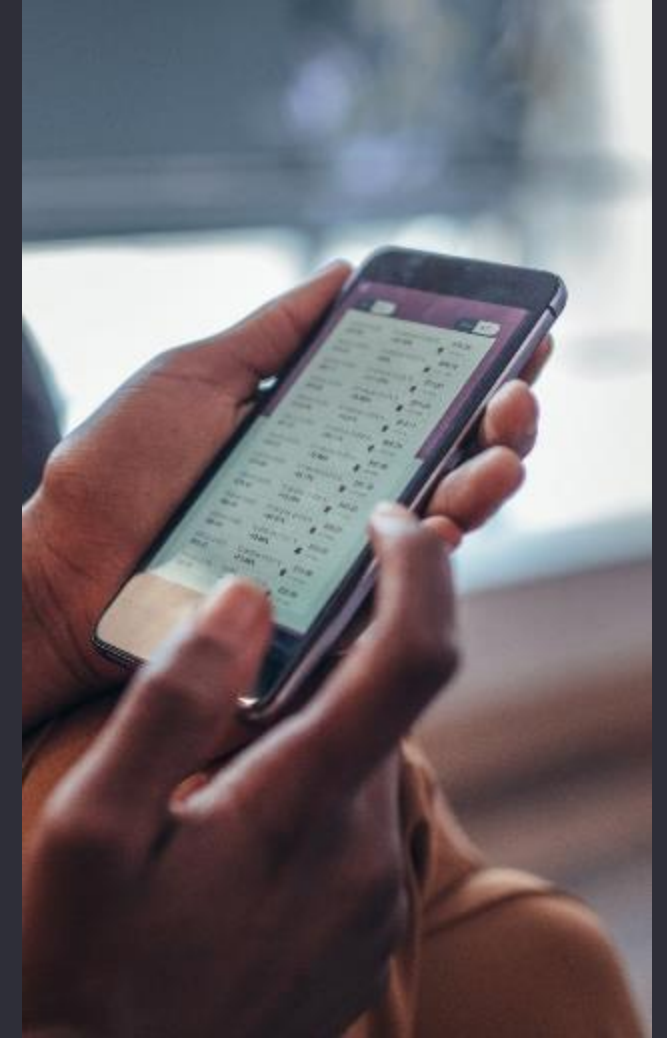
Submarket	Location	Brand	Amount (€ mn)
Athens Center	Kolonaki	Radisson Individuals	n/a
Athens Center	Ilisia	Conrad Hotels & Residencies (ex. Hilton)	130
Athens Center	Panepistimio	Fattal (prior Esperia Palace)	11
Athens North	Kifissia	Curio Collection by Hilton (Prior Pentelikon Athens)	18
Athens South	Glyfada	One & Only	n/a
Athens South	Elliniko	International Brands	300
Athens South	Piraeus	Hampton by Hilton Piraeus Mikrolimano	5.5
Attica	Sounion	Brown Hotels	100
Cyclades	Mykonos	Mitsis Hotels	n/a
Cyclades	Mykonos	Apanema Resort	10.6
Cyclades	Mykonos	Kensho Psarou Hotel (Monterock International)	19
Peloponnese	Pylos	Mandarin Oriental (Costa Navarino)	n/a
Crete	Chania	Ikos Kissamos	125
Ionian Islands	Corfu	Grande Mare Hotel Spa & Wellness	5.9
Crete	Heraklion	n/a (REDS S.A. developer)	n/a
Various locations	Various locations	GIC	2,300
Greece	Parnassos	Elatos Resort & Health Club - Lampsas Group	n/a
North Greece	Chalkidiki	G Hotels (3 hotels)	n/a
Dodecanese	Rhodes	Sheraton Rhodes Resort - Lampsas Group	43.8
Cyclades	Tinos	Tinos Beach Kionia Hotel	6.5

The hotel sector's performance so far is in line with the view of many investors, for a recovery of the sector in 2022, who despite the impact of COVID-19, kept on making investments. Domestic investors but also foreign funds, are increasing their presence and expanding their portfolios.

