

The current report was based on figures up to 11 December 2020

COVID-19 Industry Pulse Report: Tourism

Greece | December 2020

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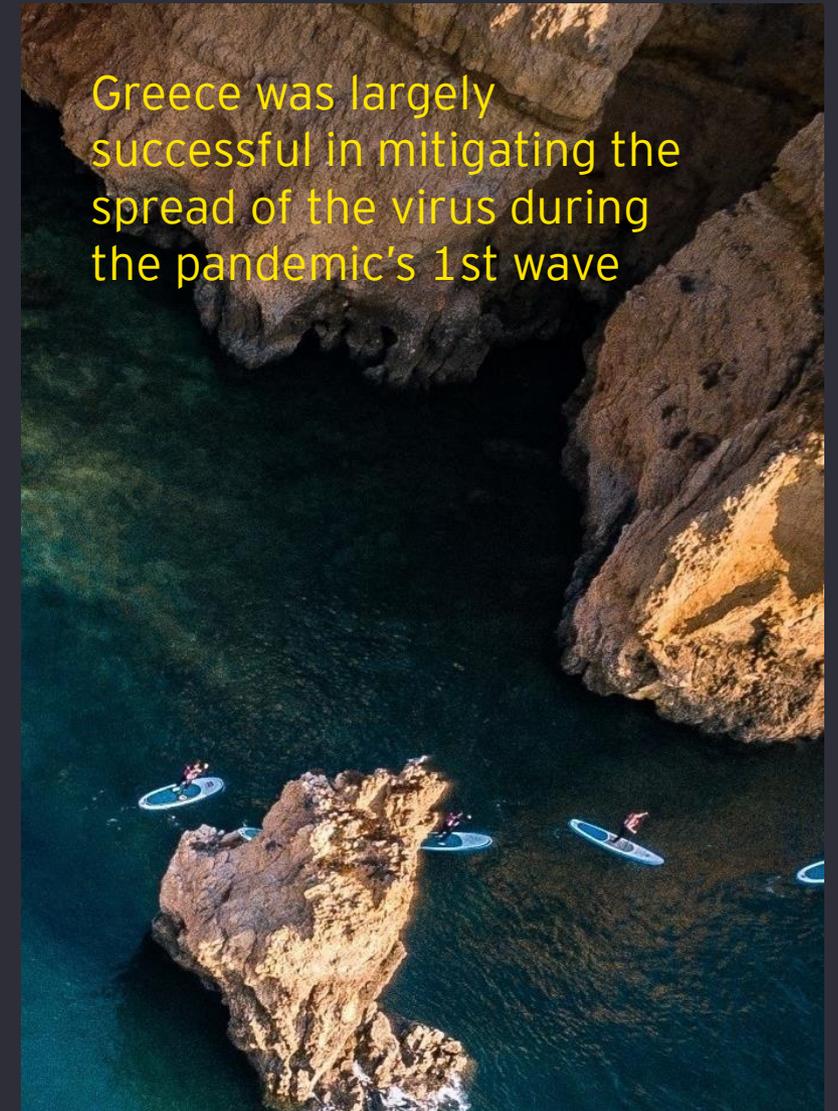
Executive Summary

On 30 January 2020 the World Health Organization declared the COVID-19 outbreak a “public health emergency of international concern”. Nearly 1.5 months later, on 11 March 2020, the COVID-19 outbreak was updated to a global pandemic status, thus opening a new chapter in which monitoring cases and deaths became a daily global reality.

The first official case of COVID-19 in Europe was reported on 24 January, while the first case in Greece was reported a month later, on 26 February 2020. These dates signify the beginning of what is now distinguished as the “1st COVID-19 wave”. During this first wave, Greece showed exemplary results in containing the spread of the virus, attributed to both the swiftness by which containment measures were taken, as well as the natural impact of the imposed lockdown. Throughout the 1st wave, total cases in Greece remained relatively low, at 2,915 total (31/day on average).

However, the suddenness with which everybody’s daily life was altered, the lockdown, and the changes in consumer behavior, all put (unequal) pressure on numerous economic activities. Thus, significant contractions of the global, European and Greek economies, in terms of GDP, trade and employment, were inevitable. According to OECD data, during Q2 2020, the Greek GDP contracted - compared to Q4 2019 - by nearly 15% (same with the Euro Area’s average), trade - as measured by the value of exports - by 32% (vs. 25% and 24% in the OECD and the Euro Area respectively), while employment declined by 3% (vs. 7% and 2% in the OECD and the Euro Area respectively).

Greece was largely successful in mitigating the spread of the virus during the pandemic’s 1st wave



Executive Summary

From the beginning of March to mid-May, the Greek Government's imposed measures seem to have been effective in containing the spread of the virus, with the average of daily cases reported falling close to 10. Given the importance of the tourism industry for the Greek economy (making up nearly 21% of the country's annual GDP), the evident success in mitigating the spread of the virus, as well as the lingering fear of the severe impact that the potential loss of the peak of the tourism season could have, laid the ground toward the lifting of the nationwide lockdown, however, with additional containment measures specifically imposed on the Food and Beverage (F&B) sector.

In this report, we summarize the key aspects of COVID-19's impact on the Greek tourism sector, since the beginning of the pandemic to this day, based on the most recent available data, focusing on the pandemic's effects on transport, hotel bookings and consumer behavior. To this end, we collected publicly available data, reports, and information from trusted sources, and assessed the pandemic's impact by strictly exercising evidence-based judgement.

During the 1st wave of the pandemic, global air travel nearly froze, a development the lasting effects of which were still evident after most of the national lockdowns had been lifted. Forwardkeys estimated that, during January-October 2020, airport bookings to Europe declined by 82%, compared to the corresponding period of the previous year, while IATA and ICAO both estimated total losses in gross passenger revenues ranging between \$371b - \$392b.



15%

contraction of the Greek GDP in Q2 2020, due to the suspension of various economic activities

Executive Summary



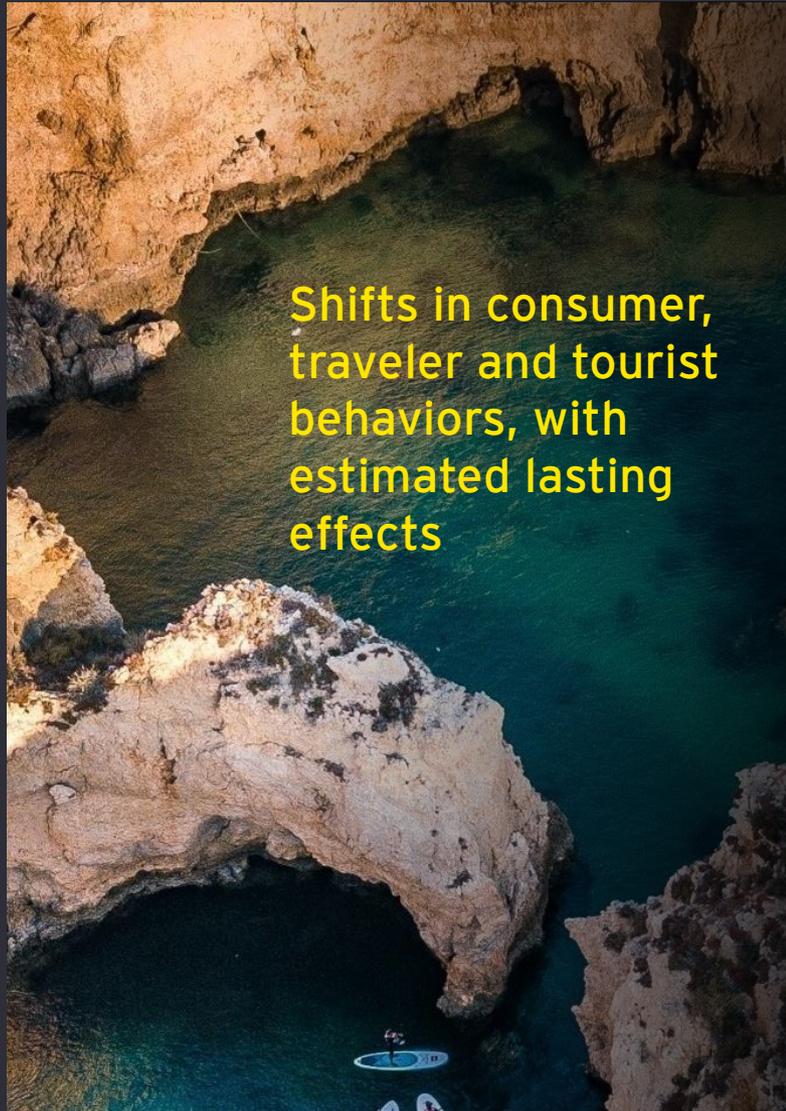
These effects have been estimated to jeopardize nearly 100m-120m jobs globally, in the airlines and other associated sectors, such as travel and tourism, which experienced substantial losses.

In Greece, air travel experienced similar trends, with Greek airports' international air traffic recording a 72% drop during the first 10 months of 2020, while tourist receipts declined by nearly 78% (€3.5b vs. €16.1b during the respective first nine months of 2019).

As expected, the negatively impacted transport sector had a domino effect on other tourism-related economic activities, such as hotels and accommodations, both globally and domestically. Hotel bookings globally and in Europe, declined by 47% and 57% respectively on a year-on-year (YoY) basis, during the January-November period, while the occupancy rate during January-October declined to 41% and 33% respectively. Specifically, HVS projects a 35% occupancy rate for the European hotel sector's 2020 performance, with a €93 average daily rate (i.e. a €32 revenue per available room).

