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TOURISM INVESTMENTS IN GREECE: INVESTMENT STRUCTURING AND DUE DILIGENCE BEST PRACTISES

NIKOLAOS KOSTIKAS

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Investment Structuring in recent transactions

- **Equity participation** for funding purposes:
 - Investment agreement: obligation to make capital contribution during the life of the investment
 - Shareholders agreement: balancing the interests of the owner and the investor
- **Acquisition** of an operating hotel:
 - A shares deal, the acquisition of the hotel business or a spin-off
and
 - Entering into a management agreement with local experienced operators
- Setting up a **Joint Venture** with successful local market players on know-how transfer and management services
- Investment in a hotel project licensed to operate **under an international hotel brand** (franchise / operational schemes)

Investment Structuring in recent transactions (cont.)

- Structured resorts and properties subsidised with funding and tax incentives given for such new projects under **Greek State incentives laws**
- Debt funding for development or expansion of a hotel combined with a **profit participation scheme**
- **Privatisation** processes for key touristic state assets led by HRADF (includes boutique hotels, historical properties for touristic development, thematic tourism assets and land development)
- Acquisition and transfer of **Non-Performing Loans** in the hospitality sector

Current trends in shaping the hospitality sector in Greece

- **Digitalisation** of hospitality services leads to easier penetration in the global market
- **Customisation** of services
- **Thematic** tourism / specialised products and facilities
- **Unique** selling point
- New legal framework for developing **integrated resorts** (including hotels, residences and other facilities)
- **Special residence permit** allowed to non-EU nationals investing in real estate
- Improvement of **transportation** infrastructure
- **Seasonality** (extension of the holiday period through new internal markets and product focus)

Due Diligence for investing in a property for a future hotel development

Key considerations

- Legal due diligence:
 - Ownership
 - Encumbrances
 - Liens
 - Claims
- “Special Permit” for the acquisition of a property on the Greek borderline territory
- Technical due diligence:
 - Use of land
 - Environmental/forestry restrictions
 - Urban planning, building permits, architectural designs

Due diligence for investing in an operating or under development hotel

Key considerations

- *Legal due diligence:*
 - *Ownership, encumbrances, liens, claims*
 - *“Special Permit” for the acquisition of a hotel property on the Greek borderline territory*
- *Technical due diligence:*
 - *Use of land, environmental/forestry restrictions, urban planning, building permits, architectural designs*
- Hotel’s liabilities to creditors, traders, suppliers, customers → financial, tax, accounting & legal due diligence
- Operation licenses
- Insurance coverage
- Protection of hotel’s name and trademark

Due diligence for investing in an operating or under development hotel (cont.)

Key considerations

- Greek State incentives laws: entitlements – obligations
- Employment issues
 - Protection of existing personnel's rights
 - Potential obligation to re-employ last year's personnel subject to the hotel's occupancy (for seasonally operating hotels)
- Franchise / management agreements
- Data protection matters
- Facilities' operation and maintenance contracts
- Third party contracts (online travel agencies, tour operators, suppliers)

Recent reforms that facilitate tourism investments in Greece

- Investment incentives for strategic investments in Greece (licensing procedure has been shortened)
- One-stop shop procedure for company formation
- Company types with flexible capital rules
- New, faster civil courts procedures for dispute resolution
- Simplified procedures for issuing a hotel operating license
- Simpler residence rental procedures for touristic use
- Improvement to the legal framework of pre-insolvency proceedings

WFW Offices

ATHENS

6th Floor, Building B
348 Syngrou Avenue
Kallithea 176-74, Athens
T: +30 210 455 7300

FRANKFURT

Ulmenstraße 37-39
60325 Frankfurt am Main
T: +49 69 297 291 0

MADRID

C/ María de Molina, 4
28006 Madrid
T: +34 91 515 6300

PARIS

26 avenue des Champs-Élysées
75008 Paris
T: +33 1 56 88 21 21

BANGKOK

Unit 902, 9th Floor
GPF Witthayu Tower B
93/1 Wireless Road
Patumwan, Bangkok 10330
T: +66 2665 7800

HAMBURG

Jungfernstieg 51
20354 Hamburg
T: +49 40 800 084 0

MILAN

Piazza del Carmine 4
20121 Milan
T: +39 02 721 7071

ROME

Piazza Navona 49
00186 Rome
T: +39 06 684 0581

DUBAI

Office 1503, Level 15, Tower 2
Al Fattan Currency House
PO Box 506896 Dubai
T: +971 4 278 2300

HONG KONG

Units 1703-1707, One Pacific Place
88 Queensway, Hong Kong
T: +852 2168 6700

MUNICH

Gewürzmühlstraße 11 – Courtyard
80538 Munich
T: +49 89 237 086 0

SINGAPORE

6 Battery Road #28-00
Singapore 049909
T: +65 6532 5335

LONDON

15 Appold Street
London EC2A 2HB
T: +44 20 7814 8000

NEW YORK

250 West 55th Street
New York, New York 10019
T: +1 212 922 2200

ATHENS BANGKOK DUBAI FRANKFURT HAMBURG HONG KONG LONDON
MADRID MILAN MUNICH NEW YORK PARIS ROME SINGAPORE

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