Source: GBR Consulting: "Greek Hospitality Industry Performance (Q2 2022)", INSETE Recovery Tracker, Alpha Bank Economic Research, Aura Real Estate Experts, EY Analysis

# Investment activity remains high, from both local and foreign investors, who see significant growth potential in the Greek T&T sector

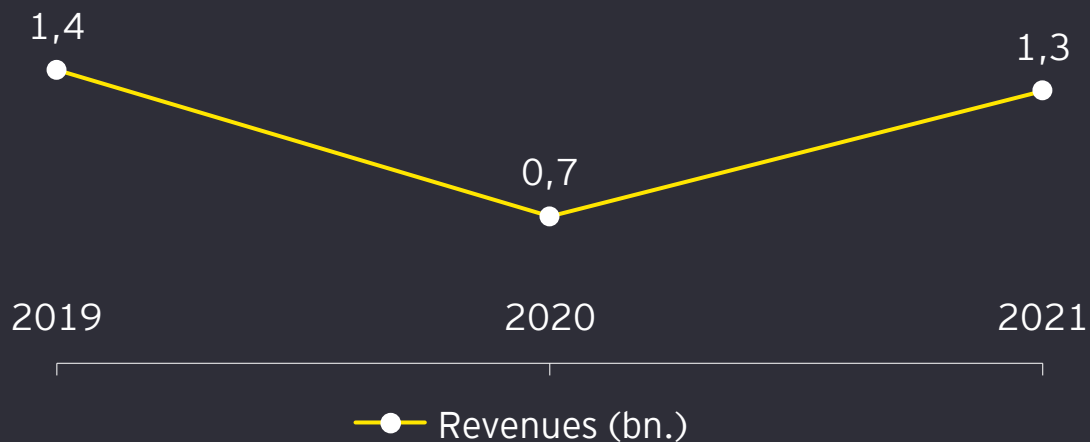
- ▶ In line with the sector's repositioning toward the luxury segment, investors' primary focus is on 4-star and 5-star hotel units. Investors have been largely focusing on the acquisition or lease of existing hotel units, aiming to reposition them in the higher segment of the market, by performing refurbishment works and rebranding them. Such investments are expected to grow further during the forthcoming months, due to rising inflation and construction costs. However, many investors are currently pursuing significant greenfield development projects, especially in established markets (e.g., Mykonos, Crete, Pylos).
- ▶ Investment activity is particularly high in established markets, such as Crete (e.g., Hines & Henderson Park, Mitsis Hotels, Ikos etc.), Corfu (e.g., H.I.G., Ikos), Rhodes (e.g., H.I.G., Zetland Capital) and Mykonos (e.g., AGC Equity Partners, Grivalia Hospitality & Frontisa). The most significant transaction in 2022 concerns the strategic partnership agreement of Sani/Ikos Hotel Group and GIC, an investment company set up by Singapore State, under which GIC becomes a major shareholder of the Group. For this transaction, the value of the Sani/Ikos Group was estimated at €2.3bn. The hotel group owns 14 units, two (2) of which are located in Spain, and one (1) in Portugal.
- ▶ However, recently, investors are showing increasing interest in less established destinations, with the potential to become upcoming destinations. For instance, "Brown Hotels", is expanding its portfolio with the addition of hotel resorts in less established locations such as Chalkida, Eretria and Corinthia, while through a consortium scheme, the company was recently named as the preferred investor for the acquisition of a loan portfolio, backed with 72 hotel units in less established destinations in Greece.
- ▶ Significant investments are also being made in the center and south of Athens, known as the Athens Riviera. This area is gaining more attention due to the "Ellinikon" mega-project (under-development), that is situated in the Athens south. Temes S.A. is also setting the tone with the redevelopment of the "Athens Hilton", a landmark of the Greek capital, that will reopen under the Conrad brand. To name a few of other investments in Athens, "Moxy Athens" recently opened in the Athens city center (Prodea & Dimand), while in proximity, "Esperia", another historic hotel, will reopen as "NYX Athens".



