VALUATION REPORT

# Proposed Fidiou Hotel

FIDIOU 8
ATHENS, GREECE


**SUBMITTED TO:**

Christos Bobolias
Chief Executive Officer
Ble Kedros REIC
4, Palea Tatoiou
14671, Kifissia
Greece

**PREPARED BY:**

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15 March 2023

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Christos Bobolias
Chief Executive Officer
Ble Kedros REIC
4, Palea Tatoiou
14671, Kifissia
Greece

Dear Mr. Bobolias

**Re: Proposed Fidiou Hotel, Athens, Greece**

In accordance with your request, we herewith submit our Valuation Report pertaining to the above property. We have inspected the site and the facilities and have analysed hotel market conditions in the Athens area. HVS has valued the property acting as an independent valuer and our report has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, November 2021.

From the available data, together with our analysis and experience in the hotel industry, it is our opinion that the Market Value of the freehold interest in the property described in this report, as at 1 March 2023, is:

€4,400,000

FOUR MILLION FOUR HUNDRED THOUSAND EURO

We hereby certify that we have no undisclosed interest in the property, and that our employment and compensation are not contingent upon our findings and valuation.

This opinion of value and the entire report are subject to the comments made throughout and to all assumptions and limiting conditions set out herein.

Yours sincerely
HVS – ATHENS OFFICE

Manos Tavladorakis
Senior Associate

Pavlos Papadimitriou, MRICS
Director

Demetris Papachristos, MRCIS

Demetris Spanos
Managing Director

MT:PP:DP:DS

HVS No: 2023360018

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# 1. Executive Summary

| | |
|---|---|
| Property: | Proposed Fidiou Hotel |
| Address: | Fidiou 8<br>Athens 10678 |
| Date of Inspection: | 16 March 2023 |
| Interest Valued: | Freehold |
| Date of Value: | 1 March 2023 |

## PROPERTY DESCRIPTION

**Existing**

| | |
|---|---|
| Site Area: | ±373 $m^2$ |
| Building Area: | ±815 $m^2$ |

**Proposed**

| | |
|---|---|
| Building Area: | ±1,790 $m^2$ |
| Anticipated Opening Year: | January 2025 |
| Property Type: | Limited service |
| Number of Guest Rooms: | 64 |
| Number of Storeys: | Eleven |
| Food and Beverage Facilities: | A breakfast room |
| Other Amenities: | A business center and a gift shop |

## TABLE 1-1 SUMMARY OPERATING DATA

| | Forecast | | | |
|---|---|---|---|---|
| | 2025 | 2026 | 2027 | 2028 |
| Occupancy | 69 % | 74 % | 81 % | 85 % |
| Average Rate (€) | 109 | 111 | 114 | 117 |
| Rooms Revenue (€ 000s) | 1,749 | 1,923 | 2,158 | 2,321 |
| Total Revenue (€ 000s) | 2,070 | 2,268 | 2,534 | 2,719 |
| GOP [1] (€ 000s) | 779 | 942 | 1,148 | 1,277 |
| Net Operating Income (€ 000s) | 619 | 739 | 892 | 1,000 |
| GOP as a % of Total Revenue | 37.6 % | 41.5 % | 45.3 % | 47.0 % |
| Net Operating Income as a % of Total Revenue | 29.9 % | 32.6 % | 35.2 % | 36.8 % |

[1] Gross operating profit

## SUMMARY OF THE VALUATION PARAMETERS

| | |
|---|---|
| **Operating Period** | |
| Number of Years to Stabilise: | Four |
| Stabilised Year: | 2028 |
| Stabilised Inflation Rate: | 2.5% |
| Mortgage Interest Rate: | 5.50% |
| Holding Period: | 10 years |
| Amortisation Period: | 15 years |
| Debt Service Constant: | 0.099626 |
| Loan to Value Ratio: | 60% |
| Equity Yield Rate: | 16.0% |
| Terminal Capitalisation Rate: | 7.5% |
| Brokerage and Legal Fees: | 1.5% |
| **Construction Period** | |
| Mortgage Interest Rate: | 5.50% |
| Amortisation Period: | 15 years |
| Debt Service Constant: | 0.09805 |
| Loan to Value Ratio: | 60% |
| Equity Yield Rate: | 20% |

## ESTIMATES OF VALUE

| | |
|---|---|
| **Gross Development Value** | |
| Conclusion as at 1 January 2025: | €10,600,000 |
| **'As Is' Value** | |
| Income Capitalisation Approach: | €4,400,000 |
| Cost Approach: | N/A |
| Sales Comparison Approach: | N/A |
| 'As Is' Market Value | |
| Conclusion as at 1 March 2023: | €4,400,000 |

# 2. Nature of the Assignment

**Subject of the Valuation Report**

The subject of the Valuation Report is the freehold interest in the Proposed Fidiou Hotel located at Fidiou 8, Athens 10678, Greece ('the Hotel' or 'the proposed Development'). More specifically, an existing listed building currently featuring 814.55 $m^2$ of building area is going to be remodeled and expanded to 1,790.26 $m^2$ so that it is eventually converted into the proposed Hotel that initial plans call for 64 guest rooms and it is anticipated to open in 2025. In addition to guest rooms, the Hotel will feature a breakfast room, a business center and a gift shop and other facilities typically found in a limited service hotel.

**Purpose of the Valuation Report**

This Valuation Report has been prepared for Mr. Bobolias for asset evaluation purposes purposes, in accordance with the Royal Institution of Chartered Surveyors' (RICS) *RICS Valuation – Professional Standards*, November 2021, and the International Valuation Standards (IVS).

**Basis of the Valuation**

The objective of the Valuation Report is to evaluate the supply and demand factors affecting the market for transient hotel accommodation in Athens area for the purpose of estimating the Market Value of the freehold interest in the Hotel.

Market Value is defined as:

> *'The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'*[1]

The aforementioned definition is in line with the definition of **Fair Value** as adopted by the International Accounting Standards Board and in accordance with the International Financial Reporting Standards 13.

> *'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'*[2]

As stated within the RICS Valuation – Professional Standards:

> *'Indeed the references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of fair value is*

[1] Royal Institution of Chartered Surveyors' (2021) *RICS Valuation – Professional Standards*
[2] Royal Institution of Chartered Surveyors' (2021) *RICS Valuation – Professional Standards*

*consistent with that of market value, and so there would ordinarily be no difference between them in terms of the valuation figure reported'*

**Property Rights Valued**

The property rights valued are the freehold interest in the subject land and the premises, including the furniture, fixtures and equipment (FF&E), upon its completion based on the special assumption that the proposed Development is completed in accordance with the defined plans and specification on the anticipated date of completion.

**Pertinent Dates**

The effective day of the report is 15 March 2023. The effective date of the Market Value is 1 March 2023. The subject site was inspected by Manos Tavladorakis on 16 March 2023. Research of the data and the primary desktop work were performed between 13-15 March 2023; we have considered only information available throughout this period. Our analysis was performed shortly thereafter. This valuation is signed off by Pavlos Papadimitriou, MRICS, Director of HVS Athens and Demetrios Papachristos, MRICS, external Associate of HVS Athens.

**Recipient of the Valuation Report**

This Valuation Report has been prepared for Ble Kedros REIC for acquisition purposes. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.

**Scope of the Valuation Report**

All information was collected and analysed by the staff of HVS. Information such as site plans, construction budget, and so forth was supplied by the ownership of the subject Property. We have assumed that this information is accurate, and we have therefore relied upon it without undertaking any independent verification. We have investigated comparable sales in the market area and have spoken with buyers, sellers, brokers, property developers.

**Valuer Credentials**

Pavlos Papadimitriou, MRICS (a RICS-registered valuer) and Demetrios Papachristos, MRICS oversaw this valuation. Both Pavlos and Demetris are registered valuers by the Greek Ministry of Finance and their respective membership numbers are 531 and 335. Pavlos Papadimitriou and Manos Tavladorakis undertook the due diligence enquiries and carried out the detailed analysis. These individuals have the required skills and experience necessary to carry out a valuation of this nature.

**Conflict of Interest**

We hereby certify that we have no undisclosed interest in the property, and that our employment and compensation are not contingent upon our findings and valuation. We have no previous involvement with this property that the client is not aware of.

**Premise of the Forecast**

The forecast of income and expense included in this report is intended to reflect the valuers' subjective estimate of how a typical buyer would project the subject property's operating results to which appropriate valuation parameters have been applied.

**Acknowledgement of Service**

This report and valuation contain various assumptions, some of a general nature and some of a specific nature. Our valuation is based upon information supplied to us and other information previously available to us. We recommend that you consider and are assured of the validity and relevance of each assumption and any data presented herein in the context of our valuation, either by independent verification or your own judgement. Any queries or points of concern should be raised with the valuers at the earliest opportunity.

**Ownership and Management and Structure**

The property is owned by Hotel Cluster S.A. that bought the asset on 2 February 2023. It is a listed building since 1985 (Government Gazette 28/Δ/1985) while part of the subject property has been classified as a monument according to the Presidential Decree with the no. YPPO/DNSAK/46650/1295/23-7-2008, with a decision of the Minister of Culture.

The Proposed Fidiou Hotel is envisioned to open on 1 January 2025. We have considered that the subject Hotel will be operated by an efficient national or international hotel operator yet to identify. Therefore, for the remit of our analysis and based on our experience with management contracts, we have included in our forecast a base Management Fee of 3.0% of Total Revenues and 6.0% of AGOP as incentive Management Fee.

**Planning**

We have assumed that all necessary licences and approvals will be secured, and that the proposed Hotel will be constructed in accordance with local planning restrictions, building codes and other applicable regulations.

**Other Statutory Consents**

We have assumed that the proposed Hotel will have a valid fire certificate, will comply with environmental health legislation and will hold all other necessary licences for the purposes of its operation. Furthermore, we have assumed that there will be no outstanding issues in respect of such consents and licences.

We have not inspected any of the licences, approvals, consents, permits or certificates relating to the property.

**Marketing and Exposure Period**

The marketing and exposure period, referring to the amount of time necessary for the Hotel to have been exposed retrospectively, prior to our date of value, is estimated to be less than or equal to 12 months.

**Currency**

All financial data, projections and opinions of value are expressed in euro. All projections are expressed in inflated euro, and the value estimate represents current euro.

**Special Assumptions**

This valuation exercise is based on the special assumption that the proposed Development will be completed in accordance with the defined plans and by the anticipated date of completion, that is by 1 January 2025.

**Method of Study**

The methodology used to develop this Valuation Report has been based on the market research and valuation techniques set out in the textbooks written by HVS for the American Institute of Real Estate Appraisers and the Appraisal

Institute, and entitled *The Valuation of Hotels and Motels,*[3] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[4] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[5] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[6] *Hotels & Motels: Valuations and Market Studies,*[7] and *Hotel Market Analysis and Valuation: International Issues and Software Applications.*[8]

Our approach was as follows.

1. The subject site has been evaluated from the viewpoint of its physical utility for the operation of a hotel, as well as access, visibility and other relevant location factors.
2. The surrounding economic environment, on both an area and a neighbourhood level, has been reviewed to identify specific hotel-related economic and demographic trends that may have an impact on future demand for hotels.
3. Division of the market for transient accommodation into individual segments has defined specific market characteristics for the types of travellers expected to use the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations and price sensitivity.
4. An analysis of existing and proposed competition has provided an indication of the current accommodated demand, along with market penetration and the degree of competitiveness.
5. Documentation for an occupancy and average rate projection has been derived from an analysis of marketwide supply and demand combined with a penetration analysis to derive the Hotel's projected occupancy.
6. A projection of income and expense has been made in accordance with the Uniform System of Accounts for Hotels. This projection sets out the expected economic benefits of the Hotel and provides the basis for the income capitalisation approach.
7. The report considers only one approach to value: the income capitalization method. Because hotels are income-producing properties

[3] Stephen Rushmore (1978) *The Valuation of Hotels and Motels*, American Institute of Real Estate Appraisers, Chicago.
[4] Stephen Rushmore (1983) *Hotels, Motels and Restaurants: Valuations and Market Studies*, American Institute of Real Estate Appraisers, Chicago.
[5] Stephen Rushmore (1990) *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,* American Institute of Real Estate Appraisers, Chicago.
[6] Stephen Rushmore (1992) *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,* Appraisal Institute, Chicago.
[7] Stephen Rushmore and Erich Baum (2001) *Hotels & Motels: Valuations and Market Studies*, Appraisal Institute, Chicago
[8] Stephen Rushmore, John O'Neill and Stephen Rushmore, Jr (2012) *Hotel Market Analysis and Valuation: International Issues and Software Applications*, Appraisal Institute, Chicago

that are normally bought and sold on the basis of the capitalisation of their expected stabilised earning power, the greatest weight has been given to the value indicated by the income capitalisation approach. We find that most hotel investors employ a similar procedure in formulating their purchase decisions, and thus the income capitalisation approach most closely reflects the rationale of typical buyers. The income capitalisation approach was implemented in order to determine the Gross Development Value ('As Improved') of the various components of the property after its assuming development.

8. Using the development cost estimates for the project, the level of project finance available and our projections of income and expense, we have come up with our opinion of the residual value of the subject property that is planned to be improved with the proposed Development.

## Global Conditions

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the hotel and the investment markets. The following paragraphs outline the global factors that are the most impactful on the hotel industry as of the effective date of this report.

1. The COVID-19 pandemic began in early 2020 and has had a significant impact throughout the world, affecting domestic and international economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and restrictions on group sizes resulted in the cancellation of meetings, conventions and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity across different countries. In most regions, the period of greatest impact was 2020. With the availability of vaccines and the lifting of restrictions, conditions generally improved in Europe from the summer of 2021, although the Omicron variant slowed the recovery in the latter part of the year. While the emergence of other variants may influence the pace of recovery, the prevailing market outlook is that the peak impact of the pandemic on the travel industry is behind us. The economic outlook across Europe is uncertain, however, given the fear of a looming recession, but hotel demand remains strong at the time of our report. Given the robust demand recovery in 2022, the general expectation is that demand levels across Europe will recover to 2019 levels by 2023/24; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

2. The ongoing Russian invasion of Ukraine and the resulting war has given rise to widespread economic and political uncertainty. In response to the conflict, international travel had initially declined, but quickly recovered (not to previous levels for those markets in geographic proximity to the war). Leisure demand in Europe is

expected to remain strong, with US visitors having made a strong return. Gateway hotel markets have followed resort locations and are also clearly on the path of recovery. However, the greatest economic impact is resulting from the sanctions imposed by the USA and other countries on Russia and the resulting increase in energy prices and other costs of goods, notably increases in food costs due to supply disruptions from both Ukraine and Russia. Furthermore, logistical limitations on exports from Ukraine are also affecting the global supply chain and prices, particularly for food. These conditions are broadly expected to remain in place until the conflict is resolved and/or sanctions are lifted, or the degree of uncertainty diminishes.

3. Exacerbated by rising oil and natural gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services have increased substantially and are expected to continue to increase. Central banks continue to address inflation through interest rate hikes, and further increases are anticipated throughout the year. While these increases are expected to curtail inflation, the impact on the balance of the economy is unknown. Higher fuel costs may affect both vehicle and air travel costs, and both inflation and increased interest rates may constrain consumer spending. These trends could in turn impact travel and hotel demand, although the degree of this effect remains unknown. The ongoing Russian invasion of Ukraine and the resulting war have also contributed to economic uncertainty. As of the current date, inflation levels are anticipated to remain elevated in the near term, although it seemed to be slowing in some European markets at the time of writing. Over the longer term, inflation is expected to moderate back to more normalised levels once the supply disruptions have been resolved and as consumer spending and investment slow following the interest-rate hikes.

4. By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labour. Following the onset of the pandemic, a substantial percentage of jobs were lost across the hotel industry. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and most hotels are experiencing labour shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules and the implementation of cross-training and job sharing, as well as an increased use of technology. In response to the pandemic, many hotels revised, downsized or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labour shortages, operators are retaining some aspects of these solutions, which is expected to somewhat offset rising labour costs. Nevertheless, notable increases in labour costs are anticipated to continue in the near term.

In preparing this report, we have considered the impact of these factors on the subject property and the hotel and investment markets to the best of our ability. However, our analysis only considers what is known at the time of the effective date of the report, and there is a certain degree of uncertainty currently influencing the market and the economy.

# 3. Market Area Analysis

The macroeconomic climate in which a hotel operates is an important consideration in forecasting hotel demand and income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which the demand for hotel accommodation can be projected.

The market area for a hotel encompasses not only its immediate surroundings, but also the geographical regions from which demand for hotel accommodation originates. In respect of the Hotel, we have considered the greater Athens area, and the Greek economy, as some of the Hotel's demand emanates from outside the immediate Athens area.

The purpose of the market area analysis is to review available economic and demographic data to determine whether the defined market area will undergo economic growth, stability or decline. In addition to a prediction of the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in hotel demand with the objective of forecasting the amount of growth or decline in transient visitation by individual market segment.

## COUNTRY OVERVIEW – GREECE

Located at the crossroads of Europe, Asia, and Africa, Greece's territory includes more than 2,000 islands in the Aegean and Ionian seas, of which only around 165 are inhabited. The population is approximately 10.6 million as of 2021. More than 50% of Greek industry is located in the Greater Athens area, the main economic sectors being agriculture, tourism, construction and shipping. Athens is the nation's capital and largest city, followed by Thessaloniki.

### National Economic Overview

The overall economic condition of an area is reflected by the propensity of individuals to travel there. Key indicators of future hotel demand are those trends that reflect the relative health of the economy and the spending power of individuals. This section of the report discusses the primary domestic economic factors that are likely to have the greatest influence on hotel demand in Greece. The following table contains a summary of these economic indicators.

## TABLE 3-1 KEY ECONOMIC INDICATORS – GREECE

| | Actual | | | | | | Forecast | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Real GDP growth (%) | 1.3 | 1.6 | 1.9 | (9.0) | 8.3 | 5.5 | 1.2 | 2.2 | 1.8 | 1.6 |
| Consumer price inflation (av %) | (0.8) | 1.1 | 0.8 | (1.3) | 0.6 | 9.3 | 4.5 | 2.4 | 1.8 | 1.8 |
| General Government Net Lending (% of GDP) | 0.8 | 0.9 | 0.2 | (10.9) | (8.0) | (4.4) | (1.9) | (1.3) | (1.0) | (0.8) |
| Current-account balance (% of GDP) | (2.6) | (3.6) | (2.2) | (7.3) | (6.5) | (6.7) | (6.3) | (6.1) | (5.1) | (4.3) |
| Unemployment Rate (%) | 21.5 | 19.3 | 17.3 | 16.4 | 15.0 | 12.6 | 12.2 | 11.4 | 11.0 | 10.7 |

Source: IMF, October 2022 and European Commission, February 2023

Greece's pandemic-battered economy bounced back in 2021, with real GDP growing 8.3%. Despite rising inflationary pressures and a lingering energy crisis, the economy posted a solid growth rate in 2022, as well (+5.5%). Growth was largely driven by private consumption and services exports due to a buoyant tourism sector, while investments started to slow down in the second half of 2022, amidst still favourable financing conditions. Goods exports continued growing, despite the challenging international environment. The labour market kept creating jobs but at a slower pace, with unemployment rate declining to 12.2% in August.

Economic activity is assumed to have slowed down significantly in the second half of 2022, though partly mitigated by higher minimum wages and government support. In the near future, households are expected to adjust their consumption decisions to higher prices and the associated erosion of real incomes. Amid high uncertainty, tighter financing conditions, rising input costs and slowing demand, investment growth is likely to lose pace, but will continue to be supported by the Recovery and Resilience Plan. Growth in goods exports is estimated to have decelerated, in line with the slowdown of the European and global economies in the second half of 2022, and 2023 is expected to see a further deceleration.

According to the most recent projections of the European Commission (EC), recovery is expected to be moderate in 2023, before slowing down. The February 2023 report forecasts a real GDP growth of 1.2% in 2023 and 2.2% in 2024.

The strain put on the global supply chain by the pandemic, together with the Russia-Ukraine war that further exacerbated the already rising costs of raw materials, and particularly energy prices, are driving up inflation all throughout Europe. The EC expects the inflation rate in Greece to have reached 9.3% in 2022. Inflation is expected to moderate back to 4.5% in 2023 and 2.4% in 2024. In the medium term, inflation is expected to stabilize at around 1.8%.

It must be noted, however, that such forecasts are being made in a climate of great uncertainty, due to both the pandemic and the geopolitical instability, therefore, they are subject to frequent changes.

## National Tourism Overview

The primary tourism destinations in Greece are Athens, Crete, Halkidiki, the area of the South Aegean Sea, and the Ionian Islands. While beach resort visitation is widespread among the islands and other coastal areas, Rhodes, Kos, Corfu, Crete, and Halkidiki are more easily accessible and developed and therefore attract the largest share of annual tourist arrivals. Tourists typically fly either directly to these destinations or stop over in Athens for one to two nights as part of a package holiday.

Until 2008, Greece had the strong advantage of being considered as a stable country showing a relative resilience as a tourist destination towards major global events. As such, fluctuations in tourist arrivals were not as great as in other, more vulnerable countries. During 2009 though, the negative publicity stemming from the rumours regarding the potential bankruptcy of Greece and the largest bail-out program in history implemented by the IMF in order to avoid this situation, led to a socio-political and economic turbulence resulting in significant fluctuations in tourist arrivals during 2009-13. Inbound tourist arrivals were clearly influenced by the turbulence inside the country, first by reporting a 6.4% decrease due to the economic instability recorded in 2009 and then a 5.5% drop in 2012 because of political precariousness. Yet, total international tourist arrivals increased from 15 million in 2009 to 31 million in 2019, achieving a Compound Annual Growth Rate (CAGR) of 6.4%. Right before the pandemic's outbreak, the relative socio-political stability since summer 2012 led tourist arrivals to a vivid recovery which evidently showed the resilience of the Greek tourism industry and its dynamics.

According to the World Travel and Tourism Council's 2022 annual research, in 2019 Travel and Tourism (T&T) contributed to 20.7% of Greece's GDP, or €38.2 billion, and supported 819,800 jobs (21.0% of total employment). The following year Greece was heavily impacted by the pandemic and T&T contribution to GDP dropped by 59.3%, reaching 15.5 billion. The sector also lost 112 thousand jobs (-13.7%).

In 2021, Greece's tourism sector saw a vigorous recovery, as contribution to GDP grew 74.9% to €27.2 billion (14.9% of total GDP), while contribution to total employment recovered 10.4%, reaching 781,600 jobs (19.9% of total employment).