In Greece, during the peak of the tourism season (July-September), the hospitality sector's occupancy rate did not exceed 30%, with an average of 23% per month (in contrast to 71% in 2019, during the respective period). Furthermore, the average daily rate was estimated at €86, which, combined with the aforementioned occupancy rate, resulted in a €20 revenue per available room. Compared to Q2 2019, and according to ELSTAT data, the tourism sector's employment index showcased a drop of 39.5% in Q2 2020, working hours decreased by 78.5%, while salaries and hourly wages dropped by 69.7%.

Executive Summary



Shifts in consumer, traveler and tourist behaviors, with estimated lasting effects

Apart from the economic impact, COVID-19 increased the public's awareness on hygiene, environmental, and cybersecurity issues, while also triggering a multi-dimensional transformation of consumer behaviors, leading to a major shift toward e-commerce and digital transactions, and the regionalization of travel and tourism - impacts that are estimated to have a lasting, if not permanent, effect.

In the end, lifting the first lockdown seems to have given (however small) a much needed breath of air to a struggling tourism industry, yet, at the same time, it negatively impacted the containment of the virus. By the beginning of July to mid-August, reported cases of COVID-19 in Greece had started to significantly increase on a daily basis, reaching 185 daily cases reported on average during August. This initial sharp increase, as well as the public's evident fatigue in maintaining self-protection measures, have been the key elements to have spurred a more severe 2nd COVID-19 wave, leading to the second nationwide lockdown (with 266 average daily cases in September, 615 in October, and 2,233 in November).

Overall, the tourism industry has greatly suffered from COVID-19. The pandemic's impact so far, has demonstrated the sector's structural deficiencies, while it has also highlighted the steps that need to be taken onward, in terms of demand evolution, health and hygiene, innovation and digitalization, and sustainability, in order to enhance the sector's resiliency in the near and distant future, for it to continue being a lever of economic growth.

Dashboard

The poor performance of the tourism industry and a second COVID-19 wave, to impact Greece's economic recovery

COVID-19's evolution

	Europe	Greece
Whole period		
Cases (total)	11,015,734	119,720
Deaths (total)	246,325	3,289
Deaths/Cases	2.2%	2.7%
1st Wave (until 31/05/2020)		
Cases (total)	902,195	2,915
Deaths (total)	94,577	175
Deaths/Cases	10.5%	6.0%
2nd Wave (from 01/08/2020 to 10/12/2020)		
Cases (total)	9,815,313	115,319
Deaths (total)	142,944	3,086
Deaths/Cases	1.5%	2.7%

Source: WHO

Revised projections, Greece's 2020 GDP

Before and after the summer of 2020

	Prior	Revised
OECD	-8.0%	-10.0%
IMF	-10.0%	-9.5%
EBRD	-6.0%	-9.5%

Source: OECD, IMF, EBRD



Dashboard

The poor performance of the tourism industry and a second COVID-19 wave, to impact Greece's economic recovery



COVID-19's impact on tourism

2020 travel indicators (vs 2019)

	Air traffic	International arrivals	Drop in tourist receipts
Global	-66%	-70%	\$0.9-1.2tn*
Greece**	-72%	-74%	€13.1b

International hospitality YoY

	Hotel bookings**	Occupancy rate**	Short-term rentals**
World	-47%	41%	-6%
Europe	-57%	33%	-8%

Greek hospitality KPIs, Jan-Sep 2020

	Occupancy rate	ADR	RevPAR
July	18%	€87	€16
August	30%	€95	€28
September	22%	€75	€16
Average	23%	€86	€20

Source: UNWTO, IACO, IATA, HVS, AirDNA

* 2020 Forecast - the figure refers to total exports from tourism
(Tourism Exports = Tourist Receipts + international passenger services)

** As of October 2020

COVID-19's economic impact

Q2 2020 Q4 2020 Q4 2021 Q4 2022

Gross Domestic Product (vs Q4 2019)

OECD	88%	95%	98%	101%
Euro Area	85%	93%	97%	100%
Greece	85%	86%	94%	99%

Employment in persons (vs Q4 2019)

OECD	93%	96%	97%	98%
Euro Area	98%	97%	97%	99%
Greece	97%	96%	96%	98%

Trade of goods and services (vs Q4 2019)

OECD	75%	90%	95%	102%
Euro Area	76%	93%	100%	105%
Greece	60%	67%	79%	94%

Source: OECD

Evolution of the COVID-19 pandemic in Greece

The second wave is more severe than the first one, in both the EU and Greece

COVID-19 in Greece

During the 1st wave of COVID-19, the spread of the virus was limited due to the public's generally disciplined approach toward the containment measures imposed by the Government, which mainly focused on restricting unnecessary movement and practicing social distancing (e.g. the "stay at home" guideline, school closures, retail / accommodation / F&B businesses closures, etc.).

In contrast, the 2nd wave has proven to be more severe, mostly due to the reopening of the economy and the overall fatigue from the ongoing measures, which made it difficult for the public to comply with self-protection measures (e.g. social distancing, use of face mask, etc.), despite the implementation of health protocols by the Government.

Especially during the last four months, COVID-19 confirmed cases and deaths have recorded a sharp increase. On average, daily cases in August were close to 185, with 2 deaths per day, both of which saw a sharp increase in September (266 cases and 4 deaths per day), October (615 cases and 7 deaths per day), and an even sharper one during November (2,223 cases and 57 deaths per day). During the first 10 days of December, daily reported cases had been steadily declining (1,549 on a daily average), while reported deaths attributed to COVID-19 still remained very high (97 on a daily average, equal to the average of the last 10 days of November).



Evolution of the COVID-19 pandemic in Greece

The second wave is more severe than the first one, in both the EU and Greece

The COVID-19 pandemic development

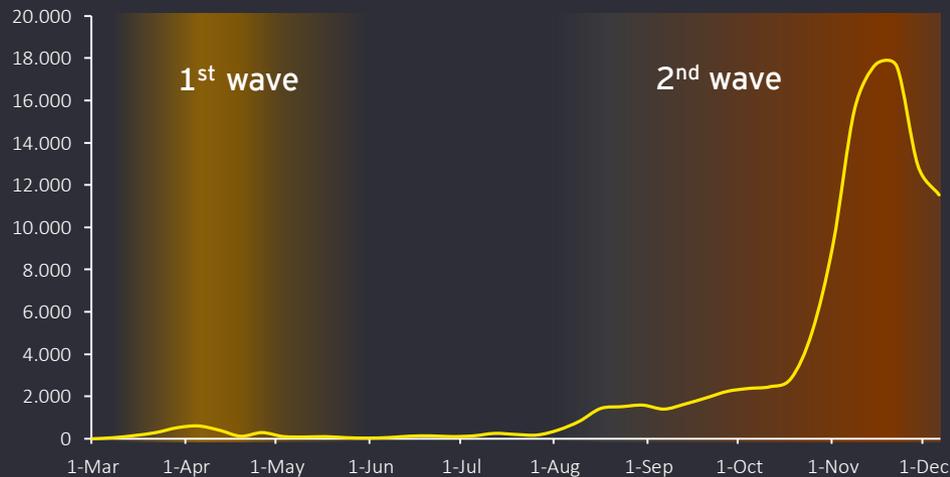
Source: WHO, COVID19.gov.gr, EY analysis

1st wave: patient zero date to 31/05/2020 - 2nd wave:
01/08/2020 to 10/12/2020

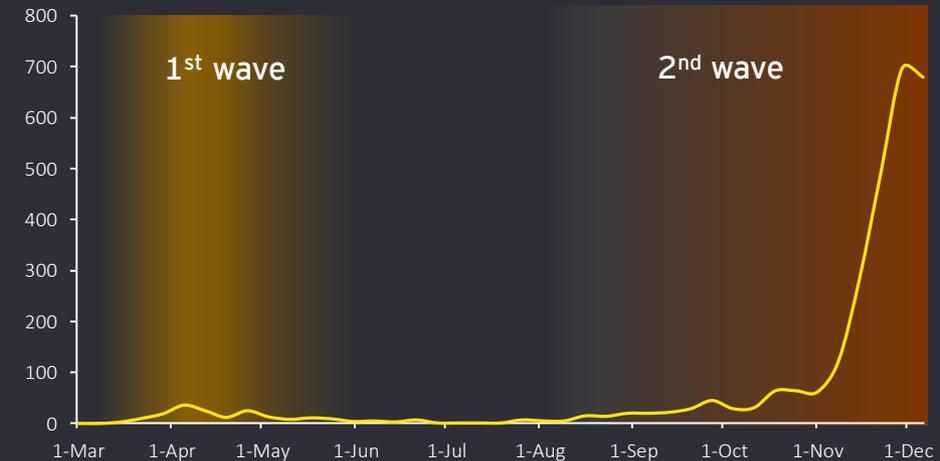
*Total period also includes the period between the two waves, i.e.
01/06/2020 to 31/07/2020

Location	Europe			Greece		
	1st Wave	2nd Wave	Total Period*	1st Wave	2nd Wave	Total Period
Cases (total)	902,195	9,815,313	11,015,734	2,915	115,319	119,720
Cases (daily peak)	23,698	234,250	234,250	156	3,316	3,316
Deaths (total)	94,577	142,944	246,325	175	3,086	3,289
Deaths (daily peak)	3,432	4,146	4,146	9	121	121
Deaths/Cases	10.5%	1.5%	2.2%	6.0%	2.7%	2.7%