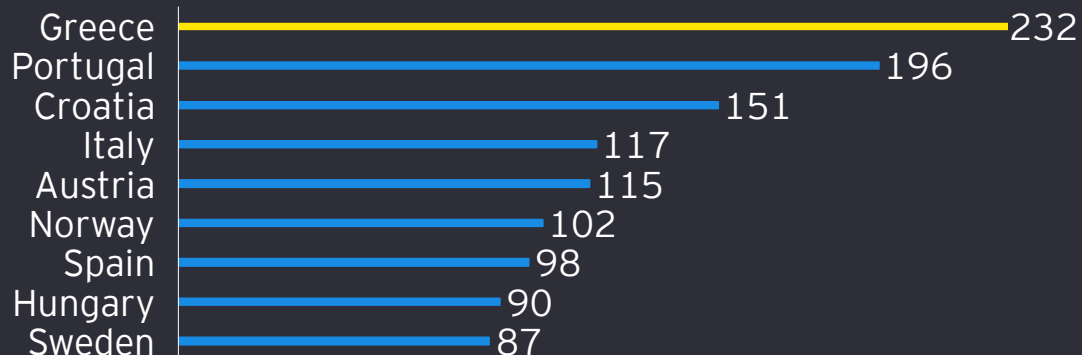


# The performance of the Greek short-term rental market in 2022, is also in line with the T&T sector's overall strong performance

Short-Term rental market revenues in Greece (€bn.) 2019 - 2021



June-September Demand Pacing\* by Country 2022 vs 2021 (%)



- ▶ The short-term rental market showed a strong rebound in 2021, in terms of revenues, relative to the previous year, almost reaching 2019 levels.
- ▶ Based on August 2022 data, the number of active listings countrywide, amounted to 133,575, being only -2% compared to the corresponding figure in August 2019. Based on quarterly data, for Q3 2022, the largest concentration of active listings was noticed in the Chania Region with 11,788 listings, followed by Athens-Centre (11,494 listings), Corfu (9,971 listings) and Chalkidiki (7,488 listings).
- ▶ The performance has been promising since early in the year as, from data sourced in March 2022, demand pacing\* for the June-September period recorded the best performance among European countries in relation to 2021 (+232%), outperforming competing countries in the Mediterranean such as Portugal, Croatia, Italy and Spain.
- ▶ For Q3 2022, in Europe, Greece occupied the 1<sup>st</sup> place, regarding the demand for short-term rental accommodation, recording a 26.5% increase, compared to the corresponding period of 2019.
- ▶ For July 2022, occupancy in short-term rentals in major tourist destinations in Greece (Rhodes, Crete, Corfu, Mykonos, Santorini), ranged between 63% (Rhodes) and 100% (Santorini), while for the same areas, the ADRs stood between €156 (Corfu) and €742 (Mykonos). For Q3 2022, the ADR countrywide, marginally contracted by -1.1%, compared to the same period in the previous year.
- ▶ Nevertheless, as demand figures in 2022 have been overall higher compared to the record year 2019 and given that the momentum until year-end remains strong (e.g., demand in Athens for the September-December 2022 period is +125%, compared to the same period in 2021), expectations for a solid year - in terms of total revenues - are considered well-founded.

Source: AirDNA, Press, EY Analysis, (Data extracted in July and August 2022)

\* Demand pacing is the rate at which reservations are made, for a particular date in the future, by comparing this year's trends to last year

Greek T&T -  
Emerging Trends &  
Challenges ahead



Mega-trends are impacting the Greek T&T sector, and its development will largely depend on the level of preparedness. Visiting less crowded destinations, combining vacation with work and wellness activities, are gaining more appeal...

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The sector's development will largely depend on its preparedness against impacting global T&T trends, which are becoming increasingly relevant, especially since the outbreak of COVID-19. These trends are intertwined and can be distinguished into consumer behavior and sector transformation trends.

### Emerging Destinations, Wellness Tourism and Workcations

The pandemic created / accelerated **shifts in consumers' preferences**. In T&T the following stand out:

- ▶ combining work and travel (i.e., work-life balance, supported by the increase of remote and flexible work),
- ▶ visiting less-known locations which have not been affected by mass tourism and are less crowded,
- ▶ slow, transformative and regenerative travel, which enhances one's personal well-being.