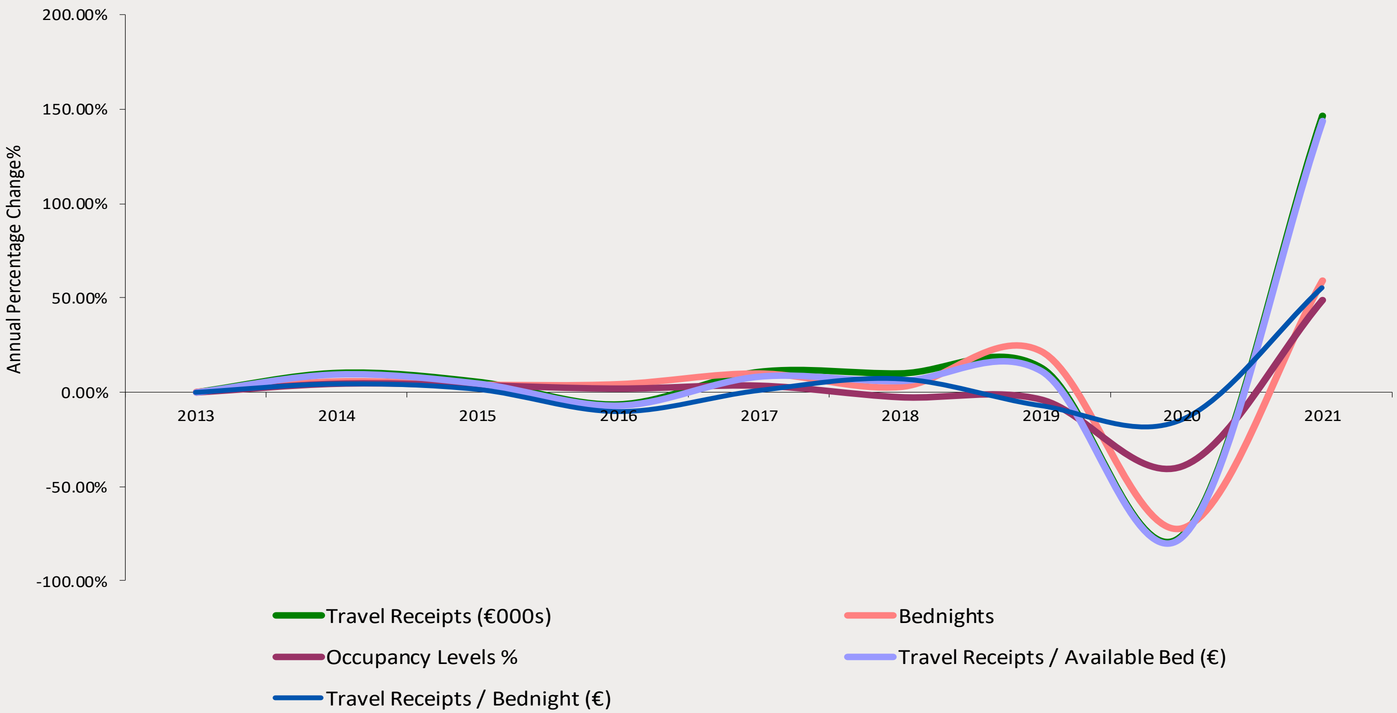
Bank of Greece calculated that the country's travel receipts in 2020 decreased by 76.2% compared to 2019 reaching €4,319 million. In 2021, travel receipts recorded a 143.2% increase over 2020, totalling €10,503 million.

The number of inbound visitors to Greece (excluding cruises) fell from 31.3 million in 2019 to 7.3 million reporting a drop of 76.7%. in 2021, Greece welcomed 14,7 million visitors, an increase of 105.9% compared to the previous year. The smallest decrease in 2020 was recorded in arrivals from the Eurozone countries with the number of travellers and revenue dropping by 69%. This was also evident in international arrivals. Domestic travel was also impacted by the coronavirus crisis, with the number of airport arrivals reaching 3.1 million instead 8.1 million in 2019, down by 61.4% or five million arrivals. In coastal shipping, the number of domestic travellers dropped by 50% to 9.4 million against 18.8 million in 2019.

The fall in tourism activity in Greece was also evident in hotel revenue and overnight stays. According to the Institute for Tourism Research and Forecasts (ITEP), in 2020, hotel revenues dropped by 78.1% to €1.8 billion against €8.3 billion in 2019, while in 2021 they rebounded to €3.8 billion, more than doubling compared to 2020 and reaching almost half of 2019 levels. Meanwhile, according to data by the Hellenic Statistical Authority (ELSTAT) for 2020, arrivals to Greek hotels dropped by 69.7% compared to 2019, while overnight stays went down by 72.2%. In 2021, arrivals recuperated 77.8%, returning to 53.9% of 2019 levels, or 14.6 million, while overnight stays recorded a 92.1% increase compared to the previous year, reaching 53.4% of 2019 levels, or 58.3 million.

## TABLE 3-2 BASIC TOURISM INDICATORS – GREECE 2013-21

| Basic Indicators | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Hotel Capacity | 9,677 | 9,697 | 9,757 | 9,730 | 9,783 | 9,873 | 9,917 | 10,052 | 10,098 |
| Room Capacity | 401,332 | 403,549 | 406,200 | 407,146 | 414,127 | 425,973 | 430,402 | 438,294 | 441,536 |
| Bed Capacity | 773,445 | 778,372 | 784,315 | 788,553 | 806,045 | 835,773 | 847,610 | 869,250 | 879,255 |
| Travel Receipts (€000s) | 12,152,220 | 13,393,061 | 14,125,832 | 13,206,780 | 14,630,100 | 16,085,800 | 18,178,800 | 4,319,000 | 10,653,000 |
| Bednights | 70,089,017 | 73,951,641 | 76,772,113 | 79,885,024 | 87,628,373 | 89,905,217 | 109,206,980 | 30,376,164 | 48,242,864 |
| Occupancy Levels % | 45% | 47% | 49% | 50% | 52% | 51% | 49% | 30% | 44% |
| Travel Receipts / Available Bed (€) | 15,712 | 17,207 | 18,010 | 16,748 | 18,150 | 19,247 | 21,447 | 4,969 | 12,116 |
| Travel Receipts / Bednight (€) | 173.4 | 181.1 | 184.0 | 165.3 | 167.0 | 178.9 | 166.5 | 142.2 | 220.8 |
| Hotel Arrivals | 16,016,487 | 17,418,853 | 18,478,701 | 18,996,381 | 20,936,316 | 21,922,898 | 27,063,766 | 8,209,962 | 11,572,230 |
| Average Length of Stay (Days) | 4.4 | 4.2 | 4.2 | 4.2 | 4.2 | 4.1 | 4.0 | 3.7 | 4.2 |




Source: Hellenic Statistical Authority

Year-to-September 2022 data published by ELSTAT reveals an outstanding year for tourism, with both arrivals and bednights up 87.0% and 89.1% respectively compared to the same period in 2021 and 7.7% below 2019 levels. In particular, arrivals and bednights of non-residents more than doubled compared to 2021, driving the positive performance of the sector and totalling 76.3% of total arrivals and 85.6% of accommodated bednights. Bed occupancy country-wide increased from 45.7% in 2021 to 58.0% in 2022, with a peak in August of 78.0%.

Various press releases reported that year-end 2022 the total number of hotel room nights was still around 10% below 2019 levels, while revenues in 2022 steadily outperformed 2019 levels as from May. Year-end 2022 revenues for all hotel categories increased 14.3% compared to same period in 2019. Resort hotels, which typically open for the season between April and May, achieved an occupancy slightly above 2019, (+0.3%). Moreover, on account of a sensible increase in average rates, total revenues increased by 21.2%. In case of 5-star resorts, particularly, average rates increased 29% on average compared to 2019. Although city hotels fared slightly worse in comparison, mainly due to a slow Q1, RevPAR in 2022 still marked a 12% increase over 2019 levels.

The country is expected to have surpassed year 2019 in terms of tourism receipts, marking remarkably quick recovery on account of its strong positioning in the leisure segment, and especially in coastal tourism.

## CITY OVERVIEW – ATHENS

Athens is the vital commercial and financial centre of Greece, situated in Attica on the southern tip of the Greek mainland. Attica occupies the southern central region of the Greek mainland, featuring about 20% of total hotel supply in Greece. Attica covers just less than 3% of the territory of the country but is home to some 40% of the country's population.

Athens was in the top 15 European destinations of 2022, according to the results of the eighth European Best Destinations (EBD) online competition. It was also included in the top 10 worldwide meeting and incentive destinations in the 2017 Global Destination Index released by Global DMC Partners. The city of Athens, Attica's capital, has around 750,000 inhabitants, but it hosts about twice that many commuters daily. Together with the capital Athens, Attica is the most densely settled and most heavily industrialized part of Greece. The city features some of the most significant ancient sites and monuments of humanity whereas there are plenty of museums and other places of interest that attract travellers from all over the world. Things are looking up for Athens, with increased flights, strengthening tourism numbers and new hotel and residential developments. The recently built Stavros Niarchos Foundation Cultural Centre has been the most ambitious cultural and architectural project to date. The €617 million development by the prominent Greek shipowner family was the largest donation made to the city so far. Many central suburbs are in the midst of a requalification, too, as gentrification takes hold in various pockets around the town. The southern coastal districts from Piraeus to Vouliagmeni will get a boost thanks to recent plans to transform the major shipping and passenger terminal of the Port of Piraeus and its surrounding area. Plans are also in place to finally resurrect the former Athens airport (Elliniko), into a modern hub of residences, retail and leisure facilities.

## MAP OF ATTICA REGION

## MAP OF URBAN ATHENS


**Airport Statistics**

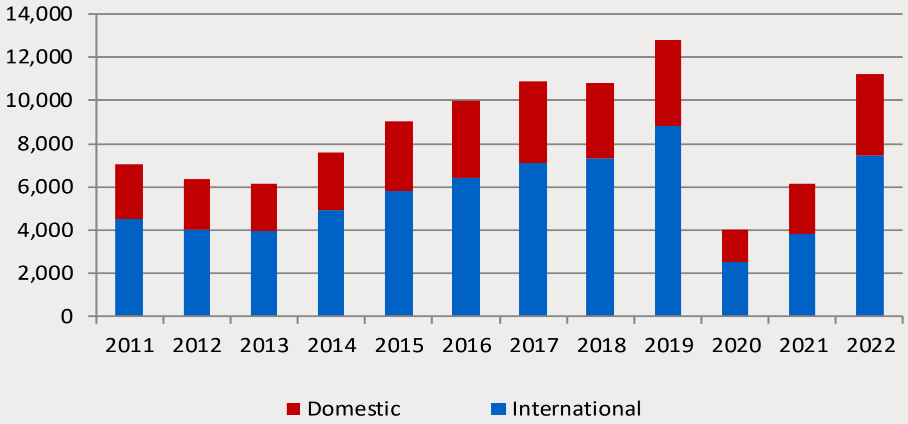
Airport passenger counts are important indicators of transient hotel demand. A sizeable percentage of arriving passengers may need hotel accommodation, depending upon the type and location of a particular airport. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of an area.

Athens International Airport "Eleftherios Venizelos" is the primary international airport that serves the city of Athens and the region of Attica. It is Greece's busiest airport and serves as the hub and main base of Aegean Airlines as well as other Greek airlines.

The historical volume of passenger arrivals at Athens International Airport Eleftherios Venizelos is summarised in the following table.

## TABLE 3-3 PASSENGER ARRIVALS AT ATHENS INTERNATIONAL AIRPORT (000s)

| Year | Total | % Change | International | % Change | Domestic | % Change | International % Share | Domestic % Share |
|---|---|---|---|---|---|---|---|---|
| 2011 | 7,022 | — | 4,522 | — | 2,500 | — | 64.4 % | 35.6 % |
| 2012 | 6,340 | (9.7) % | 4,031 | (10.9) % | 2,309 | (7.6) % | 63.6 | 36.4 |
| 2013 | 6,130 | (3.3) | 3,927 | (2.6) | 2,203 | (4.6) | 64.1 | 35.9 |
| 2014 | 7,601 | 24.0 | 4,926 | 25.4 | 2,675 | 21.4 | 64.8 | 35.2 |
| 2015 | 9,053 | 19.1 | 5,787 | 17.5 | 3,266 | 22.1 | 63.9 | 36.1 |
| 2016 | 10,029 | 10.8 | 6,398 | 10.6 | 3,631 | 11.2 | 63.8 | 36.2 |
| 2017 | 10,894 | 8.6 | 7,145 | 11.7 | 3,749 | 3.3 | 65.6 | 34.4 |
| 2018 | 10,827 | (0.6) | 7,303 | 2.2 | 3,524 | (6.0) | 67.4 | 32.6 |
| 2019 | 12,801 | 18.2 | 8,825 | 20.8 | 3,976 | 12.8 | 68.9 | 31.1 |
| 2020 | 4,027 | (68.5) | 2,485 | (71.8) | 1,542 | (61.2) | 61.7 | 38.3 |
| 2021 | 6,157 | 52.9 | 3,801 | 53.0 | 2,356 | 52.8 | 61.7 | 38.3 |
| 2022 | 11,203 | 81.9 | 7,485 | 96.9 | 3,718 | 57.8 | 66.8 | 33.2 |
| Compound Annual Growth Rate 2011-22 | | 4.3 % | | 4.7 % | | 3.7 % | | |




| Compound Annual Growth Rate 2011-22 | |
|---|---|
| Total | 4.3% |
| International | 4.7% |
| Domestic | 3.7% |

Source: Hellenic Civil Aviation Authority

From 2008 until 2013 there was a cumulative 26.5% decrease in total arrivals. A vigorous recovery took place in 2014 with a 24% increase over 2013 as part of the general increase in tourism inflow to Greece combined with the fact that many airlines introduced more flights to Athens. This was followed by another significant increase of 19% in the total number of arrivals, with improvements in both domestic and foreign arrivals while record-breaking levels were recorded every year thereafter, with a slightly diminished growth trend though.

Over the examined period, international arrivals accounted on average for about 65% of the total airport arrivals. The CAGR for total arrivals has been 4.3% during the past 11 years and around 6% between 2011 and 2019, primarily attributed to the resilience of international travelers during the first years of the economic crisis and the recovery of domestic tourism from 2014 onwards.

The devastating impact of COVID-19 is illustrated through the 2020 and 2021 data. Although 2021 data indicate that airport arrivals recorded an increase of approximately 53% as compared to the former year, the numbers still fall behind at approximately 52% as compared to the pre-COVID-19 era.

Year 2022 has marked an almost complete recovery in terms of passenger volumes (87.5% of 2019 volumes), a key indicator of a strong performance of the tourism sector of the city and of the country as a whole, given the importance of Athens as a stop-over for other destinations in the country. The domestic segment performed almost on par with 2019 (-6.5%), while the international segment still has a gap to bridge compared to the pre-pandemic (-14.8%)

## MARKET AREA DEFINITION

The market area of a hotel encompasses the geographical regions from which demand for hotel accommodation originates. In certain countries, demand is generated almost exclusively from the domestic market, which implies that the relevant market area would be the country itself. However, in cases where a significant proportion of the total hotel demand emanates from international countries, economic factors that influence travellers from these source countries must also be evaluated.

### Arrivals and Bednights

The following tables represents hotel arrivals and accommodated bednights in hotel establishments, in the Attica region during the period 2010-21.

## TABLE 3-4 ARRIVALS AND BEDNIGHTS – ATTICA REGION 2010-21 (000s)

| | | | Arrivals | | Bednights | | Average Lengh of Stay (Days) | |
|---|---|---|---|---|---|---|---|---|
| Year | Total Arrivals | Total Bednights | International | Domestic | International | Domestic | International | Domestic |
| 2010 | 2,493 | 5,220 | 1,588 | 905 | 3,471 | 1,749 | 2.2 | 1.9 |
| 2011 | 2,483 | 5,287 | 1,647 | 836 | 3,644 | 1,643 | 2.2 | 2.0 |
| 2012 | 2,126 | 4,485 | 1,348 | 778 | 3,032 | 1,453 | 2.2 | 1.9 |
| 2013 | 2,388 | 4,940 | 1,551 | 836 | 3,359 | 1,581 | 2.2 | 1.9 |
| 2014 | 2,899 | 6,137 | 2,033 | 867 | 4,458 | 1,678 | 2.2 | 1.9 |
| 2015 | 3,032 | 6,245 | 2,149 | 884 | 4,543 | 1,702 | 2.1 | 1.9 |
| 2016 | 2,898 | 6,210 | 2,023 | 875 | 4,521 | 1,689 | 2.2 | 1.9 |
| 2017 | 3,171 | 6,648 | 2,302 | 870 | 4,969 | 1,679 | 2.2 | 1.9 |
| 2018 | 3,620 | 7,536 | 2,671 | 948 | 5,712 | 1,824 | 2.1 | 1.9 |
| 2019 | 3,692 | 7,660 | 2,711 | 982 | 5,813 | 1,848 | 2.1 | 1.9 |
| 2020 | 1,331 | 2,969 | 743 | 588 | 1,790 | 1,179 | 2.4 | 2.0 |
| 2021 | 2,450 | 5,420 | 1,551 | 899 | 3,550 | 1,869 | 2.3 | 2.1 |
| **CAGR 2010-19** | **4.5%** | **4.4%** | **6.1%** | **0.9%** | **5.9%** | **0.6%** | | |

Source: Hellenic Statistical Authority

Arrivals and bednights in hotels in the region of Attica have been mainly of international nature. In general, Athens has always been a popular tourism destination in Greece for European and other travellers, owing to its rich history and numerous ancient monuments, shopping, and night life – making the destination popular for both business and leisure visitors.

The international segment has demonstrated increased resilience over the last ten years, reaching a first peak in 2011, decreasing thereafter, owing to a mix of the global economic uncertainty together with the negative publicity Athens received over the 2010-11 period, and vigorously recovering the next couple of years. Year 2014 was a benchmark for Athenian hotels with international tourists recording unprecedented growth in figures as a result of the introduction of the destination to new markets. Slight fluctuations were recorded thereafter but with an upward trend which led to over 2.7 million international hotel arrivals and over 5.8 million international hotel bednights by the end of 2018. Growth, though at lower pace, was sustained in 2019.

Domestic tourism recorded significant shrinkage from 2008 to 2012, mainly on account of decreases in local business activity and the consequent reduction in disposable income. Even though domestic bednights recovered from 2013, their growth trend is rather low.

The impact of Covid-19 is seen through the 2020 data, recording a decrease of approximately 69% and 36% in international and domestic bednights respectively while many hotels stayed closed. In 2021, overall arrivals and bednights increased 84% and 82.5%, respectively, mainly in force of a strong rebound in international tourism.

HVS

**International Feeder Markets**

The following table shows international and domestic visitation in terms of accommodated bednights to Attica Region from the main source countries.

**TABLE 3-5 ACCOMMODATED BEDNIGHTS BY SOURCE COUNTRY – ATTICA REGION 2014-21**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR 2014-19 | % Share of Total (2019) |
|---|---|---|---|---|---|---|---|---|---|---|
| Greece | 2,323,452 | 2,344,179 | 2,343,391 | 2,368,885 | 2,601,914 | 2,662,232 | 1,179,513 | 1,870,234 | 2.8 % | 25.9 % |
| United States of America | 730,280 | 820,843 | 777,693 | 904,526 | 1,126,617 | 1,255,746 | 109,836 | 626,785 | 11.5 | 12.2 |
| France | 554,351 | 531,878 | 551,658 | 680,744 | 788,161 | 765,256 | 269,075 | 512,965 | 6.7 | 7.4 |
| Asia (excl. China and Japan) | 457,865 | 476,427 | 601,693 | 589,520 | 682,762 | 703,613 | 215,907 | 356,531 | 9.0 | 6.8 |
| United Kingdom | 376,652 | 385,405 | 398,792 | 413,903 | 457,636 | 445,689 | 180,842 | 251,819 | 3.4 | 4.3 |
| Germany | 262,846 | 298,228 | 284,203 | 378,718 | 504,251 | 435,390 | 169,005 | 270,985 | 10.6 | 4.2 |
| Italy | 343,822 | 344,579 | 339,915 | 391,442 | 421,878 | 411,834 | 269,075 | 146,872 | 3.7 | 4.0 |
| China | 267,246 | 299,619 | 241,585 | 310,492 | 392,836 | 364,449 | 30,292 | 14,694 | 6.4 | 3.5 |
| Australia | 262,846 | 227,246 | 216,121 | 378,718 | 273,799 | 265,127 | 13,967 | 16,850 | 0.2 | 2.6 |
| Cyprus | 220,838 | 224,199 | 251,247 | 243,399 | 237,711 | 207,953 | 70,169 | 96,420 | -1.2 | 2.0 |
| Other | 2,063,867 | 2,079,255 | 2,029,831 | 2,209,923 | 2,719,488 | 2,774,607 | 465,583 | 1,263,853 | 6.1 | 27.0 |
| **Total** | **7,864,065** | **8,031,858** | **8,036,129** | **8,870,270** | **10,207,053** | **10,291,896** | **2,973,264** | **5,428,008** | **5.5 %** | **100.0 %** |

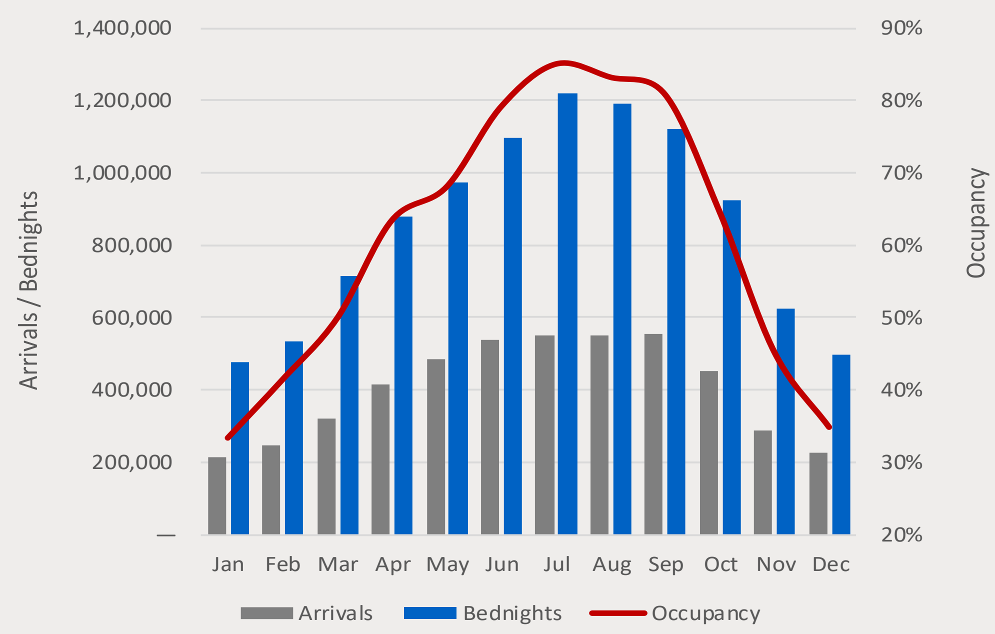
Source: Hellenic Statistical Authority

Greece is the dominant source market as Athens is a relatively popular destination for visitation within the country. Other European countries such as France, the United Kingdom, Germany, and Italy are important source markets for the Greek capital given the introduction of numerous low-cost flights. What is interesting though is that during the examined period the region of Attica witnessed a significant growth in accommodated bednights deriving from Asian and American visitors reflecting the attractiveness of the city to new markets worldwide. In 2020 long-haul flights were the most affected, with the extra-EU markets losing 86% of visitation volumes, against a 58% decrease in arrivals from European countries. The following year recorded a 82.6% year-on-year increase in arrivals. The markets with the strongest recovery besides the domestic one were Germany (-33%) and France (-38%), while the ones with the weakest recovery were China (-96%) and Australia (-94%), as high barriers to international travel still remained.