Greece: reported COVID-19 weekly cases



Greece: reported weekly deaths attributed to COVID-19



Source: WHO, EY analysis

Evolution of the COVID-19 pandemic in Greece

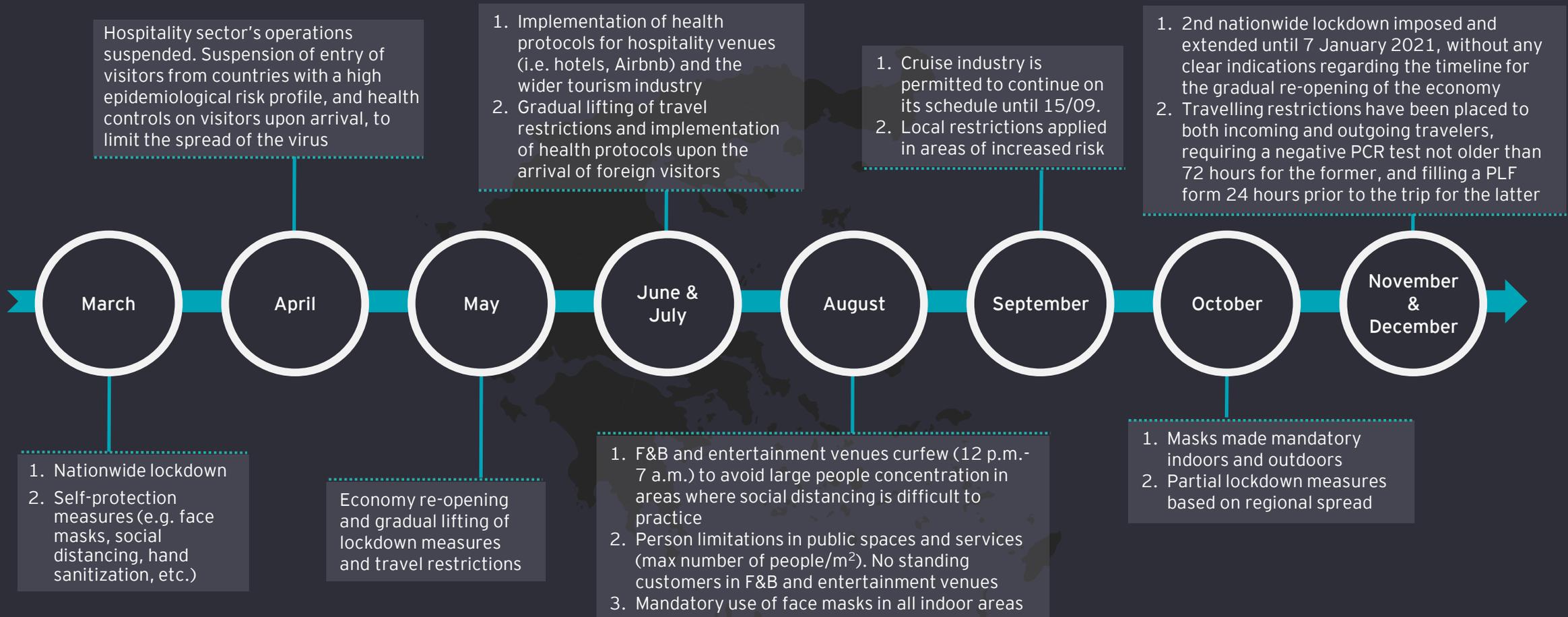
Measures were enforced in order to mitigate the spread of the virus, as well as to protect Greece's key industry: tourism



Since the beginning of the pandemic, the Greek Government has taken all the necessary measures, to gain the time needed in order to better cope with COVID-19, with the ultimate goal of re-opening the economy and, consequently, the tourism sector, whose contribution to the country's economy is crucial. Subsequently, throughout the summer, additional measures were implemented so as to shield the tourism sector and all its related sub-sectors, further enhancing Greece's profile as a safe destination, with the endmost goal of containing this season's losses. However, as the epidemiological burden increased sharply, local lockdowns were imposed in October, to limit the spread of the virus, while in early November, the country entered into a nationwide lockdown. Although hotels have been excluded from the list of businesses that have to suspend all activities, their operation is becoming unprofitable due to travel restrictions on visitors.

Evolution of the COVID-19 pandemic in Greece

Measures were enforced in order to mitigate the spread of the virus, as well as to protect Greece's key industry: tourism



Source: COVID19.gov.gr, EY analysis

The impact of COVID-19 on the OECD countries and the Euro Area

Similar impact and recovery patterns across the OECD and the Euro Area

Impact on the OECD and the Euro Area economies

The impact of COVID-19 was felt in nearly all economies, affecting global trade, gross domestic product and employment. According to OECD's latest projections, the aggregate GDP of the OECD countries fell sharply during Q2 2020 by almost \$6tn, compared to the previous quarter (10% quarter-on-quarter - QoQ), trade of goods and services (measured by total exports) dropped by \$3tn (21% QoQ), while the number of total persons employed declined by 45m. Respectively, the Euro Area's GDP declined by approximately €1.3tn during Q2 2020 (12% QoQ) and trade by €1.2tn (20% QoQ), while employment declined by nearly 3.6m.

From Q3 2020 onward, the projected evolution of the aforementioned impacts can significantly vary, due to the uncertainty surrounding the escalation of the pandemic. In June, the OECD projected that the aggregate GDP of the OECD countries in Q4 2021 could be \$1.5tn-\$3.4tn less than in Q4 2019, and €0.3- €0.7tn less in the Euro Area respectively - depending on the impact of a potential (at the time) 2nd hit in Q4 2020. These projections have been revised based on the unfolding severity of the 2nd wave, as well as the significant progress that has been made with regards to the vaccine.

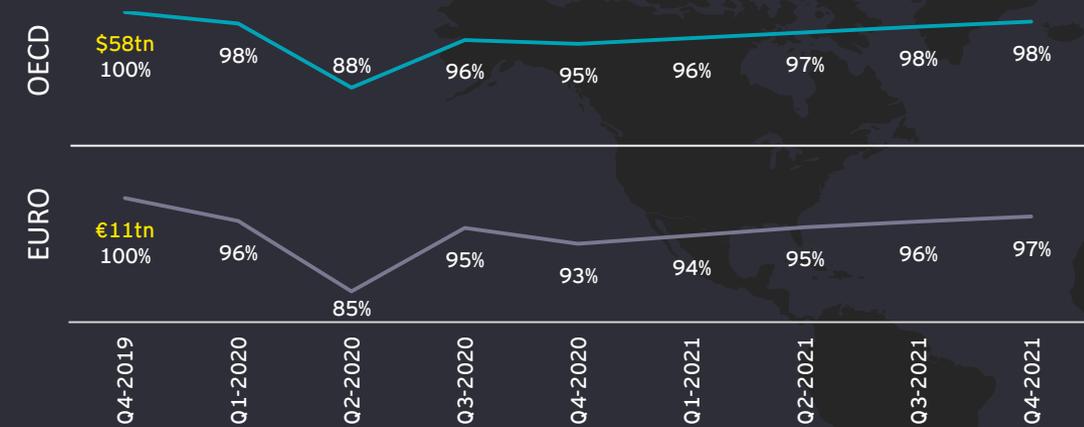


The impact of COVID-19 on the OECD countries and the Euro Area

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Impact on the OECD and the Euro Area economies

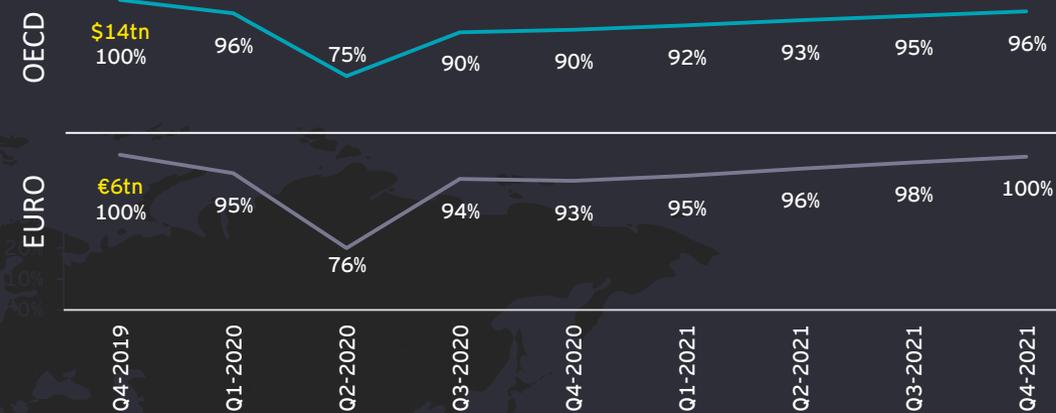
Gross Domestic Product (vs Q4 2019)



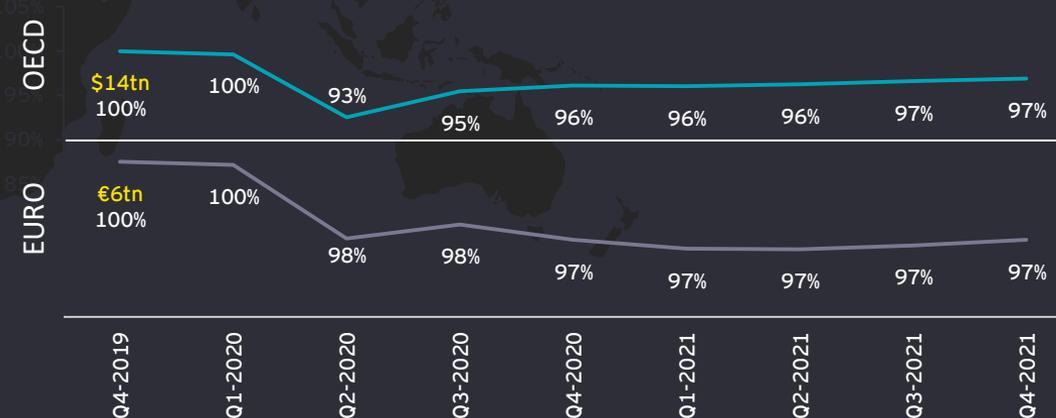
Legend:
■ Euro Area
■ OECD countries

Source: OECD EO108

Trade of goods and services (vs Q4 2019)



Employment in persons (vs Q4 2019)



The impact of COVID-19 on the Greek economy

Greek economy to greatly suffer from the 2nd wave in Q4 2020, with recovery further delayed by almost a year

Impact on the Greek economy

According to the latest available data by ELSTAT, Greece's GDP declined by approximately 6% in Q2 2020, relative to Q1, while in 2019, the respective comparison showcased a 10-11% increase (a 16% YOY decline in the second quarter's GDP). In addition, the GDP in Q3 2020 recorded a 10-11% drop compared to Q3 2019, while the cumulative GDP for the first three quarters of 2020 was 9.2% less than 2019's first three quarters' GDP. According to OECD's latest (December) projections, the trade of goods and services contracted by 32% in Q2 2020 (vs. Q4 2019), while total employment declined by approximately 3%. Compared to OECD's June projections, the imposition of the 2nd nationwide lockdown has shifted expectations mostly downward, toward the "double COVID-19 hit" scenario (OECD EO107 - June).