As a result of the quarantines and COVID-19 containment measures, maintaining social distancing and health conditions (importance of health care), have both become very important for consumers, when choosing a vacation destination.

Consequently, **travelers are showing increasing interest in less crowded locations** (small-scale tourism), avoiding mass tourism destinations.

As indicated, the sector is adopting against such changes:

1. Recent investments, suggest that investors have started recognizing the potential of investing in **less established locations**, that can become upcoming tourism destinations.
2. Recognizing the importance and potential of wellness tourism, the Greek Health Tourism Council - Elitour and the Hellenic Chamber of Hotels have teamed up in an effort to accelerate the development of the Greek health and medical tourism. Under the agreement, actions will be taken toward the creation of **travel packages offering health, spa and wellness tourism options, as well as the promotion of wellness services, and the creation of a relevant hotel certification.**
3. The Greek Government during 2022 announced the funding scheme "**Tourism for All**", to further boost domestic tourism in less developed destinations. This program can serve as a basis to support the industry and its businesses, in areas that rely mostly on domestic small-scale tourism and can become emerging destinations.



Mega-trends are impacting the Greek T&T sector, and its development will largely depend on the level of preparedness. Visiting less crowded destinations, combining vacation with work and wellness activities, are gaining more appeal...

Over the last 12 months, travelers ...



33%

chose to travel outside of peak season



27%

chose to go to a less popular travel destination

Over the next 12 months, travelers will...



64%

avoid popular / overcrowded destinations and attractions



40%

only travel in off peak season or outside of peak season



31%

choose an alternative to their preferred destination



Source: Booking: "Sustainable Travel Report 2022" survey that took place in February 2022 from a sample of 30,314 participants across 32 countries and territories

...while the implementation of sustainable practices is essential for the sector's resilient development

## Sustainable Tourism

Defined by UNWTO as "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities". Sustainable tourism should:

1. **Make optimal use of key environmental resources**, maintain essential ecological processes and support the conservation of natural heritage and biodiversity.
2. **Respect the socio-cultural authenticity of host communities**, preserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding and tolerance.
3. **Ensure viable, long-term economic operations, providing distributed socio-economic benefits to all stakeholders** (e.g., stable employment, income-earning opportunities, social services to host communities, supporting poverty alleviation).

Travelers need accessible sustainable options, more meaningful and trustworthy information and tools that they can use to **make good travel decisions**. Based on "Sustainable Travel Report 2022" published by Booking:

Travelers

81%



consider sustainable travel as important

50%



have been influenced by recent news on climate change to make more sustainable travel choices

According to the WEF's "T&T Development Index 2021", **Greece ranks 28<sup>th</sup>** out of **117** countries. However, in the T&T Pressure and Impact pillar, which measures factors that might be related to overcrowding and demand volatility, Greece ranks 110<sup>th</sup>, indicating the need for initiatives, policies and actions that will tackle the unsustainable demand, that results from high seasonality and overcrowding in popular destinations.



An important step taken is the **GR-eco islands national initiative of the Greek Government**, which aims to transform Greek islands into "models" of green economy, energy autonomy, digital innovation and ecological mobility, by using renewable energy sources (RES).

Source: European Commission, UNWTO, Alpha Bank Economic Research, Greek Tourism 2030 Action Plans, Booking: "Sustainable Travel Report 2022" survey that took place in 2022 from a sample of 30,314 participants across 32 countries and territories

In addition, the sector's digital transformation is also recognized as a high priority for its further development.