**Seasonality**

The following graph illustrates the seasonality pattern in terms of hotel occupancy levels, arrivals and bednights in Attica region for 2019.

**TABLE 3-6 SEASONALITY PATTERN – ATTICA REGION 2019**




Source: Athens-Attica Hotels Association & HVS analysis

The depicted seasonality pattern is influenced by two submarkets. The first is the market of the city of Athens which follows a rather typical seasonality pattern of visitation for a city destination: demand starts from relatively low levels in the winter; increases during the first months of the year to reach a peak around May, mainly due to business activity and conferences/congresses organised in the city; it slows down a little during the summer months when resort destinations are preferred, but the city is able to capture significant demand from leisure travellers that stay overnight in Athens for at least a day; rises again in September and October, popular months for conferences/congresses; and drops again towards the Christmas period. The graph is also influenced by the seasonality pattern of the coastal region of Attica which resembles that of a Greek island since the majority of tourists visit during summer months to take advantage of the weather conditions and significantly drops during the winter months.

## Hotel Supply in Attica

The following table summarises hotel supply in Attica region by area over the past few years.

Most hotels in Attica region during the last four years belong to the two- and one-star categories, representing 47% of the total room supply in the region. The rest of the categories represent approximately 8% (five-star), 22% (four-star), and 21% (three-star) of the total room supply.

Most of the hotels in all categories are located in the central district of Athens. Others are located along the coast of Attica prefecture to the south, while there are a few hotels in Piraeus and the northern suburbs. Hotels in the southern suburbs tend mostly to leisure travellers due to their proximity to beaches, while hotels in the northern suburbs are preferred by business visitors and growth in this area is expected the years to come.

In the central district of Athens, the development of five-, four- and three-star hotels has been notably growing during the examined period while the development of lower categories hotels has rather decreased. Only in 2019 and 2020 six five-star hotels and 15 four-star hotels, with a total of 304 and 822 rooms respectively, began operations. The low number in five-star rooms that entered the market during the last two years indicate that these developments were mainly boutique properties while the average room number for the recently opened four-star hotels is 54. However, this growth is an indication of the improvement of tourism in downtown Athens and specifically of the growth of international tourism as the central district of Athens is mainly preferred by leisure travellers visiting for sightseeing.

## TABLE 3-7 HOTEL SUPPLY BY REGION AND STAR CATEGORY– ATTICA REGION

| | | Five-Star | | | | Four-Star | | | | Three-Star | | | | Other | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Attica Regional Area** | | **2018** | **2019** | **2020** | **2021** | **2018** | **2019** | **2020** | **2021** | **2018** | **2019** | **2020** | **2021** | **2018** | **2019** | **2020** | **2021** | **2018** | **2019** | **2020** | **2021** |
| **East Attica** | Units | 7 | 7 | 9 | 9 | 21 | 21 | 18 | 18 | 19 | 20 | 19 | 19 | 30 | 30 | 31 | 30 | **77** | **78** | **77** | **76** |
| | Rooms | 1,496 | 1,465 | 1,967 | 1,941 | 2,353 | 2,371 | 1,806 | 1,806 | 1,252 | 1,269 | 1,175 | 1,175 | 999 | 999 | 1,068 | 1,056 | **6,100** | **6,104** | **6,016** | **5,978** |
| | Beds | 2,861 | 2,849 | 3,869 | 3,822 | 4,859 | 5,014 | 3,869 | 3,892 | 2,551 | 2,594 | 2,604 | 2,604 | 1,923 | 1,923 | 2,045 | 2,022 | **12,194** | **12,380** | **12,387** | **12,340** |
| **North Athens** | Units | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 6 | 5 | 4 | 4 | 4 | 14 | 16 | 16 | 15 | **27** | **28** | **29** | **29** |
| | Rooms | 262 | 262 | 262 | 262 | 188 | 188 | 216 | 229 | 196 | 132 | 132 | 142 | 475 | 562 | 562 | 539 | **1,121** | **1,144** | **1,172** | **1,172** |
| | Beds | 498 | 498 | 498 | 498 | 350 | 350 | 405 | 427 | 364 | 239 | 239 | 260 | 905 | 1,072 | 1,072 | 1,028 | **2,117** | **2,159** | **2,214** | **2,213** |
| **West Attica** | Units | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 9 | 9 | 9 | 9 | **13** | **13** | **13** | **13** |
| | Rooms | 0 | 0 | 0 | 0 | 336 | 336 | 336 | 336 | 28 | 28 | 28 | 28 | 234 | 234 | 234 | 234 | **598** | **598** | **598** | **598** |
| | Beds | 0 | 0 | 0 | 0 | 662 | 662 | 662 | 662 | 59 | 59 | 59 | 59 | 432 | 432 | 432 | 432 | **1,153** | **1,153** | **1,153** | **1,153** |
| **West Athens** | Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 11 | 11 | 11 | **10** | **11** | **11** | **11** |
| | Rooms | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 316 | 356 | 356 | 356 | **316** | **356** | **356** | **356** |
| | Beds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 589 | 664 | 664 | 664 | **589** | **664** | **664** | **664** |
| **Central Athens** | Units | 17 | 21 | 23 | 27 | 51 | 59 | 68 | 73 | 56 | 64 | 64 | 64 | 115 | 113 | 115 | 118 | **239** | **257** | **270** | **282** |
| | Rooms | 4,218 | 4,305 | 4,522 | 4,697 | 4,939 | 5,363 | 5,761 | 6,124 | 3,117 | 3,319 | 3,321 | 3,318 | 3,392 | 3,312 | 3,352 | 3,422 | **15,666** | **16,299** | **16,956** | **17,561** |
| | Beds | 7,889 | 8,154 | 8,591 | 8,990 | 9,231 | 9,946 | 10,802 | 11,474 | 5,542 | 5,925 | 5,916 | 5,935 | 6,274 | 6,207 | 6,578 | 6,798 | **28,936** | **30,232** | **31,887** | **33,197** |
| **South Athens** | Units | 1 | 2 | 2 | 2 | 15 | 15 | 15 | 15 | 11 | 10 | 10 | 10 | 21 | 21 | 21 | 21 | **48** | **48** | **48** | **48** |
| | Rooms | 366 | 400 | 400 | 400 | 1,081 | 1,087 | 1,087 | 1,087 | 620 | 572 | 572 | 572 | 684 | 669 | 669 | 671 | **2,751** | **2,728** | **2,728** | **2,730** |
| | Beds | 751 | 843 | 843 | 843 | 2,056 | 2,077 | 2,077 | 2,077 | 1,129 | 1,037 | 1,037 | 1,037 | 1,193 | 1,166 | 1,166 | 1,192 | **5,129** | **5,123** | **5,123** | **5,149** |
| **Piraeus** | Units | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 7 | 7 | 7 | 8 | 32 | 33 | 33 | 33 | **41** | **43** | **43** | **44** |
| | Rooms | 77 | 77 | 77 | 77 | 23 | 57 | 57 | 57 | 450 | 450 | 450 | 496 | 1,081 | 1,098 | 1,098 | 1,140 | **1,631** | **1,682** | **1,682** | **1,770** |
| | Beds | 125 | 125 | 125 | 125 | 45 | 116 | 116 | 116 | 815 | 815 | 815 | 907 | 1,972 | 2,051 | 2,051 | 2,054 | **2,957** | **3,107** | **3,107** | **3,202** |
| **Total Number of Units** | | **30** | **35** | **39** | **43** | **94** | **103** | **110** | **116** | **100** | **107** | **106** | **107** | **231** | **233** | **236** | **237** | **455** | **478** | **491** | **503** |
| **Total Number of Rooms** | | **6,419** | **6,509** | **7,228** | **7,377** | **8,920** | **9,402** | **9,263** | **9,639** | **5,663** | **5,770** | **5,678** | **5,731** | **7,181** | **7,230** | **7,339** | **7,418** | **28,183** | **28,911** | **29,508** | **30,165** |
| **Total Number of Beds** | | **12,124** | **12,469** | **13,926** | **14,278** | **17,203** | **18,165** | **17,931** | **18,648** | **10,460** | **10,669** | **10,670** | **10,802** | **13,288** | **13,515** | **14,008** | **14,190** | **53,075** | **54,818** | **56,535** | **57,918** |

Source: Hellenic Chamber of Hotels

## New Supply

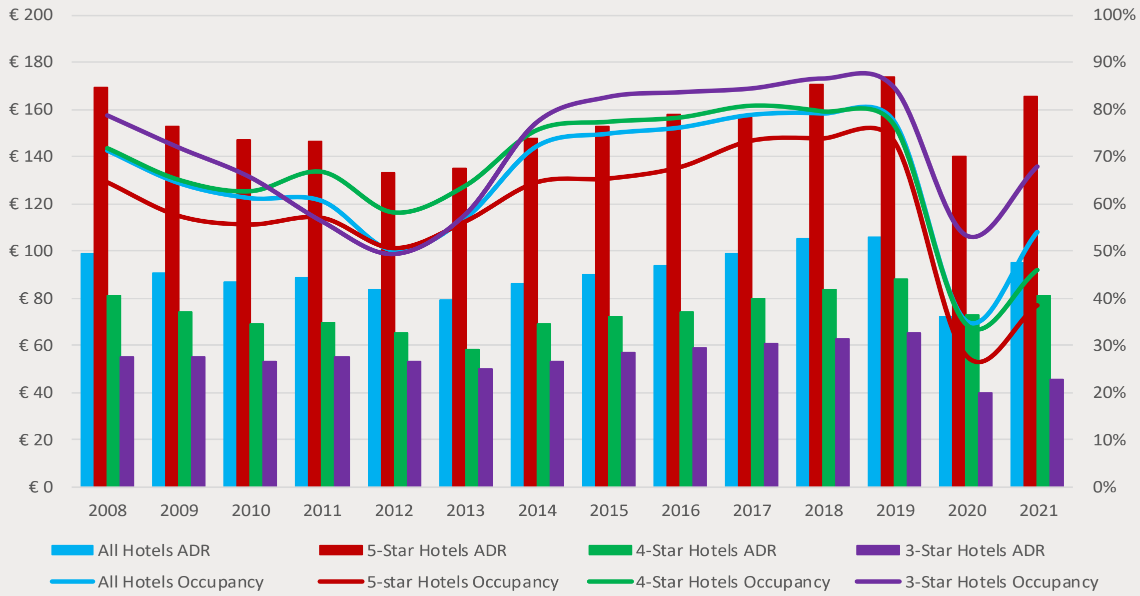
More than 70 hotels opened the last five years. The new hotels, which opened in the central, south, north, and west parts of the city, represent 20% of all hotels and 14% of all hotel rooms in the Greek capital, with the vast majority of them (83%) being located in the city center. Five-Star Hotels represent 15% of the newcomers, while Four-Star Hotels are the most numerous, as they constitute 35% of all new additions. It should be noted that during that period approximately 2,000 new and/or rebranded rooms were added that are affiliated with an international brand, with more than half being classified as five-star and the one quarter as four-star. In general, about 8% of the hotels or 20% of the total room supply in Athens are branded under an international hotel brand. It should be noted that in the last five years, eight internationally branded properties have been "deflagged" (ceased being affiliated with the brand), of which seven were affiliated to Best Western and one was the Athens Hilton, which will be relaunched as Conrad by Hilton (featuring 280 rooms and 50 residences).

## Hotel Performance

The following tables summarize the performance of the hotels operating in the Athens market. The first table illustrates the historical trends of occupancy, average daily rate (ADR) and revenue per available room (RevPAR) from 2008 to 2021 for the five-star, four-star and three-star categories. The second table, instead, analyses the monthly performance for the year 2019 for the same three hotel categories.

## TABLE 3-8 HOTELS OPERATING PERFORMANCE BY CATEGORY – ATHENS 2008-22

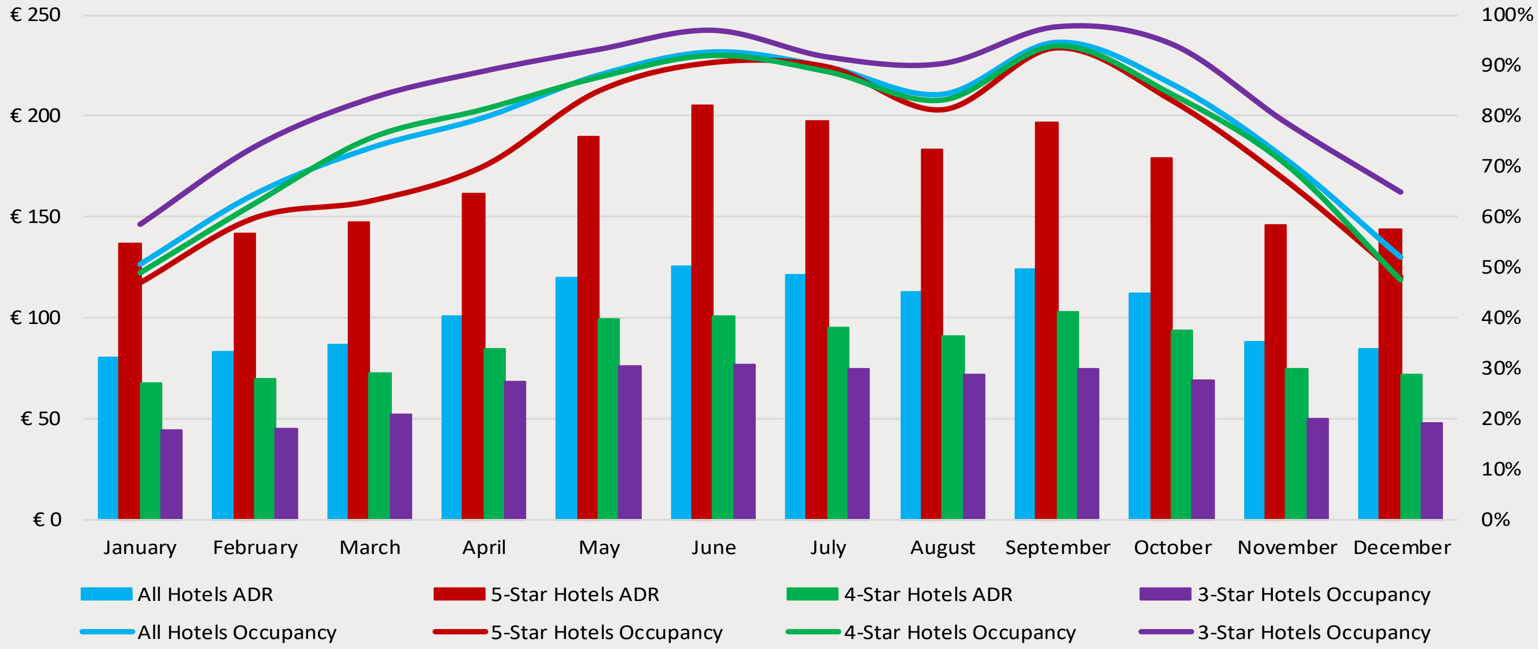
| | All Hotels | | | 5-star Hotels | | | 4-star Hotels | | | 3-star Hotels | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR | Occupancy | ADR | RevPAR |
| 2008 | 71.3% | 99 | 71 | 64.5% | 170 | 109 | 71.9% | 81 | 58 | 78.7% | 55 | 43 |
| 2009 | 64.4% | 91 | 59 | 57.4% | 153 | 88 | 65.2% | 74 | 48 | 71.9% | 55 | 40 |
| 2010 | 61.2% | 87 | 53 | 55.6% | 147 | 82 | 62.8% | 69 | 43 | 65.6% | 53 | 35 |
| 2011 | 60.6% | 89 | 54 | 57.0% | 146 | 83 | 66.9% | 70 | 47 | 56.3% | 55 | 31 |
| 2012 | 50.1% | 84 | 42 | 50.6% | 133 | 67 | 58.3% | 65 | 38 | 49.4% | 53 | 26 |
| 2013 | 56.9% | 79 | 45 | 56.2% | 135 | 76 | 63.9% | 58 | 37 | 57.7% | 50 | 29 |
| 2014 | 72.2% | 86 | 62 | 64.5% | 148 | 95 | 75.7% | 69 | 52 | 77.2% | 53 | 41 |
| 2015 | 74.9% | 90 | 67 | 65.3% | 153 | 100 | 77.5% | 72 | 56 | 82.6% | 57 | 47 |
| 2016 | 76.2% | 94 | 72 | 67.7% | 158 | 107 | 78.4% | 74 | 58 | 83.6% | 59 | 49 |
| 2017 | 78.9% | 99 | 78 | 73.3% | 157 | 115 | 80.9% | 80 | 65 | 84.4% | 61 | 51 |
| 2018 | 79.2% | 105 | 83 | 73.8% | 171 | 126 | 79.7% | 84 | 67 | 86.5% | 63 | 54 |
| 2019 | 77.5% | 106 | 82 | 73.2% | 174 | 127 | 76.8% | 88 | 68 | 84.6% | 65 | 55 |
| 2020 | 35.2% | 72 | 25 | 28.0% | 140 | 39 | 34.7% | 73 | 25 | 53.4% | 40 | 21 |
| 2021 | 54.0% | 95 | 51 | 38.5% | 166 | 64 | 46.1% | 81 | 37 | 67.9% | 46 | 31 |
| Year-to-December | | | | | | | | | | | | |
| 2021 | 54.0% | 95 | 51 | 38.5% | 166 | 64 | 46.1% | 81 | 37 | 67.9% | 46 | 31 |
| 2022 | 69.1% | 121 | 84 | 65.9% | 206 | 136 | 66.5% | 98 | 65 | 79.2% | 75 | 59 |
| **Compound Annual Growth Rate 2008-19** | **0.8%** | **0.6%** | **1.4%** | **1.2%** | **0.2%** | **1.4%** | **0.6%** | **0.8%** | **1.4%** | **0.7%** | **1.5%** | **2.2%** |




Source: Athens - Attica & Argosaronic Hotel Association

## TABLE 3-9 MONTHLY OPERATING PERFORMANCE BY CATEGORY – ATHENS 2019

| | All Hotels | | | 5-Star Hotels | | | 4-Star Hotels | | | 3-Star Hotels | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Month** | **Occupancy** | **ADR** | **RevPAR** | **Occupancy** | **ADR** | **RevPAR** | **Occupancy** | **ADR** | **RevPAR** | **Occupancy** | **ADR** | **RevPAR** |
| January | 50.7% | 80 | 41 | 46.8% | 137 | 64 | 49.0% | 67 | 33 | 58.5% | 45 | 26 |
| February | 64.6% | 83 | 54 | 59.7% | 142 | 85 | 62.7% | 70 | 44 | 73.9% | 45 | 33 |
| March | 73.7% | 86 | 64 | 63.0% | 148 | 93 | 75.5% | 73 | 55 | 83.4% | 52 | 43 |
| April | 79.8% | 101 | 80 | 70.0% | 162 | 113 | 81.3% | 85 | 69 | 88.9% | 68 | 61 |
| May | 88.2% | 120 | 106 | 84.9% | 190 | 161 | 87.6% | 100 | 87 | 93.2% | 76 | 70 |
| June | 92.8% | 126 | 117 | 90.6% | 205 | 186 | 91.9% | 101 | 93 | 97.0% | 77 | 75 |
| July | 89.8% | 121 | 109 | 89.7% | 197 | 177 | 88.7% | 95 | 84 | 91.7% | 74 | 68 |
| August | 84.4% | 113 | 95 | 81.2% | 184 | 149 | 83.1% | 91 | 75 | 90.4% | 72 | 65 |
| September | 94.7% | 124 | 117 | 93.5% | 197 | 184 | 93.8% | 102 | 96 | 97.7% | 75 | 73 |
| October | 86.5% | 112 | 97 | 83.1% | 179 | 149 | 84.3% | 93 | 79 | 94.3% | 69 | 65 |
| November | 71.5% | 88 | 63 | 67.1% | 146 | 98 | 70.4% | 75 | 53 | 78.7% | 50 | 39 |
| December | 52.1% | 84 | 44 | 48.0% | 143 | 69 | 47.6% | 72 | 34 | 64.9% | 48 | 31 |
| **Total** | **77.5%** | **106** | **82** | **73.2%** | **174** | **127** | **76.8%** | **88** | **68** | **84.6%** | **65** | **55** |




Source: Athens - Attica & Argosaronic Hotel Association

After 2008, when the economic crisis affected the country, the performance of all hotels in Attica region deteriorated and up to 2012 it followed a decreasing trend both in terms of occupancy and average rate. In 2013 occupancy showed the first signs of recovery while the average rate was still diminishing. Hotel market recovery started in 2014 with both performance indicators experiencing steady growth during the years that followed, but it was not until 2017 that these figures surpassed pre-crisis levels for both hotel categories. Year 2019 experienced a growth that was fairly above that of the previous couple of years, especially for the four-star hotels.

The unprecedent effect of COVID-19 is illustrated through 2020 data. Occupancy and average rate recorded a steep dive for both categories. More specifically occupancy shrunk by 55% and 37% for four-and three-star hotels respectively, while average rate decreased by 17% for four-star hotels and 38% for three-star hotels. Based on the data, we conclude that, in 2020, the four-star category proved to be the most resilient in terms of average rate while the opposite seems to be the case for the three-star category.

With regards to 2021 results, it appears that the four-star category almost achieved 2019 results in terms of average rate, but its occupancy is still below the pre-pandemic levels. The three-star category has not achieved satisfactory recovery levels in either category.

Data for 2022 shows a very positive outlook. Leading the bunch in terms of ADR is the five-star category, which returned to pre-pandemic levels, while overall the market in terms of RevPAR recorded a strong performance mainly led by the high room charges.