- ▶ GDP in Q4 2020 is estimated to contract by 14% compared to Q4 2019,
- ▶ exports are expected to decline by up to 33% in Q4 2020,
- ▶ total employment could decrease by nearly 4% (a decline that has been significantly mitigated by the government's supports measures), while
- ▶ public debt to GDP ratio is projected to increase from 177% in 2019 to 209% in 2020.

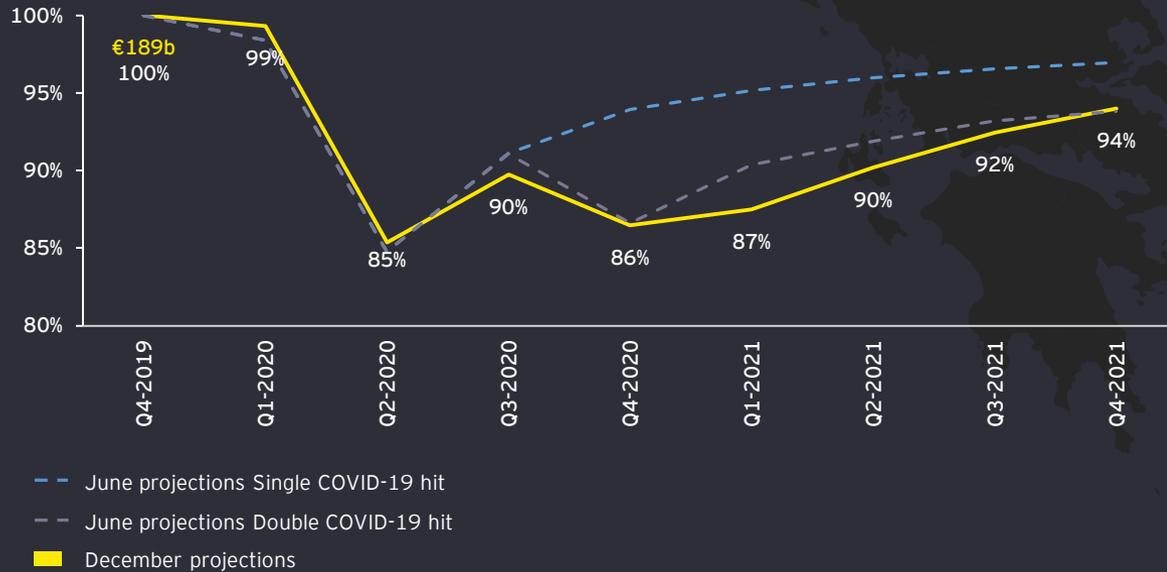


The impact of COVID-19 on the Greek economy

Greek economy to greatly suffer from the 2nd wave in Q4 2020, with recovery further delayed by almost a year

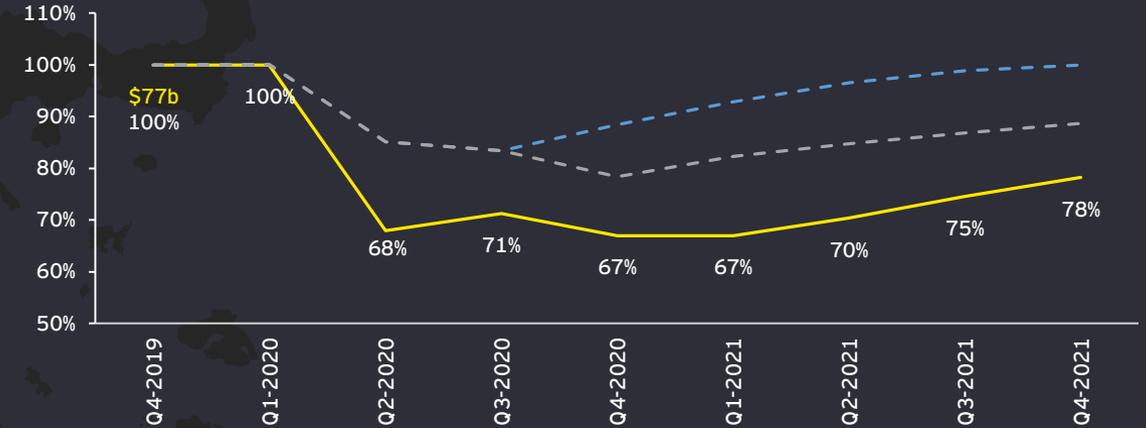
Impact on the Greek economy

Gross domestic Product (vs Q4 2019)

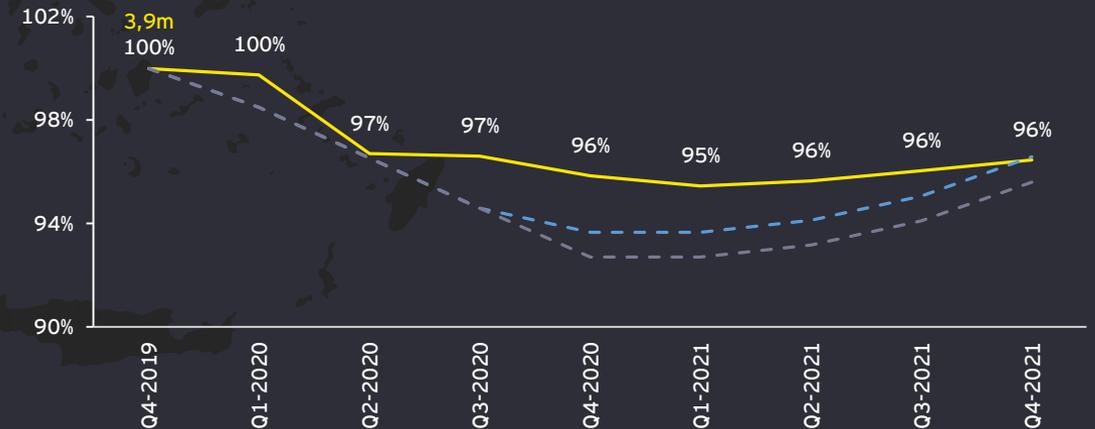


Source: OECD EO108, ELSTAT

Trade of goods and services (vs Q4 2019)



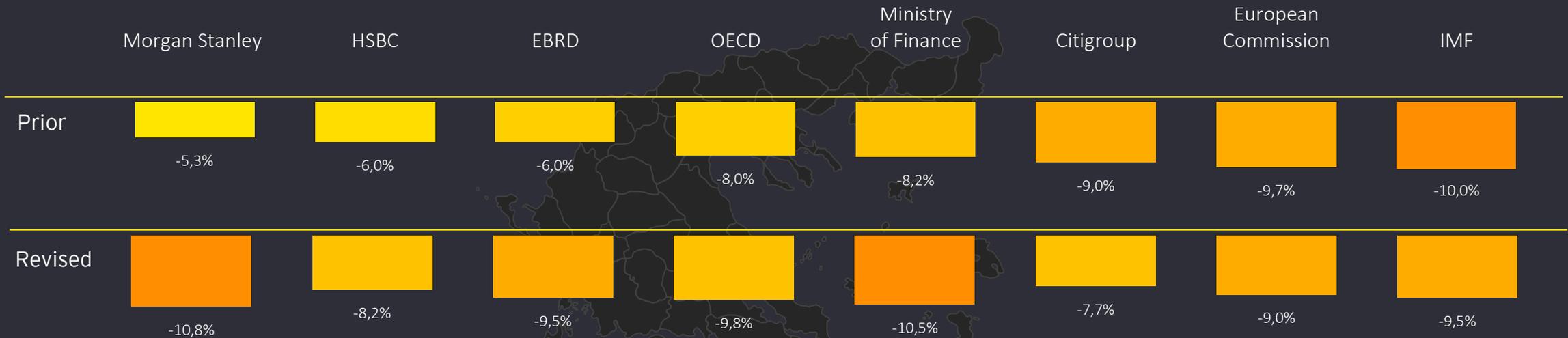
Employment (vs Q4 2019)



The impact of COVID-19 on the Greek economy

Revised impact estimates regarding the decline of Greece's 2020 GDP fluctuate around 9%-10%

Revised views on the impact of COVID-19 on Greece's 2020 GDP



- ▶ **Morgan Stanley** readjusted its estimates regarding Greece's 2020 GDP, from a 5.3% drop to a 10.8% drop
- ▶ **HSBC** estimates a 8.2% decline in Greece's GDP this year, driven by its expectations of a 7% recovery in the third quarter, compared to April-June, and a 1.4% GDP growth between the third and fourth quarter of 2020
- ▶ **EBRD** made a downward revision of its estimates regarding the contraction of Greece's 2020 GDP, from the previously estimated 6% decline to a 9.5% decline
- ▶ The **OECD** revised its previous forecasts in December, expecting a 10% contraction of the Greek GDP in 2020, as opposed to its previous best (worst) case scenario, where contraction was estimated at 8.0 % (9.8%)
- ▶ **Citigroup** revised its expectations for Greece's 2020 GDP decline, from 9% to 7.7%, despite the prolongation of the 2nd nationwide lockdown
- ▶ The Greek **Ministry of Finance** expects a decrease in Greece's 2020 GDP of around 10.5% (as opposed to its prior estimates of 8,2%), with estimates for a subsequent 4.8% rebound in 2021 (vs. its previous expectations for 7.5%)
- ▶ The **European Commission** revised its estimates regarding Greece's 2020 GDP, from an estimated 9.7% decline to 9.0%, while the 2021 rebound forecast changed from the previously forecasted 7.9% increase, to a 5.0% increase
- ▶ The **IMF** estimates a 9.5% drop in the Greek GDP in 2020, with a 4.1% GDP growth rebound expected during 2021

Major international organizations have been revising their estimates regarding the impact of COVID-19 on the Greek economy. As the dependence of the Greek economy on tourism is very high (making up 20.8% of the country's GDP, according to *INSETE*), the COVID-19 pandemic's blow to the sector, is expected to have a significant impact on Greece's 2020 macroeconomic performance.