## Digital Transformation

The pandemic acted as a catalyst for the acceleration of digital transformation. It begins with the **increasing application of working from home schemes, but it also relates to the technological development of future tourism.**

Incorporating digital technology into business processes, for instance **digital and smart applications in hotels, could be used for the reduction of running expenses, improving the sector's profitability and reducing its environmental footprint.**

In 2021, a **Strategic Road Map** has been drawn up for the **Digital Transformation** of Greek tourism, based on **5 main pillars:**



Data Hub

The **Data Hub** offers standardized data collection mechanisms, providing an "open" source of information for all tourism stakeholders

Digital Id

Through **Digital ID**, contactless travel across all travel chain touchpoints becomes secure and possible, offering tourists a seamless experience

Smart Destination

Through mobile and VR apps, as well as with the use of IoT, a **Smart Destination** is created, upgrading the visitor's travel experience

Smart Business

The upgrading of a specific destination can be achieved through the engagement of tourist stakeholders in **Smart Business apps**

Digital skills

The development and continuous enhancement of **digital skills** of all stakeholders in tourism, is imperative for the T&T sector's successful transition to the digital age



In continuation of the 2021 Road Map and under the "Greek Tourism 2030, Action Plans", an action plan supporting Greece's "**Digital upgrading & transformation**" was drawn, based on the following four initiatives:

1. The development of **uniform web portals** for the 13 Regions of Greece
2. The development of **digital applications** for the tourism sector
3. The promotion and development of **smart applications** to enhance tourism engagement in selected locations
4. The creation of an **intelligent tourism central platform** that will collect, store, process, and analyze data, and produce projections for tourism demand, while also enabling an early diagnosis of tourism related market developments and risks etc.

Source: European Commission, Global Wellness Institute, UNWTO, Alpha Bank Economic Research, Greek Tourism 2030 Action Plans, Press Release | 27.05.2021 INSETE: Digital Transformation of Greek tourism



# Sustainability and Digital transformation in Greek destinations - Case studies

## Chalki



**Chalki** has become the first island to own and operate a 1MW PV station, with the participation of the local authority. The benefits of this initiative are a 55% electricity bill reduction for residents, businesses and the Municipality of Chalki, which translates into an annual saving of €180,000 - € 250,000/annum and a carbon reduction of 1,800 tons/annum.

## Astypalaia



The island of **Astypalaia**, in cooperation with Volkswagen Group, is set to implement within 5 years, vehicle electrification, smart mobility, charging and energy usage from renewable resources, and autonomous driving as a future option. By 2023, 100% of the energy needed to charge the electric vehicles and >50% of the island's overall energy demand, will be covered by a 3MW solar park.

## Tilos



In **Tilos** island, project **DESALINAID** is an initiative that envisages the development and operation of a desalination plant with a capacity of 500m<sup>3</sup>/day powered by renewable energy sources, such as wind turbine, solar photovoltaic plant or a combination of both, in order to cover the needs of the area of Livadia, Tilos.

## Naxos



In cooperation with Amazon Web Services (AWS), **Naxos** will become a smart island. **AWS** will create applications for the recording of passenger ship arrivals/departures, and the transfer of biological/pharmaceutical material using drones. The project's aim is to upgrade the island's infrastructure, marina, energy network and its water management systems.

As sustainability becomes a key issue for the T&T industry, the implementation of such actions will play an important role for local economies, as not only it will improve the quality of life and reduce the cost of living but will also strengthen their tourist profile by prolonging the tourist season and attracting more conscious visitors who are willing to spend more. Based on the "Travel Value Index Outlook 2022" published by Expedia, 60% of travelers **are willing to pay more fees** to make a trip sustainable, 49% will choose a less crowded destination **to reduce effects of overtourism**, and 43% **will travel locally**.

# The growth potential of the Greek tourism will also depend on tackling certain challenges, relating to tourism patterns, infrastructure, technology and resources

## Identified challenges

Large concentration of tourism activity in the 3<sup>rd</sup> quarter every year.

- ▶ The Ministry of Tourism has set a clear goal to promote and establish Greece as an all-year-round destination, instead of a seasonal “sea-sun” one.
- ▶ According to the Minister of Tourism, Vassilis Kikilias, such a transition is expected to be supported by campaigns of the Greek National Tourism Organization, while the "Tourism for All" program will strengthen the domestic tourism and the active participation in international tourism and travel fairs.

The Greek state and SMEs are lagging in the efficient use of digital technology.