## CONCLUSION

In line with the stabilisation of the economic situation, the Greek tourism industry had been on the way to a strong recovery from the debt crisis period. Between 2014 and 2019 RevPAR grew tremendously, driven by both occupancy and rate increases, reaching and exceeding pre-crisis levels, until the global setback in 2020. Visitation to the city had shown a very positive trend with airport passenger arrivals data fuelled by international arrivals especially from the US and Asian markets. Athens comes third (4.0%), after Paris in first place with 18.0% and London in second with 5.0% in terms of the preferences of Chinese travellers planning their holidays for the next 12 months, an indication of the popularity of Greece in those new markets. The market is experiencing ongoing changes in supply, as some of the hotels that closed during the crisis in 2010-11 have been reopening and others are investing to modernise their product. The rise in demand was followed by an investment surge in the accommodation sector of Athens. New, branded, and non-branded boutique hotels are opening or are under construction, primarily through the conversion of empty office space. However, barriers to entry remain extremely high in Athens and construction could potentially become very expensive given the volume of old and protected structures.

However, the Covid-19 pandemic caused a severe setback that halted this positive outlook. The sector has been severely impacted by the restrictions to international travel, while the national economy was also forecast to enter a period of recession due to its high dependence on the hotel and tourism industry. Nonetheless, Greece witnessed a faster-than-expected recovery; After a surprising year 2021, when the country far outpaced the global average recovery rate in force of its strong summer leisure positioning, data for 2022 revealed an extreme attractiveness for both Athens and Greece as a whole. Various press releases indicate that hotels in Attica have completely recovered, and in fact slightly surpassed, pre-pandemic RevPAR levels in force of a strong surge in average rates (roundly +15%), while occupancy is estimated to have fallen short by about 10% compared to 2019.

The outlook for year 2023 remains broadly positive in spite of the economic and political uncertainties affecting the recovery of tourism worldwide. Average rates are expected to be maintained or even further increased on the back of sustained inflation, while occupancy is expected to bridge the gap with the pre-pandemic levels.

# 4. Description of the Proposed Facilities

**LOCATION**

A hotel's site and its location within a specific neighbourhood can have a direct impact upon the hotel's performance relative to a competitive market. The following paragraphs describe the location of the Hotel in relation to its immediate surroundings and its market area, as described in Section 3. Following this site and location analysis, the Hotel's physical facilities are described in detail.

The proposed Hotel, will be housed in an existing property located in Fidiou 8 in Omonia area. The Omonia area is one of the most significant areas in Athens stretching along with Syntagma or Monastiraki areas and are considered the commercial hub of Greek tourism.

**AERIAL VIEW OF THE PROPERTY**


The neighbourhood surrounding a hotel often has an impact on a hotel's status, image, class, style of operation and, sometimes, its ability to attract and properly serve a particular market segment. This section of the report investigates the proposed Hotel's neighbourhood and evaluates any pertinent locational factors that could affect the proposed Hotel's occupancy, average rate and overall profitability.

The existing property is well located in close proximity to Omonia square with direct access to the subway station. The building has been classified as a monument with the no. Prot. YPPO/DNSAK/46650/1295/23-7-2008, with a decision of the Minister of Culture and it is listed for sale.

**Size and Topography of the Site**

The property sits on a 372.97 m² land plot. The site has a rectangular shape while its topography is flat.

## FAÇADE OF THE EXISTING BUILDING

## VIEW FROM THE SITE TO THE WEST

## VIEW FROM THE SITE TO THE EAST

## Environmental Issues

No detrimental environmental factors were reported by the property's management. However, we are not qualified to provide further advice on this issue, and we recommend that you seek the advice of suitably qualified environmental consultants.

## Neighbourhood and Surrounding Land Use

The area around the proposed Hotel is considered to be in the main square of Omonia which it features offices, shops, coffee bars and restaurants. The modern street was first rebuilt in the early to mid-19th century. Streetcars and trolleys were added in the 20th century and the street was mainly two-way. Old two and three storey neo-classical buildings were located in this street. After the Greek Civil War, it became one-way with three lanes and parking spaces. In the 1990s several buildings were demolished and replaced by eight- and ten-storey buildings; however, several neo-classical buildings managed to survive. It is mainly a shopping street, with upscale shops clustering towards Syntagma Square and lower scale ones towards Omonia Square. Shopping traditionally focused on clothing and tailoring, which spread from intersecting Aiolou Street, while the area around and off Klafthmonos Square was in earlier decades the hub of the electrical appliance market.

For decades, Omonoia Square was known as the meeting point for all Athenians, and the heart of its retail sector. However, with the new millennium the square fell into disuse and dereliction.

The aim of the local authorities is to upgrade the area by reconstructing the square and renovating the surrounding buildings. The square underwent a major facelift while numerous buildings around have been renovated lately due to the high demand for transient accommodation. It is believed that the revamped square will also boost commerce in the area and bring new investments to it.

The new version of Omonia Square cover an area of 4,500 m² and includes a fountain, a feature that had existed until 1992. Athenians loved the fountain, and many soccer fans had jumped into the fountain to celebrate victories through the years. The popular Omonia fountain was removed in 1992 due to work which was carried out for improvements to the Athens metro system, leaving many residents of the capital unhappy. The revamped Omonia Square is illuminated by new LED lighting fixtures, and has many plants as well as new shade features, while a new type of pavement is also laid down. In addition, all the new features and materials are environmentally friendly.

Stadiou Street, nearby the subject property, is one of the major streets connected with Omonia and Syntagma Squares. It turns diagonally and is one-way from northwest to southeast. The street is named after the ancient Panathenaic Stadium located about three kilometers southeast of the downtown core and is aligned directly with the ancient stadium.

## NEW OMONIA SQUARE

Hotel investment activity is currently blossoming in the area with many foreign investors examining the potential in converting existing vacant buildings into hotels.

Some of the most noteworthy recent hotel investment projects in the specific neighborhood are the following:

- Four-star boutique property Athens One Smart Hotel with 42 rooms opened in July 2020;
- Five-star Wyndham Grand Athens (276 rooms) and Wyndham Athens Residences (94 rooms) in Karaiskaki Square (next to Omonia Square) developed and operated by Zeus International opened in 2017 and 2018, respectively;
- Four-star Kubic Athens Hotel in Omonia Square with 56 rooms opened in 2017;
- Four-star Athens Tiare Hotel in Omonia Square with 111 rooms opened in 2016;
- At the end of June 2020 (about four months after the initial planning) there was also the inauguration of the Brown Acropol in Omonia Square. The new unit is the first of the Israeli chain Brown Hotels in Athens and offers 165 rooms. This is the former Acropol at the beginning of Piraeus Street, which is rented by the Michailidis family, with whom the group from Israel came to an agreement;

- During the last six months Brown Hotels opened two more properties in the Greek capital and more specifically in the heart of Omonia; the Lighthouse hotel with 223 rooms and the Dave Red Athens 87 rooms. Both hotels have been developed in existing buildings fully renovated to convert into the desired hospitality product.

- The first Moxy in Athens opened in March 2022 after the reconstruction of Saroglion Megaron, a historic building in the area of Omonia where the city courts once stood. The hotel features 200 rooms.

Some of the most noteworthy forthcoming hotel investment projects in the specific neighborhood are the following:

- Brown Hotels' plans for Athens to the already opened hotels. Aiming to expand its Athens' property portfolio further, Brown Hotels expects to open seven additional hotels in the Greek capital, which will include Brown Spices (Evripidou street), Theodore House (Themistokleous Street), House Sans Rival (Liossion Street) and another hotel on Lykourgou street located behind the already open Brown Acropol. It should also be mentioned that in summer 2021 Brown Hotels acquired the "Hotels of Athens" group, which includes four properties (Museum, Exarchia; My Athens, Kerameikos; Kubic Athens Smart, near Omonia; and Pythagorion, near Omonia). All in all, the total number of the chain's hotels in Athens are expected to add up to 17 by 2023;

- A Lebanon based investor launched his first property in the market in the second quarter of 2018, namely Breeze Boutique Athens, featuring 70 rooms. Moreover, they have completed the renovation works of Boss Boutique Athens, a 108-room hotel located across the street, which opened in spring 2021. In addition, another private foreign investor purchased the building next to Breeze Boutique Athens (Chalkokondili 44) and they are already transforming it into a hotel;

- A contract for the leasing of the 185-room Esperia hotel, owned by the Single Agency for Social Insurance (EFKA), to FATTAL Hotels Ltd was signed on July 2019. The hotel will be leased to the Israeli investment hotel group for 30 years with a 10-year extension option for €1,150 million annually. The group won an international tender and is obliged to spend at least €10.5 million to transform the hotel into a five-star property;

- Zeus International has been named preferred bidder for the former Kaningos 21 hotel and will take on the property's 30-year lease. The former four-star hotel featuring 77-rooms is located on Kaningos Square. It was recently reopened as a hotel, under one of Wyndham brands following renovation works that reached some €3.0 million, according to press releases;

- The sale of the 385-room Titania Hotel in central Athens, next to Omonia Square has been completed, passing into the hands of UK-based private real estate and leisure investment company London & Regional Properties (L&R). According to published information the acquisition cost was €50 million;

- The conversion of an office building located in the corner of Pireos and Zinonos streets into a four-star hotel with 49 rooms is underway. The investment is budgeted at €4.15 million while the company to take over the development is CTY Investment Group based in China;

- It has been announced that a former office building located behind the existing Titania Hotel will be converted into a 35-room, four-star branded hotel.

**Access**

The area where the proposed Hotel will be located can be accessed with various transportation options. The following modes of transport allow direct access to the site:

- Metro Station Line 1 and 2 – Station Omonia at 400 meters;
- Taxi station at 300 metres – Ippokratous street;
- Bus Station at 240 meters – in front of Titania hotel;
- Athens International Airport at 34 kilometers (with a subway connection).

Omonia is in the center of Athens and is composed of the actual square together with the surrounding streets, open areas and assemblage of grand buildings that include banks and offices. One of the most famous areas and multi-cultural areas of Athens area: Plaka (20 minutes walking) and Monastiraki (15 minutes walking).

**Visibility**

The proposed Hotel will enjoy excellent visibility from the immediate neighbourhood around the Fidiou street.

**Proximity to Demand Generators**

The proposed Hotel will be located approximately 650 meters away from the shopping area of Omonia, an area with plenty of restaurants and bars, 700 meters from the National Theatre, 850 meters away from the National Archaeological Museum of Athens, 2.1 kilometers away from the Acropolis, 1.1 kilometers away from Syntagma Square and 2.0 kilometers from the Panathenaic Stadium.

**Conclusion – Location**

The property's location is considered as very good for an urban property while it is also currently undergoing a major transformation and will rejuvenate during the upcoming years. The business and financial centre of Athens and its many historical monuments are within very close distance. Additional advantage lies in the fact that that the property enjoys very good connectivity with all means of transport whereas, once converted into a hotel, most of its guest rooms will offer a comfortable atmosphere for leisure and business guests.

**HOTEL FACILITIES**

The quality of a hotel's physical facilities has a direct influence on its marketability and attainable occupancy and average rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. The following paragraphs describe the Hotel's physical premises and facilities in an effort to determine how they contribute to its total value.

**Property Overview**

The proposed Hotel is envisaged to be a limited service property with 64 guest rooms, a breakfast room, a business center and a gift shop and appropriate back-of-the-house facilities. The project is expected to be delivered between October and December 2024. For the purpose of this report the opening date is estimated to be 1 January 2025.

**EXTERIOR VIEW**

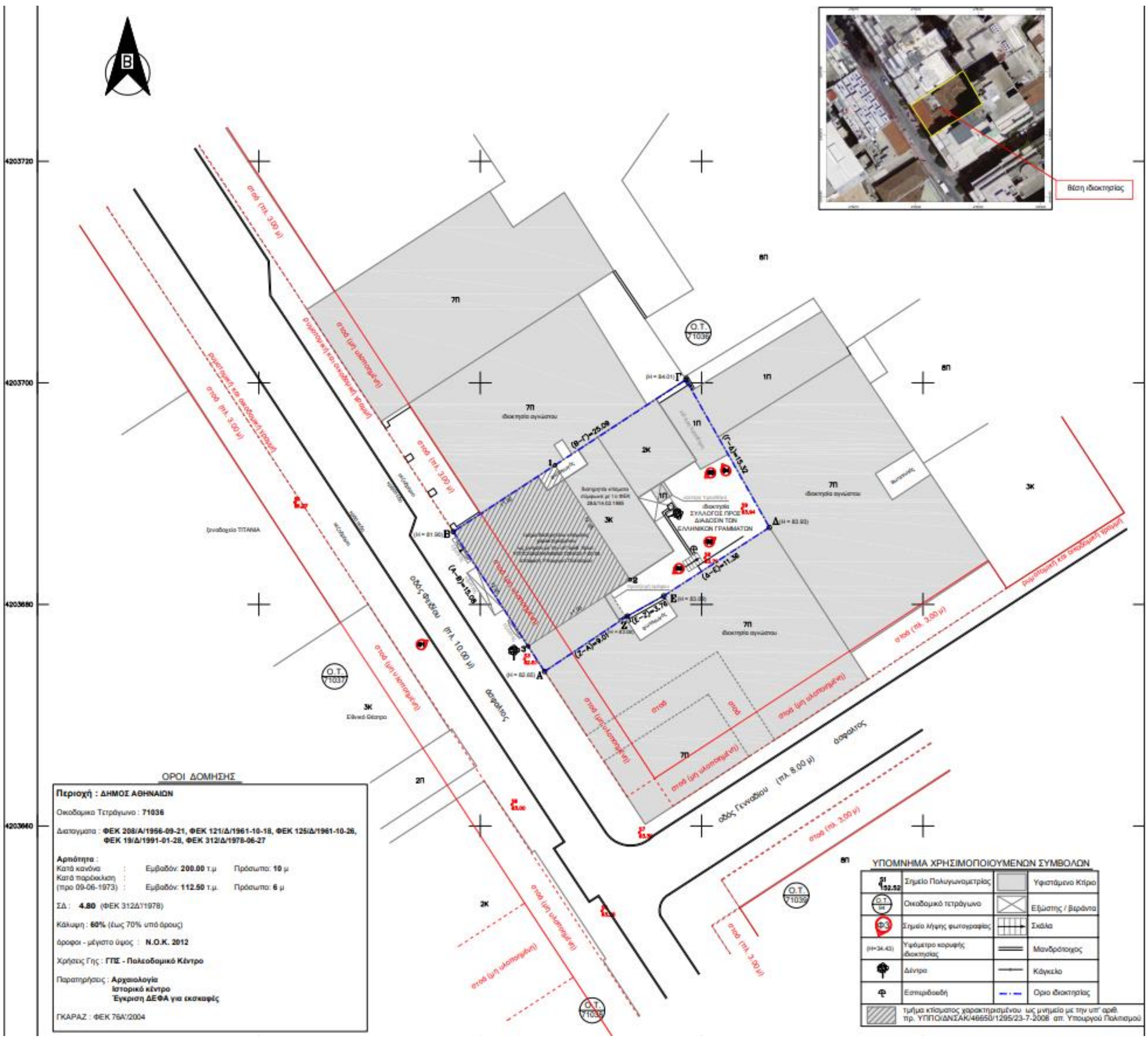
## EXISTING ROOFTOP

## BACKYARD

**History of Development**

The property was built in 1880 and consists of two floors (ground and first floor) and has been classified as a monument with the no. Prot. YPPO/DNSAK/46650/1295/23-7-2008, with a decision of the Minister of Culture and it is listed for sale. The building used to accommodate office spaces.

## TOPOGRAPHIC CHART




The property sits on a 372.97 m$^2$ land plot, and features a building area of 814.55 m$^2$ and a footprint of 254.64 m$^2$, which is planned to be further improved with a limited service hotel. The architectural proposal includes maintenance and restoration of the monument as well as its extension with a new addition, remarkable architecturally, which highlights the monument. The applicable terms for the property are described below:

- Building Coefficient Factor: 4.8
- Coverage Ratio: 60%
- Maximum Permitted Height: 32m (+1m in case of planted roof)

According to them, for the plot of the property, with an area of 372.97 $m^2$, the permitted building is configured as follows:

- Maximum Construction: 1,790.26 $m^2$
- Maximum Coverage: 223.78 $m^2$

**Summary of the Proposed Facilities**

From our inspection and based on information provided by the ownership of the subject Property, the following table summarises the proposed facilities.

According to information provided to HVS, the existing building area measures approximately 814.55 $m^2$ and the maximum allowed area is 1,790.26 $m^2$; hence, there is a residual building coefficient of 975.71 $m^2$ to developed. The building used to accommodate office spaces. We have assumed that the building will be transformed to a modern limited service hotel, and that the developer would take full advantage of the remaining building coefficient. According to the proposed technical due diligence, it is planned to extend the building footprint across the width of the plot, creating an internal atrium at the rear. The plan is to develop another nine floors above the existing building (resulting a total number of 11 floors), taking advantage of the maximum permitted height, which is 32 meters, with guestrooms on each floor. The ground floor of the building, and specifically the area of the monument gathers its communal functions. Moreover, the new addition on the ground floor level is planned to be configured with four rooms (flat 1, flat 2, flat 3, flat 4). It is estimated that approximately 64 guestrooms would be developed in the property.

## TABLE 4-1 SUMMARY OF THE FACILITIES – PROPOSED FIDIOU HOTEL

| Guest Room Configuration | Number of Units | Approximate Area ($m^2$) |
|---|---|---|
| Flat 1 | 11 | 17 |
| Flat 2 | 11 | 17 |
| Flat 3 | 11 | 17 |
| Flat 4 | 11 | 17 |
| Flat 5 | 10 | 17 |
| Flat 6 | 10 | 17 |
| **Total/Average** | **64** | **17** |

| Food and Beverage Facilities | Location/Floor |
|---|---|
| Breakfast Dining Area | Ground Floor |
| **Total** | |

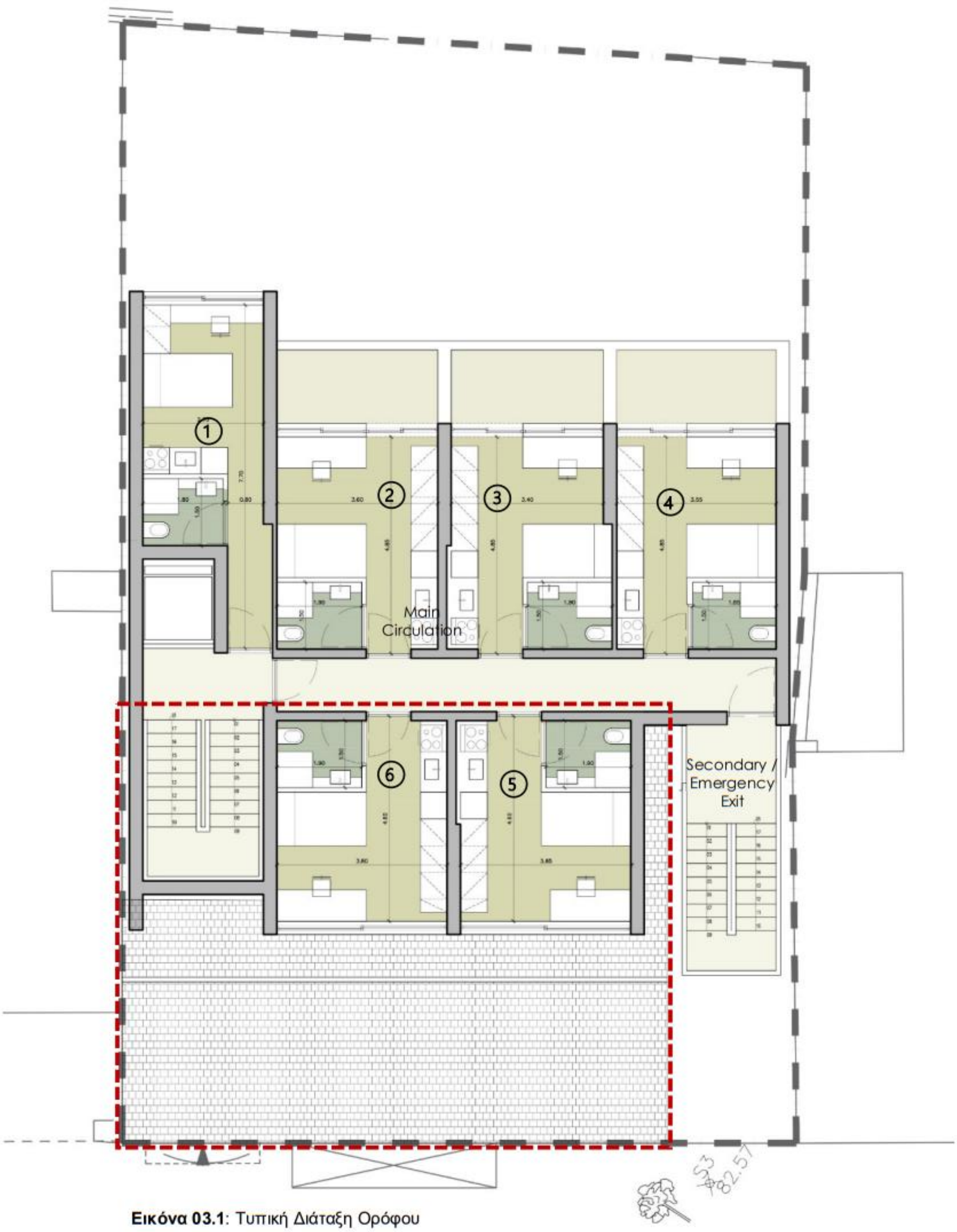
| Amenities | |
|---|---|
| Gift Shop | Business Centre/Lobby Workstation |

| Infrastructure | |
|---|---|
| Lifts: | One for Guests and Service |

**Guest Rooms**

All guest rooms are envisaged to be similar in size at around 17 $m^2$. Some of the guest rooms face northeast and the remainder face southwest.

## LAYOUT OF A TYPICAL FLOOR (3RD TO 11TH FLOORS)




**Εικόνα 03.1**: Τυπική Διάταξη Ορόφου

**Lobby**

The lobby should be modern in design and contain new lounge furniture.

**Food and Beverage**

The proposed hotel is assumed to feature a breakfast dinning area, adequate for the desired market positioning.

**Condition of the Building and Facilities**

For the purposes of this report, we have assumed that the proposed Hotel will be maintained in a competitive condition over its economic life. Furthermore, we have assumed that the related, necessary capital expenditure will be funded by a reserve for replacement. An amount equal to 2% in the first operating year, 3% in the second operating year and 4% of annual gross revenues in the third operating year and thereafter will be deducted from our forecast of income and expense in recognition of the ongoing cost of maintaining the facilities.

**Conclusion – Hotel Facilities**

We have analysed the site, facilities and amenities and note the following advantages and disadvantages. The proposed Hotel benefits from a good location in Athens' city centre offering good connectivity to all main touristic sites and cultural attractions. Although the property finds itself lacking in a good visibility providing no special views from its guest rooms, it is in close proximity to various demand generators; while its trendy, lifestyle concept adds to a vibrant experience, making it a good choice for visitors.