The impact of COVID-19 on tourism

Air travel halted during the 1st wave, having a lasting impact on tourism arrivals during the peak of the season

Air travel, international arrivals, and tourist receipts

Globally, aviation companies face an unprecedented challenge due to the impact of the COVID-19 pandemic



The United Nations World Tourism Organization (UNWTO) expects a **70% drop** in international arrivals for 2020



Over the January-November 2020 period, ForwardKeys observed a **82% decline** in airport bookings to Europe, across all subregions



IATA has downgraded its **traffic forecast** for 2020, expecting a **66% drop** globally

As a result:



Based on WWTTC, **143m** jobs in the travel and tourism sectors have been lost so far, potentially reaching **175m** if no improvement is observed.



IATA projects that gross passenger revenue losses will reach about **\$371b**, while ICAO's forecasts fluctuate around **\$388-\$392b**.



According to UNWTO forecasts, there will be a **loss of \$0.9tn-\$1.2tn** in export revenues from tourism in 2020.

Sources: ICAO, "Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis - November 2020"; WWTTC, "Global Recovery Scenarios - November 2020"; IATA, "Airline Industry Statistics Fact Sheet - June 2020"; UNWTO, "Global Tourism Dashboard - 27/10/2020"; Hellenic Civil Aviation Authority, 1/9/2020; Bank of Greece, "Monthly statistics of balance of payments - October 2020"; INSETE, "Report No. 63 - November 2020"

The impact of COVID-19 on tourism

Air travel halted during the 1st wave, having a lasting impact on tourism arrivals during the peak of the season

Air travel, international arrivals, and tourist receipts

Greek figures followed global trends, with a steep decline in the number of flights, as well as in tourist receipts



International air traffic recorded a 72% drop during January-October 2020, compared to the same period in 2019



Tourist receipts recorded a 78.2% drop in January-September 2020, compared to the same period in 2019 (2019: €16.1b - 2020: €3.5b)



Travel surplus* for January-August 2020 recorded a 80% drop, compared to 2019 (2019: €14.1b - 2020: €2.8b)

Sources: INSETE, Bank of Greece, Hellenic Civil Aviation Authority

*Travel Surplus = Receipts - Payments

Greece: Flights & Arrivals January-October 2020

Source: Hellenic Civil Aviation Authority
*The data refers to international tourism

	2019	2020
Flights (thousand)	300	116
Tourist arrivals (million)	22.2	6.2

Top 4 markets contributing to the Greek tourism sector

Greece: Tourist receipts Jan-Sep 2020/ Jan-Sep 2019
Source: Bank of Greece, INSETE

	Germany	UK	France	USA
€ (million)	785	619	310	72
% decline	69.4%	73.9%	68.9%	92.9%

Sources: ICAO, "Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis - November 2020"; WTTC, "Global Recovery Scenarios - November 2020"; IATA, "Airline Industry Statistics Fact Sheet - June 2020"; UNWTO, "Global Tourism Dashboard - 27/10/2020"; Hellenic Civil Aviation Authority, 1/9/2020; Bank of Greece, "Monthly statistics of balance of payments - October 2020"; INSETE, "Report No. 63 - November 2020"

The impact of COVID-19 on tourism

Greek hotels are struggling, due to the low occupancy rates and poor revenue performance

Accommodation and bookings

The decline in international travels, the suspension of activities, the national lockdowns and the prevailing sense of fear even after the re-opening of most economies, dealt a severe blow to global accommodation.

International hospitality sector (YoY)

	Hotel bookings*	Occupancy rate**
World	-47%	41%
Europe	-57%	33%
N. America	-41%	44%
Asia & Pacific	-57%	43%

Source: UNTWO Tourism Recovery Tracker
* January-November; ** January - October



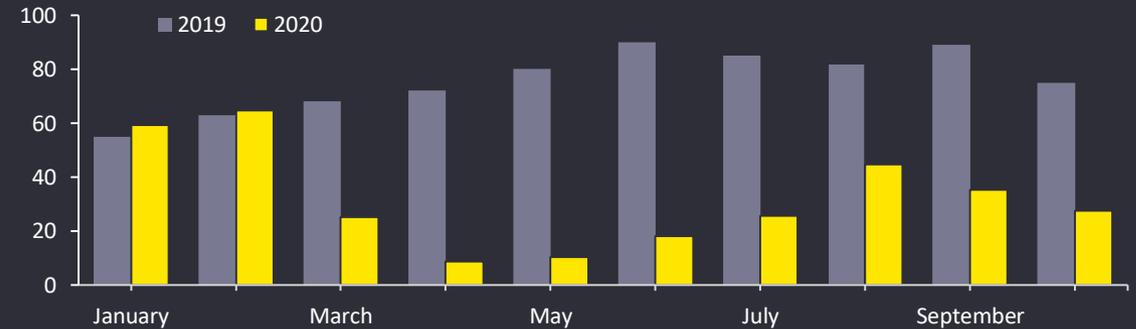
2.5-4 years
until global
tourism fully
recovers at pre-
COVID-19 levels

Source: UNTWO

Estimates for the European hotel sector's 2020 performance show a **35% occupancy rate**, a **€93 ADR** and a **€32 RevPAR** (Source: HVS report "The Impact of COVID-19 on the European Hotel Sector" - September 2020).

European hotels RevPar € - 2019/2020

Source: HVS, STR - extraction date: 23/11/2020



The impact of COVID-19 on tourism

Greek hotels are struggling, due to the low occupancy rates and poor revenue performance

Accommodation and bookings

The **Greek** hotel sector's performance followed the prevailing trends at a pan-European and global level, recording a significant drop in all key performance indicators.

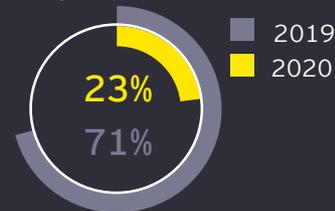
Greek hospitality sector's KPIs (2020)

	Occupancy rate*	ADR	RevPAR
July	17.9%	€87.1	€15.6
August	29.8%	€95.2	€28.4
September	21.7%	€75.0	€16.3
Average	23.1%	€86.0	€20.0

Source: ITEP - October 2020

*Calculated in reference to the country's total hotel capacity

Average occupancy rate (July-September)

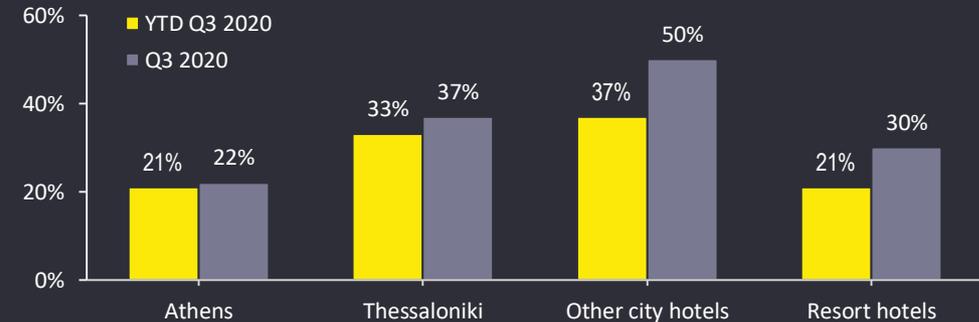


Source: ITEP; ELSTAT October 2020

According to ELSTAT, the **employment** index in the tourism sector dropped by 39.5% in Q2 2020, working hours decreased by 78.5% and **salaries and wages** by 69.7%, compared to Q2 2019.

Hotel sector's revenue performance* - (vs. 2019)

Source: GBR Hospitality Quarterly Newsletter Q3 2020



*Room revenue for Athens and Thessaloniki; total revenue for other cities' hotels and resort hotels

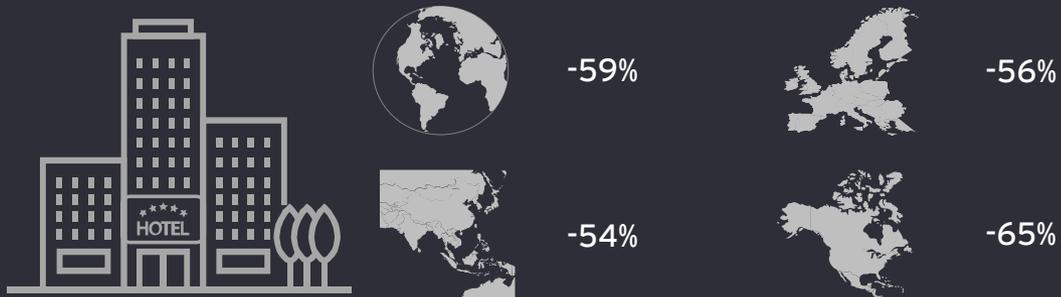
The impact of COVID-19 on tourism

The holiday home and short-term rental market managed to mitigate its losses, despite a challenging H1 2020

Hotel investment volume, holiday home and short-term rental market

As a result of tourism's poor performance due to the COVID-19 pandemic, **global hotel investment volume** was significantly affected.