- ▶ Greek tourism’s performance can further improve with the aid of digital technology. Technology tools, such as property management systems, revenue management systems and e-marketing tools, can improve business’ profitability and improve customer satisfaction.
- ▶ Also, the analysis and utilization of big data and AI can enable better market targeting and forecasting of demand.
- ▶ The uptake of digital technologies by businesses can be accelerated through the leverage of funding *inter alia* from Horizon Europe, Digital Europe, CEF, RRF, ERDF.

Territorial concentration of tourism

High Seasonality

Problems & shortages of infrastructure

Inadequate penetration and use of modern digital technology

Lack of skilled labor

Tourism inflows are largely channeled to 5 Regions in Greece, out of a total of 13 Regions. There is a lack of a single tourism brand name and inadequate promotion of the sector in its entirety.

- ▶ Promotional campaigns, which are designed to promote emerging destinations to specific market segments and direct tourism flows to these locations, could improve territorial concentration of tourism. The creation of funding schemes that support domestic tourism in emerging destinations, can also improve territorial cohesion and local economies.

Public infrastructure, such as main and secondary road networks, rail network, health, water supply, energy, waste management, infrastructure in archaeological sites and museums, etc., is insufficient in some locations, while increased tourism flows result in capacity overutilization. Hence, tourism destinations are facing market saturation risks, environmental degradation, lower living standards of local population.

- ▶ Public Private Partnerships (PPPs) have been very successful in Greece and can be used for the development / improvement of infrastructure in popular destinations. Recently, a PPP in Santorini was approved for the construction and operation of a waste treatment system. Concession agreements have been also proved successful, (e.g., 13 regional airports managed by Fraport) and can be further utilized to improve infrastructure.

The lack of skilled employees in the Greek tourism sector is impacting the quality of offered services.

- ▶ Upskilling could be achieved by upgrading the education that relates to tourism, through the modernization of tourism educational establishments, primarily the Higher Schools of Tourism Education. Also, the introduction of education and training schemes, the certification of tourism professions along the entire tourism value chain, the selection of specialized teaching staff and the introduction of continuous education programs will support upskilling.
- ▶ There is a wide range of EU fundings instruments for upskilling that could be accessible through financial intermediaries, the European Commission and national authorities (e.g., InvestEU, EFSI 2, RRF, ESF+, ERDF, JTF, Erasmus+, Digital Europe).

Source: Alpha Bank “Economic Research, May 2022”, INSETE: “Greek Tourism 2030 Action Plans”



### Yiannis Retsos, SETE President

“ Our objective for this year, despite recent geopolitical challenges, is a return to an accelerated Sector performance. This will be based on Greece’s powerful brand name in the global tourism market; a brand name that has come to encapsulate physical beauty, culture, gastronomy, high quality of services and a very positive health & safety footprint, which was built during the pandemic years and has significantly contributed to the country’s reliability.

Source: [news.gtp.gr](https://www.news.gtp.gr) (30.06.2022)

### Sophie Zacharaki, Greek Tourism Undersecretary

“ A main goal of the Greek State is to promote alternative forms of tourism. Based on this, the Greek State will use more than €100mn under the Recovery and Resilience Facility (RRF) into sustainable infrastructure projects.

Source: [naftemporiki.gr](https://www.naftemporiki.gr) (13.09.2022)

### Herbert Diess, CEO, Volkswagen Group

“ Astypalaia will be a future lab for decarbonization in Europe. We will be researching in real time what motivates people to switch to e-mobility, and which incentives are needed to transition to a sustainable lifestyle. The learnings will help to accelerate the transformation towards sustainable mobility and green energy in Greece. Worldwide, climate protection is gaining enormous traction. Volkswagen has been driving this change, offering the full range of sustainable mobility – from cars, to charging to sustainable energy solutions. Astypalaia can become a blue-print for a rapid transformation, fostered by the close collaboration of governments and businesses.

Source: [volkswagenag.com](https://www.volkswagenag.com) (02.06.2021)

### Vassilis Kikilias, Minister of Tourism, Greece

“ Greece is now a leading destination, and we are ready to take the next steps. It’s evident that Greece exceeded all expectations in 2022. The goal is to extend the tourist season and ensure revenue generated from tourism is evenly distributed among the country’s residents.