# 5. Supply and Demand

Under the economic principle of supply and demand, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. In the hotel industry, supply is measured by the number of guest rooms available and demand by the number of guest rooms occupied; the net effect of supply and demand towards equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, and set out a basis for the projection of future supply and demand growth.

## SUPPLY

An integral component of a market area's supply and demand relationship that has a direct impact on performance is the current and expected supply of competitive hotel facilities. To evaluate an area's competitive environment, the following steps should be taken.

- Identify the area's hotel facilities and determine which are directly and indirectly competitive with the Hotel;
- Determine whether additional hotel rooms (net of attrition) will enter the market in the foreseeable future;
- Quantify the number of existing and proposed hotel rooms available in the market;
- Review the rate structure, occupancy, market orientation, facilities and amenities of each competitor.

### Definition of the Subject Hotel's Market

From an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation and quality of the area's hotels, we have identified all the three- and four-star properties in the Attica region as primary and secondary competitors, respectively, of the Proposed Fidiou Hotel. Not including the proposed Hotel, these primary competitors have a total of 1,662 rooms.

As secondary competitors we have assumed all the available three- and four-star hotel room supply in Attica, as to a certain extent they could all become competitive to the proposed Hotel. These have been incorporated in our analysis at a 25% and 50% competitive weight respectively. Although the facilities, rate structures or market orientations of these hotels prevent their inclusion among the supply of primary competitors, they do compete with the Hotel to some extent. The room count of each secondary competitor has been weighted to reflect the degree to which it competes with the Proposed Fidiou Hotel. The aggregate weighted room count of the secondary competitors is 8,342.

### Marketwide Operating Performance

The following tables summarise the important operating characteristics of the competitors. This information was compiled from personal interviews, inspections, hotel directories and our in-house library of operating data. The first table sets out each property's estimated segmentation and aggregate weighted room count and the second table shows marketwide occupancy, average rate and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying a hotel's occupancy by its average rate. This calculation serves to gauge how well a hotel is maximising its rooms revenue.

## TABLE 5-1 ESTIMATED SEGMENTATION AND WEIGHTED ANNUAL ROOM COUNTS – COMPETITORS

| | | Estimated Segmentation | | | | |
|---|---|---|---|---|---|---|
| **Primary Competitor** | **Number of Rooms** | **FIT** | **Corporate** | **Contract** | **Total Comp Level** | **2021 Weighted Annual Room Count** |
| Coco-Mat Hotel Athens | 39 | 70 % | 25 % | 5 % | 100 % | 39 |
| Coco-Mat Athens Jumelle | 52 | 70 | 25 | 5 | 100 | 52 |
| Coco-Mat Athens BC | 95 | 70 | 25 | 5 | 100 | 95 |
| Periscope Hotel | 21 | 60 | 40 | 0 | 100 | 21 |
| Ergon House | 38 | 75 | 25 | 0 | 100 | 38 |
| Perianth Hotel | 38 | 80 | 20 | 0 | 100 | 38 |
| Grecotel Palace Athena | 63 | 60 | 35 | 5 | 100 | 63 |
| innAthens Hotel | 37 | 75 | 25 | 0 | 100 | 37 |
| Hotel Lozenge | 25 | 80 | 20 | 0 | 100 | 25 |
| The Editor Hotel Athens | 40 | 75 | 25 | 0 | 100 | 40 |
| Electra Hotel Athens | 109 | 30 | 35 | 35 | 100 | 109 |
| Wyndham Grand Athens | 276 | 10 | 50 | 40 | 100 | 276 |
| Hotel Amalia Athens | 98 | 30 | 35 | 35 | 100 | 98 |
| Blend Hotel Athens | 24 | 85 | 15 | 0 | 100 | 24 |
| Athens Gate Hotel | 99 | 30 | 35 | 35 | 100 | 99 |
| Golden Age Hotel | 122 | 40 | 30 | 30 | 100 | 122 |
| Melia Athens | 133 | 50 | 30 | 20 | 100 | 133 |
| Wyndham Athens Residence | 89 | 30 | 35 | 35 | 100 | 89 |
| Radisson Blu Park Hotel | 153 | 40 | 40 | 20 | 100 | 153 |
| Athens Tiare | 111 | 30 | 20 | 50 | 100 | 111 |
| **Subtotals/Averages** | **1,662** | **41 %** | **34 %** | **25 %** | **100 %** | **1,662** |

| | | Estimated Segmentation | | | | |
|---|---|---|---|---|---|---|
| **Secondary Competitor** | **Number of Rooms** | **FIT** | **Corporate** | **Contract** | **Total Comp Level** | **2021 Weighted Annual Room Count** |
| Fresh Hotel | 133 | 40 % | 30 % | 30 % | 100 % | 133 |
| Astor Hotel Athens | 131 | 40 | 30 | 30 | 100 | 131 |
| Athens Zafolia | 191 | 40 | 30 | 30 | 100 | 191 |
| Ilissos Hotel Athens | 91 | 40 | 30 | 30 | 100 | 91 |
| The Athenian Callirhoe | 84 | 40 | 30 | 30 | 100 | 84 |
| Three-Star Properties in Attica | 3,281 | 40 | 20 | 40 | 25 | 820 |
| Four-Star Properties in Attica | 4,431 | 40 | 40 | 20 | 50 | 2,216 |
| **Subtotals/Averages** | **8,342** | **40 %** | **33 %** | **27 %** | **44 %** | **3,666** |
| **Totals/Averages** | **10,004** | **40 %** | **33 %** | **27 %** | **53 %** | **5,328** |

## TABLE 5-2 MARKETWIDE PERFORMANCE OF THE PRIMARY AND SECONDARY COMPETITORS (€)

| | Weighted Annual Room Count | Estimated 2019 | | | Estimated 2020 | | | Estimated 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Average Rate (€) | Occupancy | RevPAR | Average Rate (€) | Occupancy | RevPAR | Average Rate (€) | Occupancy | RevPAR |
| Primary Competitors | 1,662 | 111 | 79 % | 88 | 99 | 23 % | 23 | 115 | 35 % | 40 |
| Secondary Competitors | 3,666 | 81 | 78 | 63 | 61 | 36 | 22 | 70 | 47 | 33 |
| **Totals/Averages** | **5,328** | **90** | **79 %** | **71** | **70** | **32 %** | **22** | **82** | **43 %** | **35** |

### Changes in Supply

As well as analysing the existing supply of competitive hotel facilities, it is important to consider any new hotel projects that may have an impact on the Hotel's operating performance. During our field work in the market and from our discussions with local hotel operators, developers and government officials, we discovered numerous additions to room supply in the Attica region. In our analysis we have included 30 developments, as shown in the following tables, that we consider will also become competitive with the Proposed Fidiou Hotel to some extent.

## TABLE 5-3 PROPOSED NEW SUPPLY – ATHENS

| Proposed Property | Number of Rooms | Total Competitive Level | Estimated Opening Date | Development Stage |
|---|---|---|---|---|
| Proposed Fidiou Hotel | 64 | 100 % | 1 January 2025 | Speculative |
| Athens Properties - Open in 2022 | 1,115 | 50 | 1 July 2022 | |
| Athens Properties - Open in 2023 | 520 | 50 | 1 July 2023 | |
| Athens Properties - Open in 2024 | 210 | 50 | 1 July 2024 | |
| Athens Properties - Open in 2025 | 577 | 50 | 1 July 2025 | |
| **Total** | **2,486** | | | |

In total, these 30 new establishments that are envisaged to operate in the following five years in the prefecture of Attica region will make up for  rooms after applying a competitive weight of 50%.

## TABLE 5-4 ANALYTICAL PROPOSED NEW SUPPLY – ATHENS

| Property Name | Rooms | Opening Year | Status |
|---|---|---|---|
| Brown Acropol by Brown | 165 | 2020 | Opened |
| Athens One Smart Hotel | 42 | 2020 | Opened |
| Selina Theatrou | 101 | 2020 | Opened |
| Kubic Athens (Brown) | 112 | 2021 | Opened |
| Soul Athens, Theatrou 5 (Omonia), 49 rooms | 49 | 2021 | Opened |
| Colors Hotels Athens, Emm. Benaki 27-29 (Academia) | 29 | 2021 | Opened |
| Athens Utopia Hotel Ermou Street, 46 (Plaka) | 28 | 2021 | Opened |
| Dave Red (Veranzerou 25) | 87 | 2021 | Opened |
| Boss Boutique Athens | 108 | 2021 | Opened |
| Hellenic Vibes | 35 | 2021 | Opened |
| The SAY | 28 | 2021 | Opened |
| Gatsby Athens | 33 | 2021 | Opened |
| NLH Monastiraki | 36 | 2021 | Opened |
| Vasi Hotel | 18 | 2021 | Opened |
| Classic by Athens Prime Hotels | 25 | 2021 | Opened |
| Villa Brown Ermou | 51 | 2021 | Opened |
| Lighthouse | 223 | 2022 | Opened |
| Kaniggos 21 by Wyndham | 77 | 2022 | Opened |
| The Cohort Athens | 100 | 2022 | Opened |
| Moxy Athens | 200 | 2022 | Opened |
| Grecotel Hitiroglou | 40 | 2022 | Opened |
| Anda Hotel Athens | 24 | 2022 | Opened |
| Villa Lambeti | 6 | 2022 | Opened |
| Aevita Asty Athens | 96 | 2022 | Opened |
| The Social Kolonaki | 50 | 2023 | Opened |
| Theodore House by Brown | 43 | 2022 | Opened |
| Sans Rival (Expected) | 42 | 2023 | |
| Dave Red (Sokratous 58) | 48 | 2023 | |
| 82 Evripidou Hotel | 63 | 2023 | |
| Leonardo Boutique Hotel | 84 | 2023 | |
| Lykourgou by Brown | 219 | 2023 | |
| Omega Hotel | 50 | 2023 | |
| Ex-Hotel Ilion by Brown | 115 | 2023 | |
| Domino Athens on Themistokleous St (Brown) | 43 | 2023 | |
| Museum on Bouboulinas St (Brown) | 93 | 2023 | |
| ex-Hotel Ionis | 110 | 2024 | |
| Proposed Four-Star Boutique Property | 118 | 2025 | |
| Proposed Ibis Styles | 198 | 2025 | |
| Proposed Ibis Budget | 129 | 2025 | |
| Proposed Mitsis Panepistimiou | 132 | 2025 | |
| Ex-MyAthens Hotel, to become "Keramikou" (Brown) | 55 | 2025 | |
| Pireos 44 (Omonia). Huge mixed development including hotel | 150 | 2025 | |
| Licourgou Cup (Omonia). High-end design hotel | 219 | 2025 | |
| **Total** | **3,674** | | |

## DEMAND

For the purpose of the demand analysis, the overall market is divided into individual segments based on the nature of travel. Although a market may have various segments, the three primary classifications occurring in most areas are commercial, meeting and group, and leisure.

The segmentation of a market is a useful procedure because individual classifications often exhibit unique characteristics in terms of growth potential, seasonality of demand, average length of stay, double occupancy, facility requirements, price sensitivity, and so forth. By quantifying the room night demand by market segment and analysing the characteristics of each segment, the demand for transient accommodation can be projected. Hotel demand in the Athens area is generated primarily by the following three market segments.

| | |
|---|---|
| Segment 1 | FIT |
| Segment 2 | Corporate |
| Segment 3 | Contract |

**Accommodated Room Night Demand**

From our field work, area analysis and knowledge of the local hotel market, we estimate that the 2022 distribution of accommodated hotel room night demand for those hotels that we consider to be competitive with the Hotel is as shown in the following table. These data pertain to the subject and competitors previously discussed in this section.

**TABLE 5-5 ACCOMMODATED ROOM NIGHT DEMAND – COMPETITIVE MARKET AND PROPOSED FIDIOU HOTEL 2022**

| | Marketwide | |
|---|---|---|
| Market Segment | Accommodated Demand | Percentage of Total |
| FIT | 338,055 | 40 % |
| Corporate | 275,786 | 33 |
| Contract | 223,975 | 27 |
| **Total** | **837,815** | **100 %** |

Using the distribution of accommodated hotel demand as a starting point, we analyse the characteristics of each market segment in an effort to determine future trends in room night demand.

**FIT Segment**

The FIT segment comprises of visitors who have purchased their trip through the distribution channels of the individual hotel operator who manages the property as well as weekend demand benefiting from promotional packages. The hotel room rate is generally discounted in order to attract this segment during lower occupancy periods; however, the offered room rates of this market segment are substantially higher than those of the other segments. FIT demand is strongest in the high season, and it is therefore affected by seasonality. It also includes room nights booked through Internet sites and Online Tourist Agents (OTAs) such as Expedia and Priceline.

**Corporate Segment**

Corporate demand consists mainly of individual business people passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as “preferred” accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night.

The commercial segment consists of individual businesspeople who are visiting various firms in the subject property's market. The typical length of stay for commercial guests ranges from one to three days, and the rate of double occupancy is a low 1.2 to 1.3 people per room. Commercial demand is relatively constant throughout the year, although some declines are noticeable in late December and during other holiday periods.

**Contract Segment**

The Contract segment generally comprises visitors who have purchased package holidays that include the cost of travel, hotel accommodation, and some provision for meals, or what is termed an 'inclusive tour'. Tour operator rates are generally contracted annually at fairly lower levels but are used to help fill lower occupancy periods. During peak tourist season (traditionally July and August) prices are higher even for this specific market segment due to the nature of the product. Because of the lower room rate assigned to the Contract segment, this type of demand will be replaced by higher-yielding demand as market occupancy increases, when timing permits.

For the purposes of our analysis and given the nature of the proposed Hotel, Contract segment does not necessarily consist of big groups arriving altogether but rather small groups of individuals that have booked their stay through a travel agent or a tour operator that would reserve a contract with the property. In general, this segment is used to calculate the number of room nights generated through other channels rather than OTAs as well as all kinds of marketing consortiums affiliated with Hotels.

**Conclusion**

The purpose of segmenting hotel demand is to define each major type of demand, identify customer characteristics and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as being representative of the Hotel's market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect future changes in hotel demand. Using this procedure we have made the following forecast of market segment growth rates. These growth rates are used to forecast changes in hotel demand.

**TABLE 5-6 AVERAGE ANNUAL MARKET SEGMENT GROWTH RATES – COMPETITIVE MARKET**

| | Annual Growth Rate | | | | | | |
|---|---|---|---|---|---|---|---|
| **Market Segment** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** |
| FIT | 43.6 % | 50.0 % | 25.0 % | 10.0 % | 5.0 % | 5.0 % | 5.0 % |
| Corporate | 44.3 | 50.0 | 25.0 | 10.0 | 5.0 | 5.0 | 5.0 |
| Contract | 39.5 | 50.0 | 25.0 | 10.0 | 5.0 | 5.0 | 5.0 |
| **Base Demand Growth** | **42.7 %** | **50.0 %** | **25.0 %** | **10.0 %** | **5.0 %** | **5.0 %** | **5.0 %** |

## Accommodated Demand and Marketwide Occupancy

From a review of the market dynamics in the Hotel's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined marketwide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of hotel demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

### TABLE 5-7 ACCOMMODATED DEMAND

| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| **FIT** | | | | | | | | | |
| Occupied Room Nights | | 338,055 | 507,082 | 633,853 | 697,238 | 732,100 | 768,705 | 807,140 | 847,497 |
| Residual Demand | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accommodated Demand Growth | | — | 50.0 % | 25.0 % | 10.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % |
| **Corporate** | | | | | | | | | |
| Occupied Room Nights | | 275,786 | 413,679 | 517,099 | 568,809 | 597,249 | 627,111 | 658,467 | 691,390 |
| Residual Demand | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accommodated Demand Growth | | — | 50.0 % | 25.0 % | 10.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % |
| **Contract** | | | | | | | | | |
| Occupied Room Nights | | 223,975 | 335,962 | 419,952 | 461,948 | 485,045 | 509,297 | 534,762 | 561,500 |
| Residual Demand | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accommodated Demand Growth | | — | 50.0 % | 25.0 % | 10.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % |
| **Totals** | | | | | | | | | |
| Occupied Room Nights | | 837,815 | 1,256,723 | 1,570,904 | 1,727,994 | 1,814,394 | 1,905,114 | 2,000,369 | 2,100,388 |
| Residual Demand | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accommodated Demand Growth | | — | 50.0 % | 25.0 % | 10.0 % | 5.0 % | 5.0 % | 5.0 % | 5.0 % |
| Existing Supply | | 5,328 | 5,360 | 5,360 | 5,328 | 5,328 | 5,328 | 5,328 | 5,328 |
| Proposed Supply | | | | | | | | | |
| Proposed Fidiou Hotel | 1 | | | | | 64 | 64 | 64 | 64 |
| Athens Properties - Open in 2022 | 2 | | 205 | 405 | 405 | 405 | 405 | 405 | 405 |
| Athens Properties - Open in 2023 | 3 | | | 205 | 404 | 404 | 404 | 404 | 404 |
| Athens Properties - Open in 2024 | 4 | | | | 28 | 55 | 55 | 55 | 55 |
| Athens Properties - Open in 2025 | 5 | | | | | 252 | 501 | 501 | 501 |
| Available Rooms per Night | | 5,328 | 5,565 | 5,969 | 6,163 | 6,507 | 6,755 | 6,755 | 6,755 |
| Nights per Year | | 365 | 365 | 365 | 365 | 365 | 365 | 365 | 365 |
| **Total Supply** | | 1,944,629 | 2,031,192 | 2,178,620 | 2,249,669 | 2,375,076 | 2,465,666 | 2,465,666 | 2,465,666 |
| Rooms Supply Growth | | — | 4.5 % | 7.3 % | 3.3 % | 5.6 % | 3.8 % | 0.0 % | 0.0 % |
| **Marketwide Occupancy** | | **43 %** | **62 %** | **72 %** | **77 %** | **76 %** | **77 %** | **81 %** | **85 %** |

1 Opening in January 2025 of the 100% competitive, 64-room Proposed Fidiou Hotel
2 Opening in July 2022 of the 50% competitive, 809-room Athens Properties - Open in 2022
3 Opening in July 2023 of the 50% competitive, 807-room Athens Properties - Open in 2023
4 Opening in July 2024 of the 50% competitive, 110-room Athens Properties - Open in 2024
5 Opening in July 2025 of the 50% competitive, 1001-room Athens Properties - Open in 2025

We consider that the stabilised marketwide occupancy for Athens is approximately 85%, and, from the projected market fluctuations in supply and demand, we expect that the market will reach this level of occupancy in 2028. This stabilised occupancy is intended to reflect the expected results of the market excluding from consideration any abnormal relationship between supply and demand and non-recurring conditions that may result in unusually high or low occupancies. Although the marketwide occupancy may rise above this stabilised level, we consider it equally possible for new competition and temporary economic downturns to force occupancy below this selected point of stability.

# 6. Projection of Occupancy and Average Rate

Average rate and occupancy are the foundations of a hotel's financial performance and Market Value. Most of a hotel's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests; many expenses also vary with occupancy.

To a certain degree, the occupancy achieved can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximise occupancy. Our forecasts reflect an operating strategy that we consider would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

**Penetration Factor Analysis**

The Hotel's forecast market share and occupancy have been based on its expected competitive position within the market, as quantified by its penetration factor. The penetration factor is the ratio of a property's market share to its fair share.

In this equation, market share is that portion of total market demand accommodated by a property, and fair share the Hotel's portion of the total supply (calculated as the Hotel's room count divided by the market's total supply).

If a property with a fair share of 5% is capturing 5% of the market in a given year, then its occupancy will equal the marketwide occupancy, and its penetration factor will equal 100% (5% ÷ 5% = 100%). If the same property achieves a market share in excess of its fair share, then its occupancy will be greater than the marketwide occupancy, and its penetration factor will be greater than 100%. For example, if a property with a fair share of 5% has a market share of 7%, then its penetration rate is 140% (7% ÷ 5% = 140%). Conversely, if the property captures less than its fair share, then its occupancy will be below the marketwide average, and its penetration rate will be less than 100%. Penetration factors can be calculated for each market segment of a property, and for the property as a whole.

If one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture and occupancy performance for the Hotel account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the Hotel and its competitors for each market segment in each projection year may vary somewhat from the adjusted penetration factors shown in the following table.

The following table sets out, by market segment, the projected adjusted penetration rates for the Hotel.

## TABLE 6-1 MARKET SEGMENTATION FORECAST – PROPOSED FIDIOU HOTEL

| Market Segment | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| FIT | 90.5 % | 95.4 % | 100.0 % | 100.0 % |
| Corporate | 90.5 | 95.4 | 100.0 | 100.0 |
| Contract | 90.5 | 95.4 | 100.0 | 100.0 |
| **Overall Penetration** | **90.5 %** | **95.4 %** | **100.0 %** | **100.0 %** |

## TABLE 6-2 FORECAST OF OCCUPANCY – PROPOSED FIDIOU HOTEL

| Market Segment | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| **FIT** | | | | |
| Demand | 732,100 | 768,705 | 807,140 | 847,497 |
| Market Share | 0.9 % | 0.9 % | 0.9 % | 0.9 % |
| Capture | 6,515 | 6,948 | 7,647 | 8,029 |
| Penetration | 90 % | 95 % | 100 % | 100 % |
| **Corporate** | | | | |
| Demand | 597,249 | 627,111 | 658,467 | 691,390 |
| Market Share | 0.9 % | 0.9 % | 0.9 % | 0.9 % |
| Capture | 5,315 | 5,668 | 6,238 | 6,550 |
| Penetration | 90 % | 95 % | 100 % | 100 % |
| **Contract** | | | | |
| Demand | 485,045 | 509,297 | 534,762 | 561,500 |
| Market Share | 0.9 % | 0.9 % | 0.9 % | 0.9 % |
| Capture | 4,316 | 4,603 | 5,066 | 5,320 |
| Penetration | 90 % | 95 % | 100 % | 100 % |
| **Total Room Nights Captured** | **16,146** | **17,219** | **18,952** | **19,899** |
| Available Room Nights | 23,360 | 23,360 | 23,360 | 23,360 |
| **Subject Occupancy** | **69 %** | **74 %** | **81 %** | **85 %** |
| Marketwide Available Room Nights | 2,375,076 | 2,465,666 | 2,465,666 | 2,465,666 |
| **Fair Share** | **1 %** | **1 %** | **1 %** | **1 %** |
| Marketwide Occupied Room Nights | 1,814,394 | 1,905,114 | 2,000,369 | 2,100,388 |
| **Market Share** | **1 %** | **1 %** | **1 %** | **1 %** |
| **Marketwide Occupancy** | **76 %** | **77 %** | **81 %** | **85 %** |
| **Total Penetration** | **90 %** | **95 %** | **100 %** | **100 %** |

The following table sets out the resultant market mix, or total captured demand analysed by market segment.