Global hotel investment volume: H1 2020 vs H1 2019



Source: Savills

On the contrary, the global **holiday home market** demonstrated relative resilience during the pandemic, increasing the attractiveness of high-end residential properties in the countryside and sea front locations.

Short-term rentals - 2019/2020

	YTD 2020*	Q3 2020
World	-6%	-25%
Europe	-8%	-24%
North America	-3%	-19%
Asia	-8%	-36%
Oceania	-9%	-19%

Source: UNWTO, AirDNA *January - October

According to the 2020 Knight Frank Global Buyer Survey, **over 25%** of investors are considering buying a holiday home as a result of the pandemic.

Sources: Savills, "Activity in global real estate investment - July 2020"; Savills, "Spotlight: European hotel trends outlook 2020 - 5/11/2020"; UNWTO, "Global Tourism Dashboard - 27/10/2020"; HVS, "The Impact of COVID-19 on Hotel Occupancy Levels in Athens and Thessaloniki - April 2020"; Geoaxis, "Report summer 2020, price observatory, holidayhomes - July"; AirDNA; Desk research

The impact of COVID-19 on tourism

The holiday home and short-term rental market managed to mitigate its losses, despite a challenging H1 2020

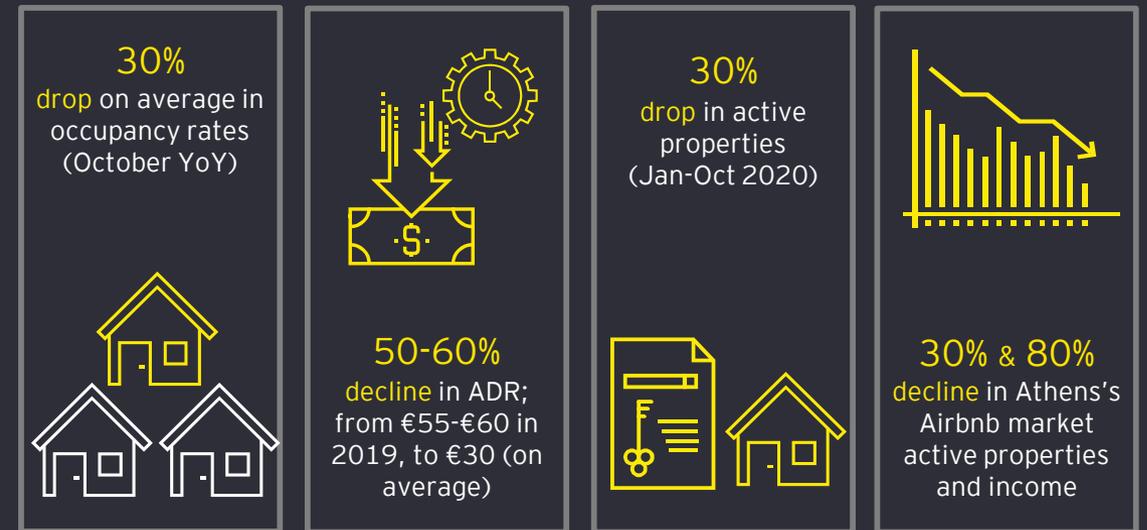
Hotel investment volume, holiday home and short-term rental market

Compared to 2019, when investment activity in the **Greek hotel sector** was booming (over **€500m** - *Source: HVS*) due to the country's robust tourism performance, the volume of transactions in 2020 has been (so far) less pronounced, with fewer significant deals taking place (e.g. Hines Greece acquired Cyan Hotels in Crete for ca. €60m, BRiQ Properties REIC acquired Mr. & Mrs. White Corfu for €3m and Plaza Hotel Skiathos for €3.5m, etc.).

Holiday home sales prices have continued their upward trend within 2020, despite the sharp fall recorded in the real estate trading volume, due to the economy's downturn since the start of the pandemic.

Holiday home capital values (i.e. asking price) have recorded a 1.6% growth during H1 2020, in major tourist destinations, such as Mykonos, Paros, and Santorini (*Source: Geoaxis*).

Airbnb in Greece - 2020 Overview



Source: AirDNA; Desk Research

Sources: Savills, "Activity in global real estate investment - July 2020"; Savills, "Spotlight: European hotel trends outlook 2020 - 5/11/2020"; UNWTO, "Global Tourism Dashboard - 27/10/2020"; HVS, "The Impact of COVID-19 on Hotel Occupancy Levels in Athens and Thessaloniki - April 2020"; Geoaxis, "Report summer 2020, price observatory, holidayhomes - July"; AirDNA; Desk research

COVID-19 establishes a new normal

Expectation of long lasting impactful changes in lifestyles and consumer behaviors



As stated by the OECD, the share of **e-commerce** in retail spiked from 11.8% to 16.1%, between Q1 and Q2. Based on a research from IELKA, the customer base of online shoppers in Greece corresponds to 50% of all internet users (up from 20% in 2019).

In addition, 68% of the **travel and tourism workforce** requires re-skilling, as 89% of the sectors' companies state that the skill gap in local labor markets is a barrier to the adoption of new technologies.



64% of consumers say they will pay more attention to the **environment**, in the long term. The EU Commission developed a plan to achieve zero net emissions by 2050, based on new job creation and investment needs, predicted to cost €500b.

An IELKA survey showed that, in August 2020, the most important factor for Greek **consumers** was product affordability (28%), with quality coming second with 25%, whereas in 2019, quality was the number one factor, with 33%.



According to EY, "sectors such as hospitality, retail and office, are likely to suffer, as social distancing has led to behavioral shifts". Tenants' needs, as well as changes in the way in which tourism will develop onward, will affect commercial and hospitality **real estate** values.

Beyond the humanitarian and economic toll of the pandemic, a multi-faceted transformation has been witnessed throughout the globe, with respect to individual and consumer behaviors. These shifts indicate a rapid and sudden disruption of economic and social activities, however, some of those could also indicate untapped opportunities and changes that were long overdue (e.g. digitalization, environmental awareness, etc.).

Sources: OECD, "E-commerce in the time of COVID-19"; Institute of Retail Consumer Goods - GR (IELKA); WTTC & Oliver Wyman, "The future of travel & tourism in the wake of COVID-19"; EY, "COVID-19: Why this means farewell to a golden age of real estate"; EY, "Three ways COVID-19 is changing the payments industry"; desk research

COVID-19 establishes a new normal

Expectation of long lasting impactful changes in lifestyles and consumer behaviors



Digitization rates have increased. According to WTTC, 69% of people who used videoconferencing for the first time during COVID-19, expect to continue to do so. Furthermore, 33% of travelers expect to **work remotely** 1-5 days per week, after the end of the pandemic.

Traveler preferences and behaviors have shifted toward the familiar, predictable, and trusted. Domestic and **regional vacations**, and the outdoors, will reign in the short-term. According to a report by WTTC, 58% of travelers plan to take domestic trips for the rest of 2020.



Digital transactions have increased dramatically since March and **tap-to-pay** usage increased by 150% from a year earlier in March, according to Visa. In April alone, the number of customers registering for mobile banking rose by 200%, while mobile banking traffic jumped by 85%.

Following the digitalization of work, education, commerce and transactions, the interest and concerns surrounding **cybersecurity** are gaining momentum. According to an EY report, 68.5% of a webcast's participants identified digital security as the factor most valued by consumers in a payment experience.



Tourists now prefer to travel in smaller groups, choosing more remote and isolated areas for their vacations, while also booking on much shorter lead-times than before. Overall, tourists' decisions are impacted by the perceived safety of each destination / accommodation.



Sources: OECD, "E-commerce in the time of COVID-19"; Institute of Retail Consumer Goods - GR (IELKA); WTTC & Oliver Wyman, "The future of travel & tourism in the wake of COVID-19"; EY, "COVID-19: Why this means farewell to a golden age of real estate"; EY, "Three ways COVID-19 is changing the payments industry"; desk research

Projected recovery from the COVID-19 crisis

Greek economy estimated to recover by 2022 - tourism sector expected to fully recover by 2023-2024

Projected recovery in Greece

- ▶ The European Commission estimates that recovery will be harder for Member States which are mostly dependent on travel and tourism, such as Croatia (25% of GDP), Cyprus (22%), Greece (21%), Portugal (19%) and Spain (15%).
- ▶ Based on Oxford Economics' latest forecasts, Greece's overall economic recovery will be achieved between 2022 and 2023; an estimation similar to the ones by major international institutions, such as the IMF.
- ▶ Early estimates on total tourist receipts for 2020 are close to 20% of 2019's total, while, according to SETE, tourist receipts in 2021 could reach 50%-60% (vs. 2019). The Ministry of Tourism concurs with these estimates, given that PCR testing is unilaterally applied for international arrivals in all Greek airports (otherwise, the Ministry expects tourist receipts in 2021 to be near 20%-30% of the 2019 figures).
- ▶ Greek tourism's recovery is not expected to occur earlier than 2022, similar to the Greek economy's and the global tourism industry's projected recoveries.

However, the extent to which the above projections will be realized, depends - up to a certain point - on the timing and effectiveness of the COVID-19 vaccine.