Source: [news.gtp.gr](https://www.news.gtp.gr) (22.08.2022)

### Kyriakos Mitsotakis, Prime Minister of Greece

“ One of our key priorities in our long-term tourism strategy is to extend the season. And we do think that many of our destinations, including Rhodes, have the capacity to also attract visitors outside the summer months. There's a broader narrative that goes beyond tourism; I think Greece is a country that is clearly turning a page. It's leaving behind a decade of crises, of pain. And I think it's a country that is really looking to embrace the challenges of the future. It is important to point out that in the United Nations sustainability goals, we do not just talk about environmental ecological sustainability, but also about social and economic sustainability.

Source: [tuigroup.com](https://www.tuigroup.com) (19.01.2022)

### Lee Kok Sun, Chief Investment Officer, GIC Singapore

“ We believe this investment will generate resilient returns and is testament to our confidence in the Greek and wider European tourism sector over the long term.

Comment in the context of Sani/Ikos deal

Source: [forbes.com](https://www.forbes.com) (22.09.2022)

### Yiannis Retsos, SETE President

“ The most important thing for the next day is to see how we improve the infrastructure of the destinations, infrastructure that also has to do with public utility networks, management, sewage systems and water adequacy. Equally important is how we evolve our products.

Source: [euro2day.gr](https://www.euro2day.gr) (05.10.2022)



Greek T&T's next day -  
Financial tools that will  
lead the way



# The EU and national funding and financial instruments constitute an efficient way of deploying resources that provide support to businesses related to the T&T sector

The T&T sector, has access to EU and national funding and financial instruments, benefitting through grants, tax incentives, loans, guarantees, working capital or other risk-taking mechanisms, combined with interest rate subsidies.

## EU funding sources for tourism investments

1

Support is available to various tourism sectors and tourism operators under 15 different EU funding programs altogether. Such programs provide a more comprehensive support at EU level, than would be possible, under a single tourism specific funding program.

- ▶ Access to EU and national funding to support tourism investments, may help investors **overcome challenges arising from inflationary pressures**.
- ▶ Access to funding has a **positive impact on companies' performance**, in terms of competitiveness, extroversion and resilience.
- ▶ Companies supported by European and national funding schemes, are likely to invest more on **research, development and innovation** within the tourism ecosystem.

## Programs managed at national and regional levels

Cohesion policy funds support T&T investments with the aim of providing support for job creation, business competitiveness, economic growth and sustainable tourism development.

Particularly, the **European Regional Development Fund**, promotes sustainable tourism in the context of enhancing economic development, social inclusion and social innovation, and taking into account green and digital transformation and resilience needs.

Tourism operators and SMEs are also supported under the **National Recovery and Resilience Plan**, which provides specific support for the green transition and digital transition for SMEs.

**The National Development Law also provides support and incentives in the tourism sector**, and especially for investments related to the establishment, expansion and modernization of hotel units, the development of alternative forms of tourism and the construction and upgrade of special facilities.

**The Strategic Investments Law may offer significant benefits to T&T investments**, including favorable planning terms, tax incentives, fast track licensing process and access to expenditure grants.

### Strategic Investments Law: Key investment opportunities that may be supported

- ▶ **Privatization of key state-owned tourist and transport assets** (marinas, regional airports, tourist properties etc.)
- ▶ **Development of premium tourist resorts and properties**
- ▶ **Development of specialized tourist products and facilities** focused on specific themes (gastronomy, culture, etc.), categories (medical tourism, MICE etc.), markets (Israel, Asia etc.) or segments (elderly, couples etc.)

2






## Other support mechanisms for tourism investors

3

- ▶ **Enterprise Europe Network (EEN)** providing support for all SMEs on innovation, intellectual property rights and digitalization.
- ▶ **European Cluster Collaboration Platform** providing support to tourism clusters. Tools are provided, promoting partnerships on regional, national and European level.
- ▶ **European Digital Innovation Hubs** provide innovation services, such as financing advice, training, and skills development that are needed for a successful digital transformation and digital innovation.
- ▶ **European Innovation Council (EIC)** scheme accelerator provides financial support, coaching, mentoring, and access to investors and corporates for SMEs.
- ▶ Access to EU finance at **YourEurope** portal, helps SMEs receive information on loans and venture capital, supported by the European Union.
- ▶ **European Investment Fund** supports European SMEs by improving their access to finance, through a wide range of selected financial intermediaries.