## TABLE 6-3 PROJECTED MARKET MIX – PROPOSED FIDIOU HOTEL

| | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|
| FIT | 40 % | 40 % | 40 % | 40 % |
| Corporate | 33 | 33 | 33 | 33 |
| Contract | 27 | 27 | 27 | 27 |
| **Total** | **100 %** | **100 %** | **100 %** | **100 %** |

We have chosen to use a stabilised occupancy level of 85%. The stabilised occupancy is intended to reflect the expected results of the property over its remaining economic life, given any and all changes in the life cycle of the Hotel. Thus, the stabilised occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any non-recurring conditions that may result in unusually high or low occupancies. Although the subject Hotel may operate at occupancies above this stabilised level, we consider it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

### Conclusion – Overall Occupancy

We expect the Hotel to reach a stabilised level of penetration (occupancy performance relative to its competitive market) in 2028. By this time we expect the Hotel to achieve an overall penetration of . The stabilised occupancy is intended to reflect the expected results of the property over its remaining economic life given any and all changes in the life cycle of the Hotel.

## FORECAST OF AVERAGE RATE

One of the most important considerations in estimating the value of a hotel facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved over a specified period by the number of rooms sold in the same period. The projected average rate and the expected occupancy percentage are used to forecast rooms revenue, which, in turn provides the basis for estimating most other income and expense categories.

### The Concept of Average Rate

A hotel's average rate is the weighted average of the various amounts charged to different market segments, such as rack rates, published rates, commercial rates and contract rates. The average rate also takes into account differentials during peak and off-peak periods, including various seasons of the year, holidays and weekends. Different types of room may also command varying rates and thus have an impact on the overall average rate. The following is a description of several typical rate categories.

- *Rack Rate* – an undiscounted room rate generally given to anyone who does not qualify for or request a discounted rate. The term is derived from the room rack (now a computer terminal) at the front desk, which contains information about each room's rate, including the highest amount that can be charged for that type of unit. When a hotel is expected to be full during a certain period or when a guest arrives without a reservation, the rack rate is usually the only rate available. The average rate is almost always lower than the rack rate;

- *Published Rate* – the rate listed in directories and other publications. This rate is usually quoted as a range (for example, single: €70-€100), and represents the various rack rates for specific types of accommodation. Published rates usually set the upper limit of average rate, and average rates tend to be closest to published rates in the case of single (rather than double) rooms;
- *Commercial Rate* – a discounted rate available to certain commercial travellers. Some hotels charge all commercial travellers a commercial rate upon request, whereas others offer it only to established accounts based on their projected use of the hotel. Commercial rates vary because they can be negotiated between the business and the hotel. These rates are always below the rack and published rates and, depending on the market mix, may be approximately the same as the property's average rate;
- *Contract Rate* – a discounted rate available to specific high-volume users, such as airlines, convention groups and bus tours. Contract rates are negotiated and often apply to a block of rooms that are reserved on an ongoing basis and paid for regardless of use. Depending on the amount of use and the time it occurs, a contract rate may be heavily discounted and thereby be significantly lower than both the average rate and the commercial rate;
- *Complimentary Rooms* – it is customary for hotels to provide complimentary rooms to very important guests. When a room night analysis is performed, complimentary rooms should be included in the occupancy projection, because these occupied rooms represent actual demand (although they generate no revenue). However, the inclusion of complimentary rooms in the occupancy lowers the calculated average rate; therefore, the treatment of complimentary rooms in the average rates obtained from competitor properties must be consistent in order to draw an accurate rate comparison.

**Competitive Positioning**

The proposed Hotel's average room rate will be projected using a competitive positioning method. Previously, we indicated the average rates achieved by the examined competitive set. These rates establish a range that reflects certain characteristics of the specific market, such as price sensitivity, demand orientation, and occupancy. The subject property's average rate is then positioned to those of the hotels to which it will be most similar in terms of size, quality, facilities, amenities, market orientation, location, management, image, and affiliation. Adjustments are made to reflect any relevant differences.

In forecasting average rate growth, we have used a base underlying inflation rate of 2.5%. As stated in Section 3, *Market Area Analysis*, we have relied upon inflation estimates supplied by the European Commission and the International Monetary Fund. We have applied various market-specific and hotel-specific growth factors to the average rate of the respective demand segments.

Hotel room rate inflation is not necessarily the same as the general economic rate of inflation experienced in the local community. It is impacted more by market conditions such as the relationship between supply and demand. When hotel room rate inflation is projected into the future, the movement in average rate up to the point where the hotel achieves its stabilised occupancy is generally attributed to property-specific and market-specific factors. After a hotel achieves occupancy stabilisation, most forecasts assume that room rates will continue to increase at the expected general economic rate of inflation for the local market area.

Based on these considerations, the following table illustrates the projected average rate and the growth rates that have been applied through the stabilized year. Similarly to our approach of determining demand growth rates (i.e. applying a steady rate throughout our projection period), we have only accounted for inflation levels in our projection of average rate due to the uncertainty driven by the current pandemic but also because it would be unfeasible to predict the future forces that will be developed within the competitive market of luxury properties when the new supply will enter the market in 2023-28.

The following table shows how the projected changes in average rate by segment, in conjunction with forecasts of demand by segment, affect overall average rate.

**TABLE 6-4 PROJECTED AVERAGE RATE GROWTH BASED ON COMPETITIVE POSITIONING – PROPOSED FIDIOU HOTEL (€)**

| | Areawide (Calendar Year) | | | Subject Property (Calendar Year) | | | |
|---|---|---|---|---|---|---|---|
| Year | Occupancy | Average Rate Growth | Average Rate | Occupancy | Average Rate Growth | Average Rate | Average Rate Penetration |
| Base Year | 43.1 % | — | 81.59 | — | — | 81.59 | 100.0 % |
| 2022 | 61.9 | 21.5 % | 99.14 | — | 21.5 % | 99.14 | 100.0 |
| 2023 | 72.1 | 4.2 | 103.30 | — | 4.2 | 103.30 | 100.0 |
| 2024 | 76.8 | 2.5 | 105.88 | — | 2.5 | 105.88 | 100.0 |
| 2025 | 76.4 | 2.5 | 108.53 | 69.0 % | 2.5 | 108.53 | 100.0 |
| 2026 | 77.3 | 2.5 | 111.24 | 74.0 | 2.5 | 111.24 | 100.0 |
| 2027 | 81.1 | 2.5 | 114.02 | 81.0 | 2.5 | 114.02 | 100.0 |
| 2028 | 85.2 | 2.5 | 116.87 | 85.0 | 2.5 | 116.87 | 100.0 |

After a hotel achieves occupancy stabilization, most forecasts assume that room rates will continue to increase at the anticipated general economic rate of inflation expected for the local market area. Since the Proposed Fidiou Hotel is expected to reach a stabilized occupancy in year 2028, we assume that its average rate will continue to increase at the general economic rate of inflation expected for the local market area, which in this case is 2.5%.

The Proposed Fidiou Hotel is envisioned to be a brand new, well-designed and well-located product featuring well-appointed rooms and appropriate common areas and facilities. Additionally, the hotel is assumed to be operated by an efficient third-party national or international hotel operator. Therefore we forecast that the Proposed Fidiou Hotel will achieve a penetration rate of 100.0%, which will position the Hotel in line with the competitive set, which features the entire three- and four-star market. The preceding forecast of average rate will be used to project the subject Hotel's revenue.

The preceding forecast of average rate, beginning on 1 January 2025, will be used to project the Hotel's rooms revenue.

### CONCLUSION – OCCUPANCY AND AVERAGE RATE

From the preceding analysis, the Hotel's occupancy and average rate have been estimated, as shown in the following table. These projections reflect years beginning on 1 January 2025, corresponding to the first projection year for the Hotel's forecast of income and expense.

**TABLE 6-5 FORECAST OCCUPANCY AND AVERAGE RATE – PROPOSED FIDIOU HOTEL (€)**

| Year | Occupancy | Average Rate | RevPAR | Average Rate in Current Prices |
|---|---|---|---|---|
| 2025 | 69 % | 109 | 75 | 91 |
| 2026 | 74 | 111 | 82 | 91 |
| 2027 | 81 | 114 | 92 | 91 |
| 2028 | 85 | 117 | 99 | 91 |

# 7. Projection of Income and Expense

Using our preceding projection of occupancy and average rate, and our knowledge of comparable hotels' financial operating profiles, we have developed a ten-year forecast of income and expense starting on 1 January 2025. We have selected an annual inflation rate of 2.5%, based on the estimates made by the Economist Intelligence Unit.

The forecast of income and expense is expressed in inflated euro as of the date of each projection year. The stabilised year is intended to reflect the expected operating results of the Hotel over its remaining economic life, given any or all applicable stages of build-up, plateau and decline in the life cycle of the Hotel. Thus, income and expense estimates from the stabilised year forward exclude from consideration any abnormal relationship between supply and demand, as well as any non-recurring conditions that may result in unusual revenues or expenses. For the purposes of determining the Hotel's Market Value, it is assumed that the Hotel is sold as at the date of value; the projection of income and expense therefore reflects the achievements of a typical new owner.

**Premise of the Forecast**

The forecast of income and expense is intended to reflect the valuers' subjective estimate of how a typical buyer would project the subject property's future operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted up or down. We have attempted to consider these factors in formulating this forecast.

**Analysis of Fixed and Variable Components**

The model that HVS uses to project a hotel's revenue and expenses is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy or facility use. A projection can be made by taking a known level of revenue or expense and calculating the fixed and variable components. The fixed component is adjusted only for inflation, whereas the variable component is also adjusted for the percentage change between the projected occupancy and facility use that produced the known level of revenue or expense.

**FORECAST OF INCOME AND EXPENSE**

From our knowledge of the market for hotel accommodation in the Athens area, and the Hotel's expected future market position, we have developed a forecast of income and expense. The forecast starts on 1 January 2025 and represents our opinion of how a competent management company would operate the Hotel.

**Rooms Revenue**

Rooms revenue is determined by two variables, occupancy and average rate, as discussed in Section 6, *Projection of Occupancy and Average Rate.*

**Food and Beverage Revenue**

The Uniform System of Accounts for Hotels defines food revenue as revenue derived from the sale of food, including coffee, milk, tea and soft drinks. Food sales do not include staff meals. Food revenue also includes meeting room hire, cover charges, service charges and miscellaneous banqueting revenue. Beverage revenue is generated from the sale of alcoholic beverages in restaurants and banqueting rooms and the sale of alcoholic and non-alcoholic beverages in a hotel's bars and lounges.

Food and beverage revenue at the proposed Hotel will be generated by the restaurant, the bar, and the room service. We have forecast food and beverage revenue of approximately €15.00 per occupied room (POR) in the stabilised year (2028) in 2022 prices. Changes in this revenue item over the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

### Other Income

The content of other income varies considerably between hotels, making a comparison of this department with other hotels invalid. Other income, in the case of the proposed Hotel, is expected to include primarily income from shop rentals, laundry, dry-cleaning and interest income. We have based our forecast other income for the Hotel to be in line with other hotels of this type. We have forecast other income of approximately €2.00 POR in the stabilised year (2028) in 2022 prices. Changes in this revenue item over the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

### Rooms Expense

Rooms expense consists of items relating to the sale and upkeep of guest rooms and public space. Salaries, wages and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy, because managers can schedule maids, bell personnel and house cleaners to work when demand requires, much of a hotel's payroll is fixed. Front desk personnel, public area cleaners, the housekeeper and other supervisors must be maintained at all times. As a result, salaries, wages and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales, and are thus highly sensitive to changes in occupancy and average rate. Although guest supplies vary 100% with occupancy, linen and other operating expenses are only slightly affected by volume. Other rooms department expenses include the cost of cleaning materials, commissions payable to travel agents and reservations costs.

We have forecast rooms expense for the Hotel to be in line with other hotels of this type. We have forecast rooms expense of €25.00 POR in the stabilised year (2028) in 2022 prices, or 25.2% of rooms revenue. Changes in this expense item over the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

### Food and Beverage Expense

Food and beverage expense consists of items necessary for the operation of a hotel's food, beverage and banqueting facilities. We have forecast food and beverage expense for the Hotel to be in line with that of other hotels of this type. We have forecast food and beverage expense of 80.0% of food and beverage revenue in the stabilised year (2028). Changes in this expense item over the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

### Other Expense

Other expense consists of the costs associated with the generation of other income, and is dependent on the nature of the revenue. We have forecast other expense based on comparable operating histories. We have forecast other expense to be 45.0% of other income in the stabilised year (2028). Changes in this expense item over the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

### Administrative and General Expense

Administrative and general expense includes the salaries of all administrative personnel and those not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category. Most administrative and general expenses are fixed. The exceptions are cash surpluses and shortages, commissions on credit card charges and provisions for bad debts.

In recent years, several new items, such as human resources administration costs and security expenses, have been added to the administrative and general expense category. Also included in this expense category is general insurance, including premiums for public liability, theft and business interruption insurance. Fire and extended coverage insurance on the building and contents is a separate insurance expense category included under Fixed Expenses.

We have forecast administrative and general expense for the proposed Hotel to be in line with that of other hotels of this type. We forecast that the Hotel's administrative and general expense will stabilise at approximately €3,000 per available room (PAR) in the stabilised year (2028) in 2022 prices, or approximately 8.3% of total revenue.

### Marketing Expense

Marketing expense consists of all costs associated with advertising, sales and promotion; these activities are intended to attract new customers and retain existing ones. Marketing can be used to create an image, develop customer awareness and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controllable by management. Most hotel operators establish an annual marketing budget that sets out all planned expenditure. If the budget is followed, total marketing expenses can be forecast accurately.

We have forecast that marketing expense for the proposed Hotel will be in line with other hotels of this type. We forecast that the Hotel's marketing expense will stabilise at approximately €1,250 PAR in the stabilised year (2028) in 2022 prices, or approximately 3.5% of total revenue.

### Property Operations and Maintenance Expense

Property operations and maintenance expense is another expense category that is largely controllable by management. Except for repairs necessary to keep the facility open and prevent damage (to plumbing, heating and electrical systems, and so forth), most maintenance items can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone a required repair, they have not eliminated or saved the expenditure, but merely deferred payment until a later date. A hotel that has operated with a lower than normal maintenance budget is likely to have accumulated a considerable amount of deferred maintenance.

The age of a hotel greatly influences the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hotel grows older, maintenance expenses escalate. A well-organised preventive maintenance system often helps to delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of what the occupancy trend may be.

Property operations and maintenance is considered to be an operating expense; therefore, it contains only those components that can be expensed, rather than capitalised. Valuers account for the capital replacement of items such as furniture, fixtures and equipment (FF&E) in the reserve for replacement account, which is discussed later in this section.

We have forecast the property operations and maintenance expense for the proposed Hotel to be in line with other hotels of this type. We forecast that the Hotel's property operations and maintenance expense will stabilise at approximately €1,600 PAR in the stabilised year (2028) in 2022 prices, or approximately 4.4% of total revenue.

## Utilities Expense

A large portion of a hotel's utility consumption is relatively fixed and varies little with changes in occupancy. Other than bedrooms and meeting space, most areas of a hotel must be continually lit and heated or air conditioned, regardless of occupancy. The marginal utility cost of an additional occupied room is minimal.

We forecast that the Hotel's utilities expense will stabilise at approximately €1,500 PAR in the stabilised year (2028) in 2022 prices, or approximately 4.2% of total revenue.

## Management Fee Expense

Management fee expense consists of the basic fee paid to the hotel management company that it is expected will be operating the Hotel. Some companies provide management services alone, and others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the necessary image and recognition. Most hotel management companies employ a fee schedule that includes basic fees, usually calculated as percentage of total revenue, and incentive fees, typically a percentage of the Adjusted Gross Operating Profit (AGOP), defined as the Gross Operating Profit (GOP) minus the base fees.

The proposed Hotel is expected to be subject to a management agreement with an efficient national or international hotel operator yet to be identified. In this case, we have applied what in our experience is a typical fee structure, i.e. 3.0% of Total Revenue as Base Management Fee and 6.0% of AGOP as incentive fee.

**Property Taxes**

We have forecast property taxes for the proposed Hotel to be in line with other hotels of this type.

**Insurance Expense**

The insurance expense category consists of the cost of insuring the Hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. It does not include liability coverage, which is a component of administrative and general expense.

**Reserve for Replacement Expense**

Furniture, fixtures, and equipment (FF&E) are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2022.[9] Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

For the purposes of this report, we have assumed that the Hotel will be maintained in a competitive condition over its economic life. Furthermore, we have assumed that the related, necessary capital expenditure will be funded by

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[9] The International Society of Hotel Consultants, *CapEx 2022, A Study of Capital Expenditure in the Hotel Industry*.

a reserve for replacement as per the signed management agreement. An amount equal to 2.0% of annual gross revenue in first projection year, 3.0% in the second projection year, and 4.0% annually thereafter will be deducted from our forecast of income and expense in recognition of the ongoing cost of maintaining the facilities.

**Base-Year Projection**

From our review of financial statements from various comparable hotels and other physical and operating factors that are expected to affect the operation of the proposed Hotel, we have derived a base-year statement of income and expense. The base year profit and loss statement forms the basis for calculating the fixed and variable component relationship.

**TABLE 7-1 BASE-YEAR STATEMENT IN 2022 VALUES (€)**

| | | Percentage of Total Revenue | Amount per Available Room | Amount per Occupied Room |
|---|---|---|---|---|
| **Calendar Year Ending:** | **2022** | | | |
| **Number of Rooms:** | **64** | | | |
| **Occupied Rooms:** | **19,856** | | | |
| **Occupancy:** | **85.0%** | | | |
| **Average Rate:** | **99.14** | | | |
| **REVENUE** | | | | |
| Rooms | 1,968 | 85.4 % | 30,757 | 99.14 |
| Food and Beverage | 298 | 12.9 | 4,654 | 15.00 |
| Other Income | 40 | 1.7 | 621 | 2.00 |
| Total | 2,306 | 100.0 | 36,031 | 116.14 |
| **EXPENSES** | | | | |
| Rooms [1] | 496 | 25.2 % | 7,756 | 25.00 |
| Food and Beverage [1] | 238 | 80.0 | 3,723 | 12.00 |
| Other Expenses [1] | 18 | 45.0 | 279 | 0.90 |
| Administrative & General | 192 | 8.3 | 3,000 | 9.67 |
| Marketing | 80 | 3.5 | 1,250 | 4.03 |
| Prop. Operations & Maint. | 102 | 4.4 | 1,600 | 5.16 |
| Utilities | 96 | 4.2 | 1,500 | 4.83 |
| Management Fee | 69 | 3.0 | 1,081 | 3.48 |
| Property Taxes | 8 | 0.3 | 125 | 0.40 |
| Insurance | 5 | 0.2 | 75 | 0.24 |
| Reserve for Replacement | 46 | 2.0 | 721 | 2.32 |
| Total | 1,351 | 58.6 | 21,110 | 68.04 |
| **Net Operating Income** | **955** | **41.4 %** | **14,921** | **48.09** |

[1] Departmental expense ratios are expressed as a percentage of departmental revenues.

**FORECAST OF INCOME AND EXPENSES**

The following projection of income and expense is intended to reflect our judgement of how a typical buyer would project the Hotel's operating results.

## TABLE 7-2 DETAILED FORECAST OF INCOME AND EXPENSE – PROPOSED FIDIOU HOTEL (€ 000s)

| | 2025 | | | | 2026 | | | | 2027 | | | | Stabilised | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Number of Rooms:** | **64** | | | | **64** | | | | **64** | | | | **64** | | | |
| **Days Open:** | **365** | | | | **365** | | | | **365** | | | | **365** | | | |
| **Occupied Rooms:** | **16,118** | | | | **17,286** | | | | **18,922** | | | | **19,856** | | | |
| **Occupancy:** | **69%** | | | | **74%** | | | | **81%** | | | | **85%** | | | |
| **Average Rate:** | **108.53** | | | | **111.24** | | | | **114.02** | | | | **116.87** | | | |
| **RevPAR:** | **74.89** | **% Gross** | **PAR** | **POR** | **82.32** | **% Gross** | **PAR** | **POR** | **92.36** | **% Gross** | **PAR** | **POR** | **99.34** | **% Gross** | **PAR** | **POR** |
| **REVENUE** | | | | | | | | | | | | | | | | |
| Rooms | 1,749 | 84.5 % | 27,328 | 108.51 | 1,923 | 84.8 % | 30,047 | 111.24 | 2,158 | 85.2 % | 33,719 | 114.05 | 2,321 | 85.4 % | 36,266 | 116.89 |
| Food and Beverage | 280 | 13.5 | 4,375 | 17.37 | 302 | 13.3 | 4,715 | 17.46 | 330 | 13.0 | 5,164 | 17.47 | 351 | 12.9 | 5,486 | 17.68 |
| Other Income | 41 | 2.0 | 641 | 2.54 | 43 | 1.9 | 669 | 2.48 | 45 | 1.8 | 704 | 2.38 | 47 | 1.7 | 732 | 2.36 |
| Total Revenues | 2,070 | 100.0 | 32,345 | 128.43 | 2,268 | 100.0 | 35,431 | 131.18 | 2,534 | 100.0 | 39,586 | 133.90 | 2,719 | 100.0 | 42,484 | 136.93 |
| **DEPARTMENTAL EXPENSES *** | | | | | | | | | | | | | | | | |
| Rooms | 503 | 28.7 | 7,852 | 31.18 | 528 | 27.5 | 8,253 | 30.56 | 560 | 26.0 | 8,753 | 29.61 | 585 | 25.2 | 9,144 | 29.47 |
| Food and Beverage | 244 | 87.2 | 3,817 | 15.16 | 256 | 84.7 | 3,995 | 14.79 | 270 | 81.6 | 4,214 | 14.25 | 281 | 80.0 | 4,389 | 14.15 |
| Other Expenses | 19 | 46.9 | 301 | 1.19 | 20 | 46.3 | 310 | 1.15 | 20 | 45.5 | 320 | 1.08 | 21 | 45.0 | 329 | 1.06 |
| Total | 766 | 37.0 | 11,969 | 47.52 | 804 | 35.4 | 12,558 | 46.49 | 850 | 33.6 | 13,287 | 44.94 | 887 | 32.6 | 13,862 | 44.68 |
| **DEPARTMENTAL INCOME** | 1,304 | 63.0 | 20,375 | 80.90 | 1,464 | 64.6 | 22,874 | 84.69 | 1,683 | 66.4 | 26,299 | 88.95 | 1,832 | 67.4 | 28,621 | 92.25 |
| **UNDISTRIBUTED OPERATING EXPENSES** | | | | | | | | | | | | | | | | |
| Administrative & General | 231 | 11.2 | 3,607 | 14.32 | 219 | 9.7 | 3,425 | 12.68 | 218 | 8.6 | 3,412 | 11.54 | 226 | 8.3 | 3,537 | 11.40 |
| Marketing | 92 | 4.4 | 1,438 | 5.71 | 87 | 3.8 | 1,359 | 5.03 | 91 | 3.6 | 1,422 | 4.81 | 94 | 3.5 | 1,474 | 4.75 |
| Prop. Operations & Maint. | 102 | 4.9 | 1,589 | 6.31 | 111 | 4.9 | 1,740 | 6.44 | 116 | 4.6 | 1,820 | 6.15 | 121 | 4.4 | 1,886 | 6.08 |
| Utilities | 100 | 4.8 | 1,568 | 6.23 | 104 | 4.6 | 1,631 | 6.04 | 109 | 4.3 | 1,706 | 5.77 | 113 | 4.2 | 1,768 | 5.70 |
| Total | 525 | 25.3 | 8,202 | 32.57 | 522 | 23.0 | 8,156 | 30.20 | 535 | 21.1 | 8,359 | 28.27 | 555 | 20.4 | 8,665 | 27.93 |
| **GROSS OPERATING PROFIT (GOP)** | 779 | 37.7 | 12,174 | 48.34 | 942 | 41.6 | 14,718 | 54.49 | 1,148 | 45.3 | 17,940 | 60.68 | 1,277 | 47.0 | 19,956 | 64.32 |
| Management Fee | 62 | 3.0 | 970 | 3.85 | 68 | 3.0 | 1,063 | 3.94 | 76 | 3.0 | 1,188 | 4.02 | 82 | 3.0 | 1,275 | 4.11 |
| **GOP AFTER MANAGEMENT FEES** | 717 | 34.7 | 11,203 | 44.48 | 874 | 38.6 | 13,655 | 50.56 | 1,072 | 42.3 | 16,752 | 56.66 | 1,196 | 44.0 | 18,681 | 60.21 |
| **FIXED EXPENSES** | | | | | | | | | | | | | | | | |
| Property Taxes | 9 | 0.4 | 137 | 0.54 | 9 | 0.4 | 140 | 0.52 | 9 | 0.4 | 144 | 0.49 | 9 | 0.3 | 147 | 0.47 |
| Insurance | 5 | 0.3 | 82 | 0.33 | 5 | 0.2 | 84 | 0.31 | 6 | 0.2 | 86 | 0.29 | 6 | 0.2 | 88 | 0.28 |
| Reserve for Replacement | 41 | 2.0 | 647 | 2.57 | 68 | 3.0 | 1,063 | 3.94 | 101 | 4.0 | 1,583 | 5.36 | 109 | 4.0 | 1,699 | 5.48 |
| Total | 98 | 4.8 | 1,538 | 6.11 | 135 | 5.9 | 2,107 | 7.80 | 180 | 7.1 | 2,819 | 9.53 | 196 | 7.1 | 3,056 | 9.85 |
| **Net Operating Income** | 619 | 29.9 % | 9,665 | 38.38 | 739 | 32.7 % | 11,548 | 42.76 | 892 | 35.2 % | 13,934 | 47.13 | 1,000 | 36.9 % | 15,625 | 50.36 |

* Departmental expenses are expressed as a percentage of departmental revenues.