In this regard, the European Union has already reached to agreements with AstraZeneca and Pfizer-BioNTech, for the purchase of at least 300m and 200m doses of the respective vaccines, on behalf of all EU Member States. Out of these, Greece is set to receive at least 3m doses, while the exact total amount is yet unknown. In early December, the FDA declared Pfizer-Biontech's vaccine safe and effective by 95% (from a sample of 43,000 vaccinated individuals), while in the UK and Canada the vaccine has already been approved. AstraZeneca's vaccine has also progressed, achieving nearly a 90% effectiveness rate (from a sample of 20,000 vaccinated individuals).

Meanwhile, in anticipation of the vaccine, actions that promote a sustainable economic recovery need to be taken, to mitigate the socioeconomic impact of COVID-19. To this end, said actions need to focus on two fronts:

- ▶ improving the performance of key industries / sectors (e.g. tourism), and
- ▶ efficiently containing the spread of COVID-19.

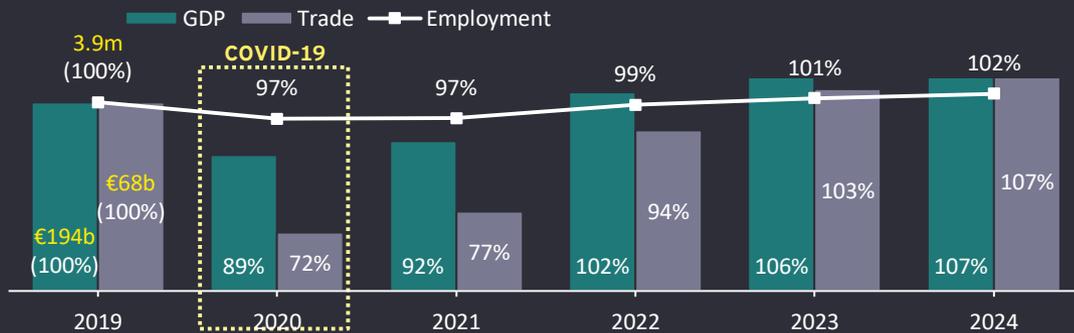
On this remark, it is essential for the government to keep applying a mixture of policies and measures, that simultaneously addresses both of the above fronts. At the same time, citizens must comprehend the difficulty of this balancing act and devoutly abide by the containment measures.

Projected recovery from the COVID-19 crisis

Greek economy estimated to recover by 2022 - tourism sector expected to fully recover by 2023-2024

Projected GDP, trade and employment (vs. 2019)

Source: Oxford Economics

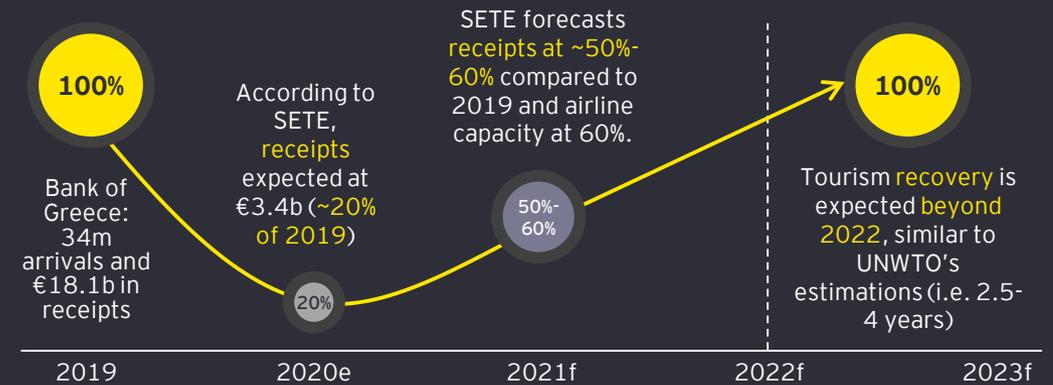


Other tourism-dependent countries in the EU:

- **Spain:** Real GDP will fully recover from the COVID-19 crisis in 2023, while unemployment will need one more year to do so.
- **Croatia, Cyprus, Portugal:** Similarly to Greece, these countries will be able to return to the 2019 figures in both economic indicators, by 2022.

Expected tourism recovery (receipts vs. 2019)

Source: SETE, Ministry of Tourism, diaNEOsis



The next day for tourism

The tourism sector will require support and a transformation, in order to build up its resilience for the future

Undoubtedly, **tourism** is one of the sectors that have suffered the most from COVID-19. The pandemic has also demonstrated the sector's structural deficiencies, which subsequently highlight the steps that need to be taken moving forward, in order to increase its resilience and accelerate its recovery.

Globally

According to WTTC, the main factors that could accelerate global tourism's recovery are: a globally coordinated approach, focusing on enhancing the current seamless travel experience, enacting global protocols for health and hygiene, and embracing the acceleration of the sector's technological transformation. At the same time, it is essential that governments continue to support the travel and tourism sectors throughout their recovery process.

Furthermore, as the demand for alternative tourism has been increasing, shifting focus toward alternative methods of tourism could further enhance the performance of countries that are tourism-dependent, experience seasonality issues, and hold some competitive advantages, such as cultural and religious monuments, environmental beauty, etc.

As such, global tourism should focus on four areas, in order to support the sector now and build its resilience for the future:

Demand evolution	Domestic and regional tourism, along with outdoors experiences, should be at the top of the agenda, as well as should the co-creation of a business strategy with the support of the local economies
Health and hygiene	Health protocols implemented during the pandemic should remain in force and evolve according to domestic needs, so as to enhance the travelers' sense of security, by creating an environment of trust
Innovation and digitization	As contactless technologies are becoming the norm (e-shopping, biometrics) and a prerequisite for a safe travel experience, it is essential that tourism businesses and local communities familiarize themselves with them, through education / continuous learning programs
Sustainability	As the public becomes increasingly aware of tourism's impact on the natural and social environment, tourism businesses' shift toward sustainability, environmental responsibility and tackling social inequalities, will be key to the sector's future development

Source: WTTC & Oliver Wyman, "The future of travel & tourism in the wake of COVID-19"; Desk research

The next day for tourism

The tourism sector will require support and a transformation, in order to build up its resilience for the future

Undoubtedly, **tourism** is one of the sectors that have suffered the most from COVID-19. The pandemic has also demonstrated the sector's structural deficiencies, which subsequently highlight the steps that need to be taken moving forward, in order to increase its resilience and accelerate its recovery.

Greece

During the pandemic, tourism businesses have been facing issues that require governmental intervention or support, such as delays on payments owed by tour operators, or the increased bookings cancelation rates and payment defaults.

However, in order to recover and evolve, the sector itself has to focus on addressing its key structural deficiencies and harnessing untapped opportunities. To this end, the Ministry of Tourism's 2021 strategy focuses on alternative tourism initiatives (nature, wellness and culinary tourism), while also highlighting lesser-known natural beauty areas (Mani / Peloponnese, Pelion / Magnesia, Andros-Syros-Tinos, Preveza-Parga-Sivota), thus disengaging Greek tourism from the "Sun and Sea" model, simultaneously extending the tourism season. In addition, measures to enhance Greece's profile as a safe destination are in effect. The below graph demonstrates some of the government's actions taken so far, which are in agreement with WTTC's suggestions:

Demand evolution	Extension of the "Tourism for All" governmental program until 31/12/20, with the possibility of extending it into 2021 Alternative tourism promotion initiatives in Chalkidiki, Central Greece and Western Macedonia, by the Hellenic Tourism Organization (EOT)
Health and hygiene	Implementation of health protocols in tourism (until 31/5/2021) and F&B entities Imposition of travel restrictions and sanitary inspection of visitors at the country's gateways (the "EVA" initiative) Joint EU-Greece initiative for the implementation of rapid antigen tests at airports
Innovation and digitization	The Institute of the Association of Greek Tourism Enterprises (INSETE) organized an 80-hour training and certification program for 1,200 employees from companies operating in the tourism sector, co-financed by the ECB and the state
Sustainability	The special "Save for tourism" program, aiming to financially support the tourism industry and the development of "green" hotels, is expected to launch in early 2021, with a €600m budget, funded by the EU Recovery Fund

Source: WTTC & Oliver Wyman, "The future of travel & tourism in the wake of COVID-19"; Desk research

Funding and support mechanisms

Funding and support mechanisms will be essential for the resilience and recovery of the Greek economy



Due to the severity of the impact of COVID-19 on the European and Greek economies, new funding and support mechanisms have been announced, either from European or national institutions (or a mixture of those), in order to drive the rebound of economic activity. In addition, current funding mechanisms, such as Next Generation EU (MFF 2021-2027) or the National Strategic Reference Framework (ESPA), were re-adjusted to support the post-COVID-19 rebuilding process. In Greece, businesses and employees in the tourism sector, have been severely hit. As such, a significant portion of the total “Support for COVID-19” funds are expected to be directed toward tourism sector-related businesses and employees, with a prioritization on small- and medium-sized enterprises (SMEs). Furthermore, funding mechanisms have been set up, promoting either national or European policy priorities and, although they are not directly related to the tourism industry per se (i.e. ESPA & MFF), they could facilitate and accelerate investments that can indirectly boost the economic performance of Greek tourism.

Funding and support mechanisms

Funding and support mechanisms will be essential for the resilience and recovery of the Greek economy



Relief measures

Relief measures will be crucial in order to mitigate the pandemic's impact on the Greek economy

Beyond the funding and support mechanisms, relief measures have been in place almost throughout the pandemic's duration, in order to mitigate COVID-19's and the containment measures' negative impact on the Greek economy. Many of these actions, have been specifically designed to relieve the severely hit tourism industry, while others are also indirectly contributing to this goal.

Relief measures for businesses and individuals

Support to individuals



"Tourism for All"

The Ministry of Tourism created a €100m fund, aiming to subsidize the accommodation fees of beneficiaries planning to enjoy their holidays in Greece, from July 2020 to the end of the year.