# Made of many different players with different needs, the tourism sector may get funded from various programs over time, meeting the demand for more green, digital and resilient tourism

There are various European and national funding schemes available to the T&T sector.

Thematic area of Investments	Direct EU funding schemes	Indirect EU & national funding schemes
 <p>Green and Digital Transition</p>	<ul style="list-style-type: none"> <li>▶ <b>Horizon Europe:</b> Research and innovation, creation and dispersing of excellent knowledge and technologies</li> <li>▶ <b>Digital Europe:</b> Digitalization and critical digital capacities</li> <li>▶ <b>LIFE:</b> Circular economy, energy efficiency, RES and climate-neutrality</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Regional and Sectoral Operational Programs</b> (including programs for Rural Development and Fisheries), funded by the European Structural and Investment Funds</li> </ul>
 <p>Entrepreneurship</p>	<ul style="list-style-type: none"> <li>▶ <b>Single Market Program:</b> Competitiveness of businesses, small and medium-sized enterprises in particular, access to market, recovery from the COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Recovery and Resilience Facility (RRF),</b> supporting, <i>inter alia</i>, the digital transformation of companies, the development of thematic tourism products, the up-skilling/re-skilling of employees, the construction of new hospitality facilities, hotel refurbishments, and the upgrading of ports</li> </ul>
 <p>Employment and Skills</p>	<ul style="list-style-type: none"> <li>▶ <b>Erasmus:</b> Education and training, development of skills</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Strategic Investments Law &amp; National Development Law</b> supporting the development of tourism infrastructure and a range of thematic investments, including the digital and technological business transformation, the environmental business upgrade, the expansion, upgrade of hospitality facilities, and the development of alternative forms of tourism</li> </ul>
 <p>Cultural heritage</p>	<ul style="list-style-type: none"> <li>▶ <b>Creative Europe:</b> European contemporary creation and heritage, architecture, music, literature, performing arts, films, festivals, cultural tourism</li> </ul>	
 <p>Infrastructure</p>	<ul style="list-style-type: none"> <li>▶ <b>Connecting Europe Facility:</b> High performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services</li> </ul>	



## Indicative examples of investment projects that have been supported under the Strategic Investments / Recovery Resilience Fund (RRF) / National Development Law

	Project	Brief Description
<b>Strategic Investments</b>	Arcadia Cultural Resort and Spa - German Fund "Deutsche Invest Equity Partners GmbH"	Construction of a 5-star luxury resort, covering an area of 1,000 acres in Peloponnese, including hotel units, spa, theatre, marina, sport and recreational facilities
	Marina at the Vlichos Bay, Lefkada - Municipality of Lefkada & Intermunicipal Fund of Lefkada	Deployment of municipal assets, concession of seashore and beach for the development of a marina at the Vlichos Bay, Lefkada, construction of hospitality and recreational facilities
	Cultural and Commercial Recreational Park, Heraclion, Crete - Vita Proti S.A.	Construction of an innovative Cultural and Commercial Recreational Park, including a museum, a complex of Cretan products shops, entertainment, recreational, restaurant facilities and parking areas
<b>Recovery Resilience Fund (RRF)</b>	Pnoe Breathing Life - Cretan Investments Group Hellas	Complete renovation and upgrade to 5-star category of a hotel complex in Hersonissos, Crete
	D' Andrea Lagoon Kos - Patouris Company	Construction of a new 5-star hotel with a capacity of 261 rooms on Kos island
	Patmos Aktis Suites and Spa - SMERemediumCap ("SMERC")	Expansion and modernization of the hotel unit
<b>National Development Law</b>	Establishment of hotel unit - Cavo Tagoo S.A.	Establishment of a hotel unit of 5-star category and 13-room capacity, in the area of Tagoo of the Municipality of Mykonos

Overall Budget regarding the indicative projects presented above > €450mn.

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