## TABLE 7-3 TEN-YEAR FORECAST OF INCOME AND EXPENSE – PROPOSED FIDIOU HOTEL 2025-34 (€ 000s)

| | 2025 | | 2026 | | 2027 | | 2028 | | 2029 | | 2030 | | 2031 | | 2032 | | 2033 | | 2034 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Number of Rooms:** | **64** | | **64** | | **64** | | **64** | | **64** | | **64** | | **64** | | **64** | | **64** | | **64** | |
| **Occupied Rooms:** | **16,118** | | **17,286** | | **18,922** | | **19,856** | | **19,856** | | **19,856** | | **19,856** | | **19,856** | | **19,856** | | **19,856** | |
| **Occupancy:** | **69%** | | **74%** | | **81%** | | **85%** | | **85%** | | **85%** | | **85%** | | **85%** | | **85%** | | **85%** | |
| **Average Rate:** | **108.53** | **% of** | **111.24** | **% of** | **114.02** | **% of** | **116.87** | **% of** | **119.80** | **% of** | **122.79** | **% of** | **125.86** | **% of** | **129.01** | **% of** | **132.23** | **% of** | **135.54** | **% of** |
| **RevPAR:** | **74.89** | **Gross** | **82.32** | **Gross** | **92.36** | **Gross** | **99.34** | **Gross** | **101.83** | **Gross** | **104.37** | **Gross** | **106.98** | **Gross** | **109.66** | **Gross** | **112.40** | **Gross** | **115.21** | **Gross** |
| **REVENUE** | | | | | | | | | | | | | | | | | | | | |
| Rooms | 1,749 | 84.5 % | 1,923 | 84.8 % | 2,158 | 85.2 % | 2,321 | 85.4 % | 2,379 | 85.4 % | 2,438 | 85.4 % | 2,499 | 85.4 % | 2,562 | 85.4 % | 2,626 | 85.4 % | 2,691 | 85.4 % |
| Food and Beverage | 280 | 13.5 | 302 | 13.3 | 330 | 13.0 | 351 | 12.9 | 360 | 12.9 | 369 | 12.9 | 378 | 12.9 | 388 | 12.9 | 397 | 12.9 | 407 | 12.9 |
| Other Income | 41 | 2.0 | 43 | 1.9 | 45 | 1.8 | 47 | 1.7 | 48 | 1.7 | 49 | 1.7 | 50 | 1.7 | 52 | 1.7 | 53 | 1.7 | 54 | 1.7 |
| Total | 2,070 | 100.0 | 2,268 | 100.0 | 2,534 | 100.0 | 2,719 | 100.0 | 2,787 | 100.0 | 2,856 | 100.0 | 2,928 | 100.0 | 3,001 | 100.0 | 3,076 | 100.0 | 3,152 | 100.0 |
| **DEPARTMENTAL EXPENSES*** | | | | | | | | | | | | | | | | | | | | |
| Rooms | 503 | 28.7 | 528 | 27.5 | 560 | 26.0 | 585 | 25.2 | 600 | 25.2 | 615 | 25.2 | 630 | 25.2 | 646 | 25.2 | 662 | 25.2 | 679 | 25.2 |
| Food and Beverage | 244 | 87.2 | 256 | 84.7 | 270 | 81.6 | 281 | 80.0 | 288 | 80.0 | 295 | 80.0 | 303 | 80.0 | 310 | 80.0 | 318 | 80.0 | 326 | 80.0 |
| Other Expenses | 19 | 46.9 | 20 | 46.3 | 20 | 45.5 | 21 | 45.0 | 22 | 45.0 | 22 | 45.0 | 23 | 45.0 | 23 | 45.0 | 24 | 45.0 | 24 | 45.0 |
| Total | 766 | 37.0 | 804 | 35.4 | 850 | 33.6 | 887 | 32.6 | 909 | 32.6 | 932 | 32.6 | 955 | 32.6 | 979 | 32.6 | 1,004 | 32.6 | 1,029 | 32.6 |
| **DEPARTMENTAL INCOME** | 1,304 | 63.0 | 1,464 | 64.6 | 1,683 | 66.4 | 1,832 | 67.4 | 1,878 | 67.4 | 1,924 | 67.4 | 1,972 | 67.4 | 2,022 | 67.4 | 2,072 | 67.4 | 2,124 | 67.4 |
| **UNDISTRIBUTED OPERATING EXPENSES** | | | | | | | | | | | | | | | | | | | | |
| Administrative & General | 231 | 11.2 | 219 | 9.7 | 218 | 8.6 | 226 | 8.3 | 232 | 8.3 | 238 | 8.3 | 244 | 8.3 | 250 | 8.3 | 256 | 8.3 | 262 | 8.3 |
| Marketing | 92 | 4.4 | 87 | 3.8 | 91 | 3.6 | 94 | 3.5 | 97 | 3.5 | 99 | 3.5 | 102 | 3.5 | 104 | 3.5 | 107 | 3.5 | 109 | 3.5 |
| Prop. Operations & Maint. | 102 | 4.9 | 111 | 4.9 | 116 | 4.6 | 121 | 4.4 | 124 | 4.4 | 127 | 4.4 | 130 | 4.4 | 133 | 4.4 | 137 | 4.4 | 140 | 4.4 |
| Utilities | 100 | 4.8 | 104 | 4.6 | 109 | 4.3 | 113 | 4.2 | 116 | 4.2 | 119 | 4.2 | 122 | 4.2 | 125 | 4.2 | 128 | 4.2 | 131 | 4.2 |
| Total | 525 | 25.3 | 522 | 23.0 | 535 | 21.1 | 555 | 20.4 | 568 | 20.4 | 583 | 20.4 | 597 | 20.4 | 612 | 20.4 | 627 | 20.4 | 643 | 20.4 |
| **GROSS OPERATING PROFIT (GOP)** | 779 | 37.7 | 942 | 41.6 | 1,148 | 45.3 | 1,277 | 47.0 | 1,309 | 47.0 | 1,341 | 47.0 | 1,375 | 47.0 | 1,410 | 47.0 | 1,445 | 47.0 | 1,481 | 47.0 |
| Management Fee | 62 | 3.0 | 68 | 3.0 | 76 | 3.0 | 82 | 3.0 | 84 | 3.0 | 86 | 3.0 | 88 | 3.0 | 90 | 3.0 | 92 | 3.0 | 95 | 3.0 |
| **GOP AFTER MANAGEMENT FEES** | 717 | 34.7 | 874 | 38.6 | 1,072 | 42.3 | 1,196 | 44.0 | 1,225 | 44.0 | 1,256 | 44.0 | 1,287 | 44.0 | 1,320 | 44.0 | 1,353 | 44.0 | 1,386 | 44.0 |
| **FIXED EXPENSES** | | | | | | | | | | | | | | | | | | | | |
| Property Taxes | 9 | 0.4 | 9 | 0.4 | 9 | 0.4 | 9 | 0.3 | 10 | 0.3 | 10 | 0.3 | 10 | 0.3 | 10 | 0.3 | 11 | 0.3 | 11 | 0.3 |
| Insurance | 5 | 0.3 | 5 | 0.2 | 6 | 0.2 | 6 | 0.2 | 6 | 0.2 | 6 | 0.2 | 6 | 0.2 | 6 | 0.2 | 6 | 0.2 | 7 | 0.2 |
| Incentive Management Fee | 43 | 2.1 | 52 | 2.3 | 64 | 2.5 | 72 | 2.6 | 74 | 2.6 | 75 | 2.6 | 77 | 2.6 | 79 | 2.6 | 81 | 2.6 | 83 | 2.6 |
| Reserve for Replacement | 41 | 2.0 | 68 | 3.0 | 101 | 4.0 | 109 | 4.0 | 111 | 4.0 | 114 | 4.0 | 117 | 4.0 | 120 | 4.0 | 123 | 4.0 | 126 | 4.0 |
| Total | 98 | 4.8 | 135 | 5.9 | 180 | 7.1 | 196 | 7.1 | 200 | 7.1 | 205 | 7.1 | 211 | 7.1 | 216 | 7.1 | 221 | 7.1 | 227 | 7.1 |
| **Net Operating Income** | 619 | 29.9 % | 739 | 32.7 % | 892 | 35.2 % | 1,000 | 36.9 % | 1,025 | 36.9 % | 1,050 | 36.9 % | 1,077 | 36.9 % | 1,104 | 36.9 % | 1,131 | 36.9 % | 1,159 | 36.9 % |

* Departmental expenses are expressed as a percentage of departmental revenues.

# 8. Valuation

**APPROACHES TO VALUE**

In evaluating property to assess its Market Value, the professional valuer has three approaches from which to select: income capitalisation, cost, and sales comparison. The most relevant of these three is the income capitalisation approach. However, the prudent valuer would also consider and have regard to the cost approach and the sales comparison approach. The former, in certain circumstances, indicates what the 'cost of entry' into the market would be, whereas the latter typically provides a range of values per room. Both approaches have some influence on operators' or investors' judgements.

The ***Income Capitalisation Approach*** takes a property's forecast net operating income and allocates these future benefits to the mortgage and equity components, based on market rates of return and loan to value ratios. Through a discounted cash flow and income capitalisation procedure, the value of each component is calculated. The total of the mortgage component and the equity component equals the value of the property. This approach is often selected as the preferred valuation method for income-producing properties, because it most closely reflects the investment thinking of knowledgeable buyers.

Our international experience with numerous hotel buyers and sellers indicates that the procedures used in estimating the value by the income capitalisation approach are comparable to those employed by the hotel investors who actually constitute the marketplace. For this reason, the income capitalisation approach produces the most supportable value estimate and it is generally given the greatest weight in the hotel valuation process.

The ***Cost Approach*** estimates the value by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence and external (or economic) obsolescence. The value of the land, as though it were vacant and available, is then added to the depreciated value of the premises in order to produce an estimate of the total value.

The cost approach may provide a reliable estimate of value for newly constructed properties; however, as buildings and other forms of premises increase in age and begin to deteriorate, the resultant loss in value becomes increasingly difficult to quantify accurately. We find that knowledgeable buyers of hotels generally base their purchase decisions on economic factors such as forecast net operating income and return on investment. Because the cost approach does not reflect any of these income-related considerations, this approach is given minimal weight in the hotel valuation process. This approach does, however, provide an estimate of the cost to enter the marketplace.

The ***Sales Comparison Approach*** estimates the value of a property by comparing it to similar properties recently sold on the open market. To obtain a supportable estimate of value, the sales price of a comparable property should be adjusted to reflect any dissimilarity between the comparable property and the Hotel.

The sales comparison approach may provide a useful value estimate for simple forms of property, such as vacant land and single-family homes, where the properties are homogeneous and the adjustments are few in number and relatively simple to compute. However, in the case of more complex investments, such as shopping centres, office buildings, restaurants and hotels, where the adjustments are numerous and more difficult to quantify, the sales comparison approach loses much of its reliability.

Hotel investors typically do not rely upon the sales comparison approach in reaching their final purchase decisions. Various factors, such as the lack of timely comparable hotel sales data, the numerous unsupportable adjustments that are necessary and the general inability to determine the true financial terms and human motivations of comparable transactions, often make the results of the sales comparison approach questionable. Nevertheless, the sales comparison approach may provide a range of values to bracket and support the final estimate of value, and we use it to support any adjustments in our valuation conclusions.

## INCOME CAPITALISATION APPROACH

The income capitalisation approach is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels, are net operating income, derived by a forecast of income and expense, and any expected reversionary proceeds from a sale. These future benefits can be converted into an indication of value through a capitalisation process and discounted cash flow analysis.

### Mortgage and Equity Components

The conversion of a property's forecast net operating income into an estimate of value is based on the premise that investors typically purchase real estate with equity cash (30-50%) and mortgage financing (50-70%). The amounts and terms of available mortgage financing and the rates of return that are required to attract sufficient equity capital form the basis for allocating the net operating income between the mortgage and equity components and deriving a value estimate.

### Mortgage Component

Data for the mortgage component are developed from an analysis of the prevailing interest rates offered in the marketplace coupled with interviews with hotel investors, banks and other investment institutions.

To reflect the appropriate rates and investment yields required by international banks, we have reviewed the ten-year swap rate for the euro, which is around 0.0-0.5%. A typical premium of 200 to 300 basis points is usually added to the yield for the risks associated with a project of this nature. Short-term interest rates in Greece are currently at 4.85% for loans above €1 million (Bank of Greece, January 2023).

From this information and the perceived risk of the Hotel's location, it is our opinion that a 15-year term mortgage is appropriate for the Hotel. Furthermore, we consider that an international mortgage provider will lend up to 60% of the Hotel's value as determined by this valuation.

**Equity Component**

In order to estimate the value of the Hotel's equity component, we have assumed a loan to value ratio and taken into account the risk inherent in achieving the projected income stream, the age, condition and expected market position of the Hotel, the freehold nature of the site, and the opportunities for competition to enter the market. It is our opinion that an equity investor is likely to require an equity yield rate of 16.0% for a hotel investment such as this.

**Purchase Costs**

In accordance with our normal practice, no allowance has been made for sales tax, value-added tax or other purchase costs, since these are often mitigated through company transfers.

**Terminal Capitalisation Rate**

Inherent in this valuation process is the assumption of a sale at the end of an assumed ten-year holding period. The estimated reversionary sale price as of this date is calculated by capitalising the projected eleventh year's net operating income by an overall terminal capitalisation rate. From this sale price, a percentage is deducted for the seller's transaction costs and legal fees. The net proceeds to the equity interest are calculated by deducting the outstanding mortgage balance from the reversion.

We have used a terminal capitalisation rate of 7.5% and assumed that the seller's brokerage and legal fees would be 1.5% of the sale price.

**Summary of the Valuation Parameters**

The following table summarises the key valuation parameters used in the derivation of the value of the Hotel by the income capitalisation approach.

**TABLE 8-1 SUMMARY OF THE VALUATION PARAMETERS**

| | |
|---|---|
| Stabilised Year: | 2028 |
| Inflation: | 2.5 % |
| Loan to Value: | 60 % |
| Amortisation: | 15 years |
| Term: | 10 years |
| Interest Rate: | 5.5 % |
| Terminal Capitalisation Rate: | 7.5 % |
| Transaction Costs: | 1.5 % |
| Equity Yield: | 16.0 % |

**Mortgage-Equity Discounted Cash Flow Analysis**

To estimate the value of the Hotel, we have used a discounted cash flow analysis. The cash flow to equity and the equity reversion are discounted to the present value at the equity yield rate, and the income to the mortgagee is discounted at the mortgage interest rate. The sum of the equity and mortgage values is the total property value. The process of estimating the value of the mortgage and equity components is as follows.

1. The terms of typical hotel financing are established, including interest rate, amortisation period and loan to value ratio.
2. An equity yield rate of return is established. Numerous hotel buyers base their investments on an equity yield rate projection that takes into account income growth and perceived risk.
3. The value of the equity component is calculated by first deducting the annual debt service from the forecast net operating income, leaving the net operating income to equity for each projection year. The net operating income of the eleventh year is capitalised into a reversionary value. After deducting the mortgage balance at the end of the tenth year and the typical brokerage and legal costs, the equity residual is discounted back to the date of value at the equity yield rate. The net operating income to equity for each of the projection years is also discounted to the present value. The sum of these discounted values equates to the value of the equity component. The overall property value is obtained by adding the equity component to the initial mortgage balance yields.
4. Because the mortgage and the debt service amounts are unknown, but the loan to value ratio was determined in Step 1, the preceding calculation can be solved through an iterative process or by the use of a linear algebraic equation known as the ***Simultaneous Valuation Formula***, which computes the total property value.

The value is proven by allocating the total property value between the mortgage and the equity components and verifying that the rates of return set out in Steps 1 and 2 can be met from the forecast net operating income.

Using a simultaneous valuation formula to perform the necessary algebraic calculations results in the following estimate of value.

| | | |
|---|---|---|
| Total Property Value as Indicated by the Income Capitalisation Approach (Say) | = | €10,600,000 |

**Proof of Value**

The value is proven by calculating the yields to the mortgage and equity components over the projection period. If the mortgage achieves its yield and the equity yield is 16.0%, then €10,600,000 before any capital deduction is the correct value by the income capitalisation approach.

Using the assumed financial structure set out previously, we can allocate the value between the debt and the equity components as follows.

| | |
|---|---|
| Mortgage Component (60%) | €6,380,000 |
| Equity Component (40%) | €4,253,000 |
| Total | €10,633,000 |

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

| | |
|---|---|
| Mortgage Component | €6,380,000 |
| Mortgage Constant | 0.099626 |
| Annual Debt Service | €635,611 |

The cash flow to equity is calculated by deducting the debt service from the projected net operating income before debt service.

## TABLE 8-2 FORECAST OF NET OPERATING INCOME TO EQUITY (€)

| Year | Net Operating Income Available for Debt Service | | Total Annual Debt Service | | Net Operating Income to Equity |
|---|---|---|---|---|---|
| 2025 | 619,000 | - | 636,000 | = | -17,000 |
| 2026 | 739,000 | - | 636,000 | = | 103,000 |
| 2027 | 892,000 | - | 636,000 | = | 256,000 |
| 2028 | 1,000,000 | - | 636,000 | = | 364,000 |
| 2029 | 1,025,000 | - | 636,000 | = | 389,000 |
| 2030 | 1,050,000 | - | 636,000 | = | 414,000 |
| 2031 | 1,077,000 | - | 636,000 | = | 441,000 |
| 2032 | 1,104,000 | - | 636,000 | = | 468,000 |
| 2033 | 1,131,000 | - | 636,000 | = | 495,000 |
| 2034 | 1,159,000 | - | 636,000 | = | 523,000 |

The equity residual value at the end of the tenth year is calculated as follows.

| | |
|---|---|
| Reversionary Value (€1,188,000/0.075) | €15,840,000 |
| Less: | |
| Brokerage and Legal Fees | €238,000 |
| Mortgage Balance | €2,714,000 |
| Net Sale Proceeds to Equity | €12,888,000 |

The overall property yield (before debt service), the yield to the lender and the yield to the equity position have been computed as follows.

## TABLE 8-3 OVERALL PROPERTY YIELDS (€)

| Position | Value | Projected Yield (Internal Rate of Return) Over 10-Year Holding Period |
|---|---|---|
| Total Property | 10,633,000 | 11.5 % |
| Mortgage | 6,380,000 | 5.5 |
| Equity | 4,253,000 | 16.0 |

The following two tables demonstrate that the property receives its expected yield, proving that the €10,600,000 value is correct based on the assumptions made in this report.

