

Athens' Hellinikon offers hope for Greece's hotel, real estate industries

by Jena Tesse Fox |

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Last year, Greece's prospects looked pretty bleak: The nation's banks and the Athens Stock Exchange closed following a severe economic downturn, forcing the country's hotel association to release a statement that it was working to "safeguard the country's international image and to deal with any instances of exploitation of the current situation." By early July, the country had rejected a bailout package, risking expulsion from the Eurozone and forcing the euro to fall against the U.S. dollar.

The country remained in the Eurozone, however, and stable inbound international travel made existing hotels more profitable. By November, the country was seeing renewed interest in hotel investment opportunities, especially from international companies with a focus on the upscale segments.

In spite of all the country's hardships in 2015, Greece saw an increase in hotel stays of nearly 4 percent in 2015 compared to 2014, and occupancy improved nearly 2 percent, according to the Hellenic Statistical Authority (known as ELSTAT). 2016 has proven to be even better, with arrivals growing by 753,000 or 6.5 percent in the eight-month period from January to August compared to last year.

Earlier this month, Yiannis Retsos, the president of the Hellenic Hoteliers Federation, told the Athens-Macedonian News Agency that the current tourist season would be a positive one, but noted that the average number of stays in a hotel has declined. This, he said, has had an impact on annual revenues.

The Next Big Thing

With the forecast looking positive, hotel developers are ready to invest again. Greece is now poised to be the site of one of Europe's biggest real estate projects. A venture managed by Lamda Development plans to raise about €500 million (\$560 million) next year to fund construction of a luxury coastal resort with a marina hotel, aquarium, mall and residential tower. The project will be based in Hellinikon, a former airport site close to Athens that has been used to house refugees, and will be part of a joint venture between Shanghai-based Fosun International, Abu Dhabi's Eagle Hills and the Latsis Group of Athens. The JV has already committed €500 million to develop the complex and Lamda, a member of the Latsis Group, will manage the project.

The Global Investment Group venture bought Hellinikon from Greece's privatization fund in 2014 for about €915 million euros, and the country's parliament ratified the agreement last week after creditors forced the government to reverse its long-held objections to the project. GIG plans to start work on the site before the summer of 2017, Lamda CEO Odisseas Athanassiou said, adding that investors have already expressed interest and "others will participate through financing and loans, others can contribute capital, or pitch for the construction of some of the architectural landmarks."

On the project's website, Lamda Development said that the project's contribution to the Greek gross domestic product is expected to reach 2 percent, "securing significant income for the Greek State and Social Security, which in the span of 25 years is expected to reach cumulatively €10 billion. The project's positive impact in the country's tourism is significant with an expected additional increase of 1,000,000 tourists per annum."

The developers will seek to raise the additional funds either through a limited partnership fund or the stock market, Athanassiou said. As much as €2 billion will be required for the first stage of development, which is scheduled to be completed within five years.

When it was seeking its third international bailout since 2010, Greece pledged to raise €6.2 billion by 2018 by selling state assets, such as the abandoned airport at Hellinikon. The country has reportedly promised to speed up divestment and open the economy to foreign capital, but has repeatedly fallen behind the disposals target. "The fact that the sale enjoyed across-the-aisle support in the Greek parliament is very positive," Athanassiou said.

But there are challenges to overcome. According to Bloomberg, the government still needs to tender for a casino convention resort, receive approval from the Council of State for the master plan and secure a presidential decree before building can begin.

And then there are the refugees currently using the space. Nearly 2,500 people are staying in the unofficial camp at Hellinikon, according to a refugee flows report. Before construction can begin, these people will need to be moved to another location within the country.