COVID-19 affected

For those in sectors affected by COVID-19, the payment of any debt suspended during the first wave of the pandemic, will be postponed until April 2021.

Social security

Reduction of social security contributions by 3% and nullification of solidarity contributions for private sector employees in 2021.

Employment

The "Syn-ergasia" program, financed by the "SURE" European program, will be extended until the end of 2020. Furthermore, an emergency allowance of up to €800 was given in November to employees in work suspension, with an additional €534 to be given in December.

Unemployment

All unemployment benefits that expire(d) during September-December, are extended by two months, while non-subsidized unemployed will receive a one-off financial assistance of €400.

Source: Ministry of Development, gov.gr, Ministry of Finance, Desk Research

Relief measures

Relief measures will be crucial in order to mitigate the pandemic's impact on the Greek economy

Relief measures for businesses and individuals

Support to businesses



Tax obligations

Companies whose operation is suspended, can delay VAT payments (due in November) until 30 April 2021, after which they can be repaid in 12 or 13-24 monthly installments, with a 0% or a 2.5% interest rate respectively.

Favorable financing

A fourth and a fifth round of favorable financing (€1.6b in total) are planned to be implemented during November and December respectively, with 50% of the total amount being subsidized.

Employer's insurances

Accommodation businesses, which operate all year long, and whose January-August 2020 revenues were at least 70% lower than the respective 2019 revenues, will have their September-December employers' insurance contributions covered from the state budget.

Rents

Businesses based in regional units that have been under the "increased risk" status for at least 14 days during a month, and which their operation is significantly affected according to the list of COVID-affected professional activity codes (KAD), are entitled to a mandatory 40% rental reduction for their commercial real estate.

Source: Ministry of Development, gov.gr, Ministry of Finance, Desk Research

Viewpoints: The impact of COVID-19 on the Greek tourism sector

EY in Greece carried out a limited qualitative survey in early to mid-December 2020, through brief discussions with executives and owners of major Greek resort hotel chains, who were invited to share their sentiment and views regarding the potential impact of COVID-19 on the Greek tourism sector, covering financial, operational and strategic considerations. The timing of the survey was critical, as - to a large extent - it enabled the portrayal of the full impact of the pandemic throughout 2020, and of the sector's outlook for the years to come.

Q1: What is the impact of COVID-19 on your operation, in terms of revenues and occupancy, in comparison to the previous year?

The majority of the respondents (approximately 80%) indicated a drop in revenues in the order of 60%-80%, compared to 2019, while there were also some hoteliers (approximately 20%) who witnessed a loss in revenues greater than 80%, in comparison to the previous year.

A similar drop was also observed in occupancy. In particular, and in comparison to the occupancy levels achieved in 2019, the majority of the respondents witnessed a 60%-80% drop (approximately 80% of respondents), while fewer hoteliers achieved occupancy levels lower by 80%, compared to the previous year.

Q2: How did you adjust your pricing policy this year in response to COVID-19, in comparison to the previous year?

In response to a weak demand for hotel accommodation, hoteliers offered their rooms at lower prices, in comparison to the previous year. In particular, approximately 60% of respondents adjusted their prices at a level that was lower by 20%-40%, relative to the previous year, while approximately 40% of the respondents dropped their prices to a lesser extent, with the discount not exceeding 20%.

Viewpoints: The impact of COVID-19 on the Greek tourism sector

Q3: What changes did you observe in your client mix, regarding their country of origin? Did you observe an increase in domestic tourism relative to the previous years?

Respondents indicated a **general decrease in their client mix from all dominant markets**, but especially from those that exhibited negative epidemiological characteristics and did not favor travelling abroad. A more moderate decrease in the inflow of tourists from Germany, Switzerland, France, the Czech Republic and Poland was observed, while a more pronounced decrease was observed in the inflow of tourists from countries, such as the U.K., Belgium, Austria, the Netherlands, Italy, Israel, Russia, the USA and Ukraine.

Additionally, some respondents observed a moderate increase in domestic tourism, which was supported by social tourism initiatives and the “Tourism for all” program of the Greek Ministry of Tourism. Respondents also indicated that their clients’ purchasing power was lower, compared to the previous year.

Q4: Is your business facing liquidity problems? If so, what measures did you take or are considering taking?

Almost all respondents indicated, to a greater or lesser extent, that their businesses faced liquidity issues, as a result of the lower inflows of foreign tourists. Many of the respondents have made use of liquidity facilities offered to COVID-19 impacted businesses, mainly in the form of working capital loans supported by the Hellenic Development Bank.

Furthermore, some businesses also renegotiated the terms of existing loans and have achieved to defer to principal payments for the years 2020 and 2021. In addition to the aforementioned facilities and arrangements, impacted businesses also made use of available tools aimed at reducing their payroll, social security contributions and tax expenses.

Viewpoints: The impact of COVID-19 on the Greek tourism sector

Q5: What is the impact of the operational disruption of your business due to COVID-19, on your suppliers, service providers and other associated businesses?

All respondents noted that their suppliers, service providers and other associated businesses, were significantly impacted by the disruption of their operation, with their turnover and profitability taking a toll.

As a result of the liquidity issues they faced, participants also highlighted that they renegotiated the terms of cooperation with their suppliers and business partners, something which, in some cases, may have resulted in their working relationships being disrupted. Additionally, some of the respondents consider that the full extent of the impact of the pandemic on suppliers will become more apparent in the following months.

Lastly, some respondents also highlighted the positive downstream impact that the liquidity support provided by the EU, the Government, and the banks, had on their suppliers.

Q6: When do you consider the hospitality sector will fully recover, achieving the performance levels of 2019?

Most participants expect that the hospitality sector will fully recover by 2023, while few respondents were slightly more conservative in their views, expecting a full recovery by 2024.

Q7: Have your plans changed, with respect to carrying out capital expenditures (e.g. renovations, extensions, etc.)?

Almost all respondents indicated a change in their capital expenditures plans, adopting either a wait-and-see attitude or deferring such expenditures for later. Indicatively, there were participants who, prior to the COVID-19 health crisis, had already commenced renovation / extension works, which have now been put on hold. Similarly, some respondents have deferred such plans, expecting to carry them out in a few years time.

Viewpoints: The impact of COVID-19 on the Greek tourism sector

Q8: Are you planning any acquisitions, mergers, or disposals, during this period?

Responses were mixed, with some respondents (approximately 40%) not planning or likely to not plan any acquisitions, mergers or sales, while, on the other hand, some respondents (approximately 60%) are expecting or are considering to proceed with such transactions.

Q9: What changes do you consider that the COVID-19 pandemic will bring in the long run, to the ways that hotel businesses operate, and to your clients as well?

Participants highlighted that they expect changes in the way bookings are made, with customers opting - to a greater extent - to "last minute" reservations and demanding more flexibility with respect to cancellation charges and payment methods.

It is also expected that customers will place more importance on the implementation of sanitary protocols and on technological features (e.g. more contactless features, etc.), with personalized services and sustainability-related features expected to gain more value.

A particular concern relates to the "de-hellenization", or the increased foreign ownership of Greek-owned hotels, as a result of the increasing number of hotel companies facing insolvency, unless they receive adequate support.

Q10: How effective do you consider the support measures that the Government has implemented in response to the impact of the COVID-19 pandemic are?

Most respondents (60%) characterized the Government's support measures as "neutral", with the remainder characterizing them as "moderately positive".

Which additional measures would you suggest?

The majority of respondents suggested that the reimbursable advance (επιστρεπτέα προκαταβολή) measure be converted to non-reimbursable grants.

Other suggested measures, include: an increase in the number of installments for the repayment of taxes, an increase of 5-10 years of the repayment terms of bank loans, VAT decrease and general tax relief to the level of other competitive countries, structural changes toward the liberalization of employment relations, continuous liquidity support until the market returns to normality, simplified procedures for growth incentive programs to allow for quicker implementation and diversification of such incentives, beyond mere tax holidays.

How EY can help

Offered services



Short-term cash and liquidity management

- ▶ Analysis of cash gaps
- ▶ Identification of quick wins
- ▶ Dynamic forecasting of cash needs under crisis scenarios and
- ▶ identification of mid-term solutions



Negotiations with banks

- ▶ Advice on bank negotiations
- ▶ Lenders' deck and banking presentation preparation
- ▶ Preparation of financial projections
- ▶ Capital structuring



Independent business review

- ▶ Independent business review preparation for your lenders, creditors, etc.
- ▶ Stress testing based on market situation



Working capital advisory

- ▶ Lean organization and processes optimization
- ▶ Supply and demand planning
- ▶ Assessment of key working capital drivers and cash release opportunities



Corporate finance strategy

- ▶ Corporate strategy
- ▶ Value optimization
- ▶ Investment strategy
- ▶ Business plan and feasibility study
- ▶ Portfolio strategy
- ▶ Cashflow review



How EY can help

Offered services



Financing options

- Analysis of financing structure and funding mechanisms (incl. EU funds)
- Identification of alternative options
- Securing non-bank / quick financing



M&A support

- Valuation of enterprise value, activities or of assets and real estate
- Quick direct sale process
- Identification of opportunities



Economic advisory

- Mid- / long-term economic impact assessment
- Regulatory and competition economics
- Incentives analysis and planning
- Cost-benefit analysis



Real Estate and Hospitality sector

- Working capital management and assessment
- Short-term cash flow advisory
- Independent business reviews
- Application of government measures
- Risk assessment and scenario planning
- Situation monitoring analysis and reporting
- Services for the government / regulators / banks / businesses
- Strategy update and robustness check
- Capital raising support / M&A
- Transaction support-related services
- Economic impact assessment
- Incentives analysis and planning



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