## TABLE 8-4 MORTGAGE COMPONENT YIELD (€)

| Year | Total Annual Debt Service | | Present Worth of €1 Factor at 5.5% | | Discounted Cash Flow |
|---|---|---|---|---|---|
| 2025 | 636,000 | x | 0.947795 | = | 603,000 |
| 2026 | 636,000 | x | 0.898315 | = | 571,000 |
| 2027 | 636,000 | x | 0.851418 | = | 542,000 |
| 2028 | 636,000 | x | 0.806970 | = | 513,000 |
| 2029 | 636,000 | x | 0.764842 | = | 486,000 |
| 2030 | 636,000 | x | 0.724913 | = | 461,000 |
| 2031 | 636,000 | x | 0.687069 | = | 437,000 |
| 2032 | 636,000 | x | 0.651200 | = | 414,000 |
| 2033 | 636,000 | x | 0.617204 | = | 393,000 |
| 2034 | 3,350,000 * | x | 0.584983 | = | 1,960,000 |
| | | | Value of Mortgage Component | | 6,380,000 |

*10th year debt service of €636,000 plus outstanding mortgage balance of €2,714,000

## TABLE 8-5 EQUITY COMPONENT YIELD (€)

| Year | Net Operating Income to Equity | | Present Worth of €1 Factor at 16.0% | | Discounted Cash Flow |
|---|---|---|---|---|---|
| 2025 | -17,000 | x | 0.862115 | = | -15,000 |
| 2026 | 103,000 | x | 0.743242 | = | 77,000 |
| 2027 | 256,000 | x | 0.640760 | = | 164,000 |
| 2028 | 364,000 | x | 0.552409 | = | 201,000 |
| 2029 | 389,000 | x | 0.476240 | = | 185,000 |
| 2030 | 414,000 | x | 0.410574 | = | 170,000 |
| 2031 | 441,000 | x | 0.353962 | = | 156,000 |
| 2032 | 468,000 | x | 0.305156 | = | 143,000 |
| 2033 | 495,000 | x | 0.263079 | = | 130,000 |
| 2034 | 13,411,000 * | x | 0.226805 | = | 3,042,000 |
| | | | Value of Equity Component | | 4,253,000 |

*10th year net operating income to equity of €523,000 plus sales proceeds of €12,888,000

### Return Components

In evaluating the risk associated with an investment, it is useful to determine the portions of a property's value that are attributable to annual cash flow and reversionary proceeds upon sale. The larger the percentage of value attributable to reversionary proceeds, the greater the risk, because a property's sale price and resultant appreciation are uncertain.

Based on the previous discounted cash flow analysis, 50.5% of the Hotel's estimated value is attributable to cash flow and 49.5% is attributable to property appreciation. These percentages, which fall outside the typical range of 55-65% for cash flow and 35-45% for appreciation, are considered reasonable for a hotel of this type that is a brownfield development that needs to go through a ramp up period at its initial operating years.

### Debt Coverage Ratio

The projected net operating income, expressed as a percentage of debt service, provides for a debt coverage ratio that ranges from 1.0 in the first year of the forecast to 1.6 in the stabilised year of operation. Lenders active in hotel financing generally require debt coverage ratios from 1.4 to 1.7 in the stabilised year of operation. Although the debt coverage ratio fluctuates as a result of varying levels of net operating income, the Hotel's projected debt coverage ratio is above the required levels and provides a sufficient margin of cash flow to cover annual debt service.

### Discounted Cash Flow Analysis

Using the total property yield of 11.5% results in the same value as that derived from the mortgage-equity discounted cash flow capitalisation technique, as presented in the proof of value. Following is the discounted cash flow analysis.

**TABLE 8-6 DISCOUNTED CASH FLOW ANALYSIS: TOTAL UNLEVERAGED PROPERTY YIELD (€)**

| Year | Net Operating Income | | Discount Factor @ 11.5% | Discounted Cash Flow |
|---|---|---|---|---|
| 2025 | 619,000 | | 0.89707 | 555,285 |
| 2026 | 739,000 | | 0.80473 | 594,697 |
| 2027 | 892,000 | | 0.72190 | 643,934 |
| 2028 | 1,000,000 | | 0.64759 | 647,593 |
| 2029 | 1,025,000 | | 0.58093 | 595,458 |
| 2030 | 1,050,000 | | 0.52114 | 547,195 |
| 2031 | 1,077,000 | | 0.46750 | 503,494 |
| 2032 | 1,104,000 | | 0.41938 | 462,991 |
| 2033 | 1,131,000 | | 0.37621 | 425,493 |
| 2034 | 16,761,000 | * | 0.33749 | 5,656,727 |
| | | | **Gross Development Value** | **10,632,867** |
| | | | **(SAY)** | **10,600,000** |

**Reversion Analysis**

| | |
|---|---|
| 11th Year's EBITDA after FF&E Reserve | 1,188,000 |
| Capitalisation Rate (%) | 7.5 |
| Total Sales Proceeds | 15,840,000 |
| Less: Transaction Costs @ 1.5% | 237,600 |
| Net Sales Proceeds | 15,602,400 |

*10th year net operating income of €1,159,000 plus sales proceeds of €15,602,000

## RESIDUAL VALUE – TOTAL DEVELOPMENT

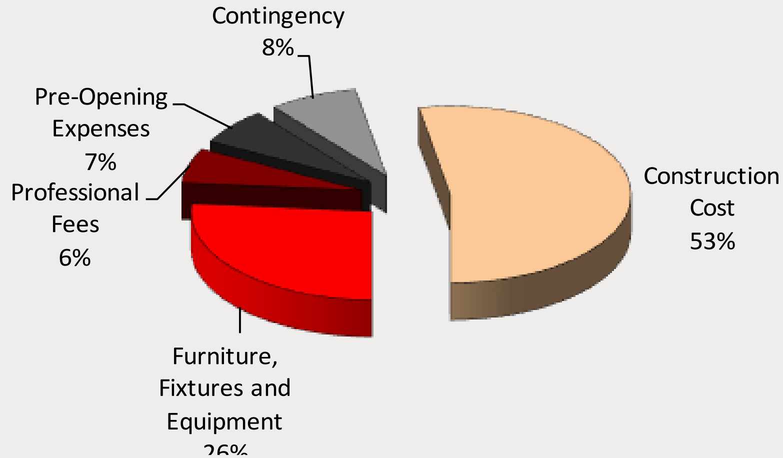
Using the variables summarised previously, we estimate the Gross Development Value of the Hotel, as determined by the income capitalisation approach, to be around €10,600,000 before any deductions for capital investment or acquisition costs.

We have used the net operating income forecast in the ten-year projection of income and expense as the basis for an analysis of cash flow and return on investment. In addition to net operating income, the key components of this analysis are the preliminary construction cost estimates as assumed by our team of approximately €2,560,000, on top of which we have accounted for other expenses such as FF&E, professional fees etc., based on our experience of similar projects.

## TABLE 8-7 INDICATIVE DEVELOPMENT COST – PROPOSED FIDIOU HOTEL (€)

| | | |
|---|---|---|
| Number of Rooms | 64 | |
| Expected Build-up Area (Existing and Proposed) | 1,790 | m² |
| Professional Fees | 8.0 | % |
| Contingency | 10.0 | % |

| | Amount | Amount per Room | Amount per m² | % of Total |
|---|---|---|---|---|
| Construction Cost | 2,560,000 | 40,000 | 1,430 | 53 |
| Furniture, Fixtures and Equipment | 1,280,000 | 20,000 | 715 | 26 |
| Professional Fees | 307,200 | 4,800 | 172 | 6 |
| Pre-Opening Expenses | 320,000 | 5,000 | 179 | 7 |
| Contingency | 384,000 | 6,000 | 214 | 8 |
| **Total Cost (Rounded)** | **4,850,000** | **76,000** | **2,710** | **100** % |



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## TABLE 8-8 ANTICIPATED CONSTRUCTION PHASING – PROPOSED FIDIOU HOTEL (€)

| Construction Phasing | Construction Period 2023 | 2024 | Total |
|---|---|---|---|
| Construction Phasing | 30% | 70% | **100%** |
| Cost Excluding Land Cost | 1,455,360 | 3,395,840 | **4,851,200** |

### Weighted Average Cost of Capital

The following table shows our residual valuation analysis for the total development based on the gross development value calculated before for the Hotel. In order to discount the gross development value of the hotel as well as the cash outflows we have applied a weighted average cost of capital that stems from a 60% loan-to-cost ratio at an interest rate of 5.50% and a required rate of equity yield at 20% on the remaining 40% of the development cost to reflect also on the developer's profit. The resulting weighted average cost of capital is roundly 14.0%, which will be used as the overall discount rate in the present value analysis of the sell-out of the Proposed Fidiou Hotel.

## TABLE 8-9 CONSTRUCTION PERIOD DISCOUNT RATE – PROPOSED FIDIOU HOTEL (€)

**Overall Rate - Band of Investment**

The estimated "built up" overall rate was based on the following rates and terms:

| | | | |
|---|---|---|---|
| Interest rate: | 5.50% | Loan to Value Ratio (Ro): | 60% |
| Amortization term/Years | 15 | Equity Dividend Rate (EDR): | 20% |
| Constant: | 0.09805 | | |

The built up overall rate is a weighted average between the following debt and equity components:

| Debt % | | Constant | | Weighted Average |
|---|---|---|---|---|
| 60% | x | 0.09805 | = | 5.8830% |
| Equity % | | Equity Div. | | |
| 40% | x | 20.00% | = | 8.0000% |
| Indicated Overall Rate: | | | | 13.8830% |
| **Rounded to:** | | | | **14.0%** |

The following table shows our residual valuation analysis for the development based on the gross development value calculated before.

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## TABLE 8-10 CALCULATION OF THE 'AS IS' MARKET VALUE (€ 000s)

| RESIDUAL VALUE | WACC* | RESIDUAL VALUE | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Gross Development Value | | | | 10,600 | |
| Total Investment (excl. Interest during Construction) | | | 1,455 | 3,396 | |
| Net Project Cash Flow | **14.0%** | **4,400** | -1,455 | 7,204 | |

*Assuming LTV 60% at an interest rate of 5.5% and 20% required equity yield (reflecting also developer's profit) applied for the construction period between Gross Development Value and 'as is' Market Value.

## RECONCILIATION OF VALUE INDICATIONS

Reconciliation is the last step in the valuation process in which the final value is estimated from the various indications developed by the income capitalisation, cost and sales comparison approaches. The relative significance, applicability and defensibility of each indicated value is analysed, with the greatest weight given to that approach deemed most appropriate for the property being valued. Based on the preceding data and analysis set out in this report, the following value indications were developed.

| *Approach* | *Value Indication* |
|---|---|
| *Income Capitalisation* | *€4,400,000* |
| *Cost* | *N/A* |
| *Sales Comparison* | *N/A* |

### Income Capitalisation Approach

The income capitalisation approach took the Hotel's forecast net operating income and allocated this future benefit to the mortgage and equity components based on market rates of return and loan to value ratios. Through a discounted cash flow and income capitalisation procedure the value of each component was calculated. The total of the mortgage and equity components equates to the value of the property.

### Cost Approach

Because the cost approach does not reflect the economic factors that motivate knowledgeable hotel investors (that is, projected net operating income and return on investment), it is given no weight in the valuation of existing income-producing properties. Furthermore, the difficulty in estimating and substantiating a number of highly subjective variables (such as effective age, accrued depreciation, and the remaining economic life of the improvements) limits the applicability of the cost approach as an effective valuation method. Moreover, hotels are rarely sold or purchased on the basis of depreciated cost. Therefore, we consider this approach inapplicable in the valuation of the Hotel.

### Sales Comparison Approach

The sales comparison approach was considered and several sales were evaluated in an attempt to develop a range of value indications. Because these sales are only somewhat comparable to the Hotel, they require several adjustments and the reliability of any specific value estimate is, therefore, diminished. Furthermore, typical buyers and sellers of hotels generally employ a sales comparison procedure to establish broad value parameters only. Therefore, we consider this approach inapplicable in the valuation of the Hotel.

**Conclusion**

Our international experience with numerous hotel buyers and sellers indicates that the procedures used in estimating the value by the income capitalisation approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we consider that the income capitalisation approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the Hotel's Market Value.

From the preceding analysis and our specialist experience in valuing hotels, we have given primary weight to the income capitalisation approach. It is our opinion that the Market Value of the freehold interest in the Hotel described in this report, as at 1 March 2023, is:

€4,400,000

FOUR MILLION FOUR HUNDRED THOUSAND EURO

**Valuation Certainty**

An opinion of value will always involve a degree of subjectivity and uncertainty that will affect the probability that the opinion of Market Value would be the same as the price achieved by an actual sale at the valuation date.

The methodology employed in valuing a hotel depends on the accuracy of the historical trading results for the proposed Hotel and the level and accuracy of information available in the marketplace in order to determine the current marketwide trading conditions, and to estimate the future trading potential of the proposed Hotel.

We consider our projections of future income and expense to be appropriate when compared alongside those of similar hotel properties, and therefore we consider the level of uncertainty attached to our opinion(s) of value to be low.

However, the following should be specifically noted.

- Until recently, Greece was going through a process of economic uncertainty but likely recovery. In the near term the country is expected to re-enter to an economic recession due to the current pandemic that has already affected not only the local economy that was heavily dependent on tourism but also global financial markets. It is not practically possible to predict how long this situation will last. However, we have assumed that the country will return to economic stability and growth within the next two to four years and we have based our projections of income and expense, as well as the specific valuation parameters, on these assumptions. If the investment sentiment does not improve as expected, this will materially change our assumptions and we reserve the right to amend them accordingly;
- The investment market for development sites in Greece is generally neither transparent nor liquid, and therefore there are no adequate comparable transactions against which we have been able to benchmark our opinion of value.

# Addendum 1 – Statement of Assumptions and Limiting Conditions

1. This Valuation Report has been prepared for Ble Kedros REIC for asset evaluation purposes. The information presented in this report should not be disseminated to the public or third parties without the express written consent of HVS.
2. The freehold interest in the Proposed Fidiou Hotel has been valued as at 1 March 2023. The Proposed Fidiou Hotel is classified for hotel use and is considered as such by our client.
3. We have checked our records, and there are no conflicts of interest with regard to our preparing this Valuation Report.
4. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The property is valued as though free and clear unless otherwise stated.
5. There are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for these conditions or any engineering that may be required to discover them.
6. No survey of the property has been made by the valuers and no responsibility is assumed in connection with such matters. Sketches, pictures, maps and other exhibits are included to assist the reader in visualising the property. It is assumed that the use of the land and premises is within the boundaries of the property described and that there is no encroachment or trespass unless noted.
7. This Valuation Report is not a structural survey and we therefore value on the assumption that the property is of sound design and construction, and free from any inherent defect. Aside from our routine enquiries, no detailed inspection or tests have been carried out by us on any of the services or items of equipment, therefore no warranty can be given with regard to their serviceability, efficiency, safety or adequacy for their purpose. We express no opinion or advice upon the condition of uninspected parts and our report should not be read as making any implied representation or statement about such parts. We have assumed that the property is in a good state of repair and condition and that there are no outstanding items of expenditure required.
8. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by HVS is assumed to be true and correct. No liability resulting from misinformation can be assumed by the valuers.

9. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering the Hotel.
10. It is assumed that the property is in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including an alcohol licence where appropriate) and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser.
11. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless specified otherwise.
12. This report may not be reproduced in whole or in part without the permission of the valuers, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without the prior written consent of the valuers.
13. We are not required to give testimony or attendance in court by reason of this valuation without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report it is recommended that the reader contact the valuers.
15. The valuers take no responsibility for any events, conditions or circumstances affecting the property's Market Value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first. Market Value is defined as *'The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'*
16. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability and Market Value. The financial forecasts presented in this valuation assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results and value estimate.
17. The estimated operating results presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, it is expected that the prices of rooms, food, beverages and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.

18. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity most numbers presented in this report have been rounded to the nearest tenth. Thus, these figures may be subject to small rounding errors in some cases.

19. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations to provide value indications, the final estimate of value is subjective and may be influenced by the valuers' experience and other factors not specifically set forth in this report.

20. The freehold title to the Hotel would be readily marketable without any undue restrictions, covenants or conditions except where otherwise noted.

21. The relationship between the euro and other major world currencies remains constant as of the date of our field work.

22. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.

23. We have specifically excluded the value of any antiques or items of fine art.

24. We have made no allowance for the repayment of any grants, which might arise in the event of development or disposal, deemed or otherwise.

25. The valuation contained within this report has been undertaken in accordance with the standards set out by the Royal Institution of Chartered Surveyors. Compliance with these standards may be subject to monitoring under the institution's conduct and disciplinary regulations. This valuation has been overseen by Pavlos Papadimitriou, MRICS. Pavlos has been a associated with HVS since 2007, specialising in the valuation and sale of hotels and all forms of leisure properties

26. The fee for this assignment has been set at a fixed rate, as described in our Letter of Engagement. In the event that any type of action becomes necessary to enforce collection of any monies owed to us, you will be responsible for all collection costs, including but not limited to court costs and reasonable legal fees.

27. Liability

    a. HVS's liability to the client for loss or damage shall be limited to such sum as HVS ought reasonably to pay having regard to its direct responsibility for the same and on the basis that all other third parties shall, where retained by the client, be deemed to have provided to the client contractual undertakings in terms no less onerous than this clause in respect of the performance of their services in connection with the instruction, and shall be/ deemed to have paid to the client such proportion as may be just and equitable having regard to the extent of their responsibility for such loss or damage.

b. Unless, and to the extent finally and judicially determined to have been caused by fraud, willful default or negligence of HVS, the client agrees to indemnify on demand and hold harmless HVS against all actions, claims, proceedings, losses, damages, costs and expenses whatsoever and howsoever arising from or in any way connected with the Instruction or the provision of services thereunder.

c. Unless and until any such agreement is reached and recorded in writing, HVS will accept no responsibility or owe no duties to the client which relate to matters beyond the scope of the services.

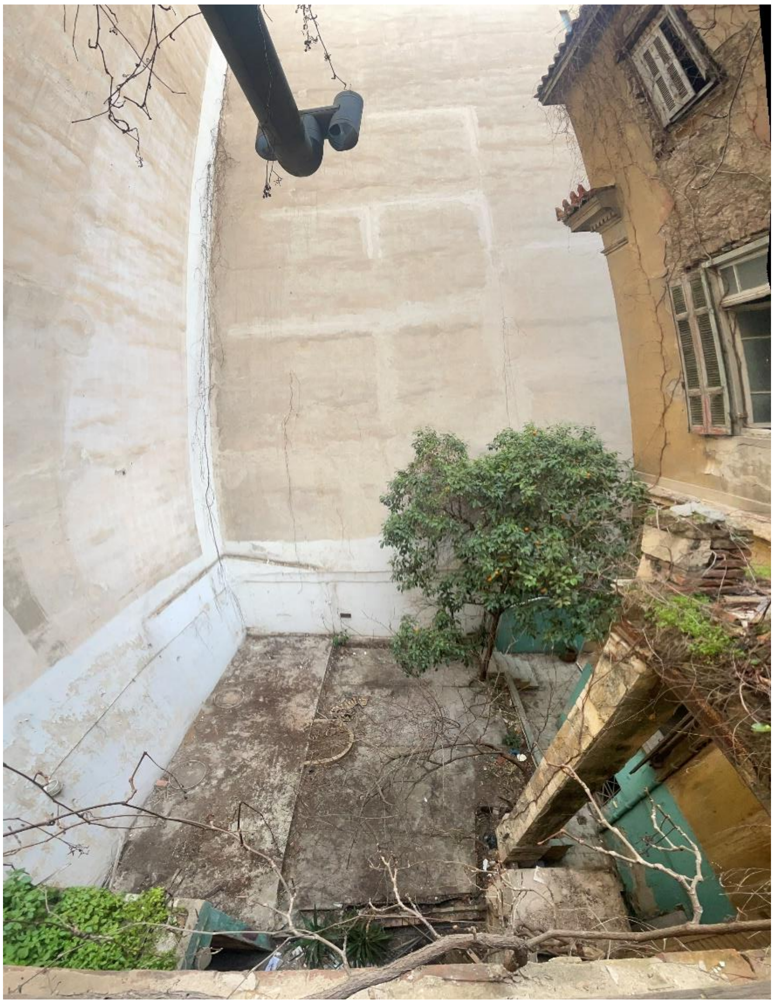
d. The client acknowledges that any action, claim or proceedings arising out of the services provided under the instruction shall be brought against HVS with whom the client has contracted and not against any employee or subcontractor of HVS involved directly or indirectly in the delivery of the services.

e. The above paragraphs of this clause do not apply to the client's liability for death or personal injury arising out of negligence, which liability shall be unlimited.

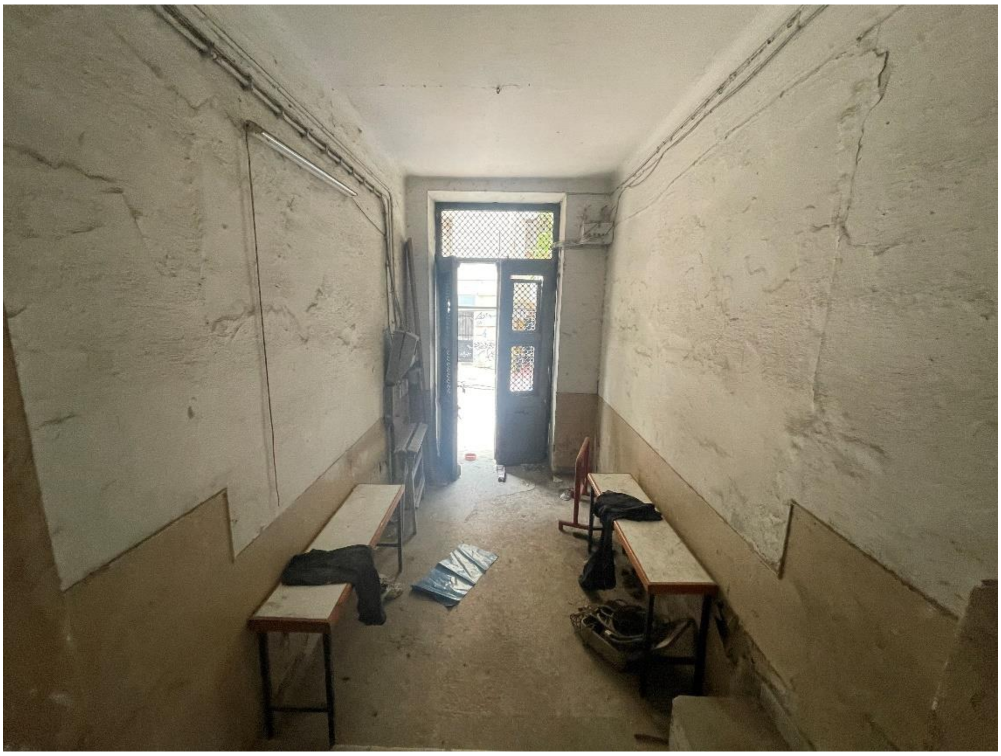
28. Throughout this report, 'HVS' refers to the trading name of SG&R Valuation Services Company LLC, a United States of America limited liability company formed under the laws of the state of Delaware, the members of which are SR London Corporation and HEI International Inc (both United States of America corporations formed under the laws of the state of Delaware). The operations of SG&R Valuation Services Company in Greece are managed by Hospitality Consulting Services S.A.

# Addendum 2 – Photos

## VIEW OF THE BACKYARD FROM THE SECOND FLOOR



## CURRENT MAIN ENTRANCE



## CURRENT SECONDARY ENTRANCE

## TYPICAL ROOM IN THE CURRENT SITUATION


## BASEMENT

## VIEW FROM THE ROOFTOP TOWARDS THE NORTH

## VIEW FROM THE ROOFTOP TOWARDS THE SOUTH