



HOTEL AND CONDO HOTEL MARKET IN POLAND 2018



EMMERSON
EVALUATION

Table of content

INTRODUCTION

page 3

SUPPLY
OF HOTELS
AND
ACCOMMODATION
PLACES

page 4

ANALYSIS
OF CURRENT SUPPLY
– VOIVODESHIPS

page 5

ANALYSIS OF
CURRENT SUPPLY –
AGGLOMERATIONS
AND HOLIDAY
RESORTS

page 6

ANALYSIS
OF FUTURE SUPPLY

page 9

NEW BRANDS
AND TRENDS
ON THE MARKET

page 13

DEMAND

page 15

ADR AND REVPAR
INDICES

page 18

ANALYSIS
OF THE MARKET
OF CONDO HOTELS
AND FACILITIES WITH
HOLIDAY/RENTAL
APARTMENTS

page 19

ANALYSIS OF TERMS
OF MANAGEMENT
CONTRACTS

page 21

SUPPLY
OF CONDO HOTELS
AND
HOLIDAY/RENTAL
APARTMENTS

page 23

SUMMARY

page 27

GLOSSARY
OF TERMS

page 28

Introduction

Dear Readers,

This is the second edition of our report on Poland's hotel and condo hotel market.

In our report, similarly to last year, we have attempted to analyse the situation prevailing on the hotel market in the largest Polish cities and the most popular tourist destinations. We analysed facilities already categorised, and, based on the information concerning ongoing project categories, we have additionally included facilities that are under development at the moment and have not been formally classified yet.

An abundance of new hotels opened on Poland's hotel and tourism market last year, with some of them completed after much anticipation. This translated into an obvious increase in the supply of rooms and beds. In the report, in addition to the supply analysis, we have also included data on demand – including the average annual increase in the number of Polish and foreign tourists. These indicators show that 2017 was another good year for the tourism industry. Key profitability indicators used to measure hotel profitability in the hospitality business, i.e. ADR (average daily rate) and RevPAR (average revenue per available room), as well as average occupancy, showed that the financial results achieved by the hotel industry in Poland in the previous year increased slightly in most locations. A significant part of this year's report deals with the segment of condo hotels and holiday/rental apartments, which is due to the growing number of these types of projects. The lack of an official definition of a condo hotel prompted us to create and systematise it according to certain criteria adopted by ourselves. Furthermore, we have analysed the supply (present and future) of condo hotels and facilities with holiday apartments, both in the most popular tourist destinations and in the key urban agglomerations. We also take a look at the models of operation of such facilities and the prospects for the growth of this market.

We trust that this report will contribute to our readers' knowledge of Poland's hotel and condo hotel market, and we hope that you will enjoy reading it.

Should you have any questions or would like to obtain a more detailed analysis or a study with a different focus, please do not hesitate to contact us.

Board of Emmerson Evaluation

SUPPLY OF HOTELS AND ACCOMMODATION PLACES

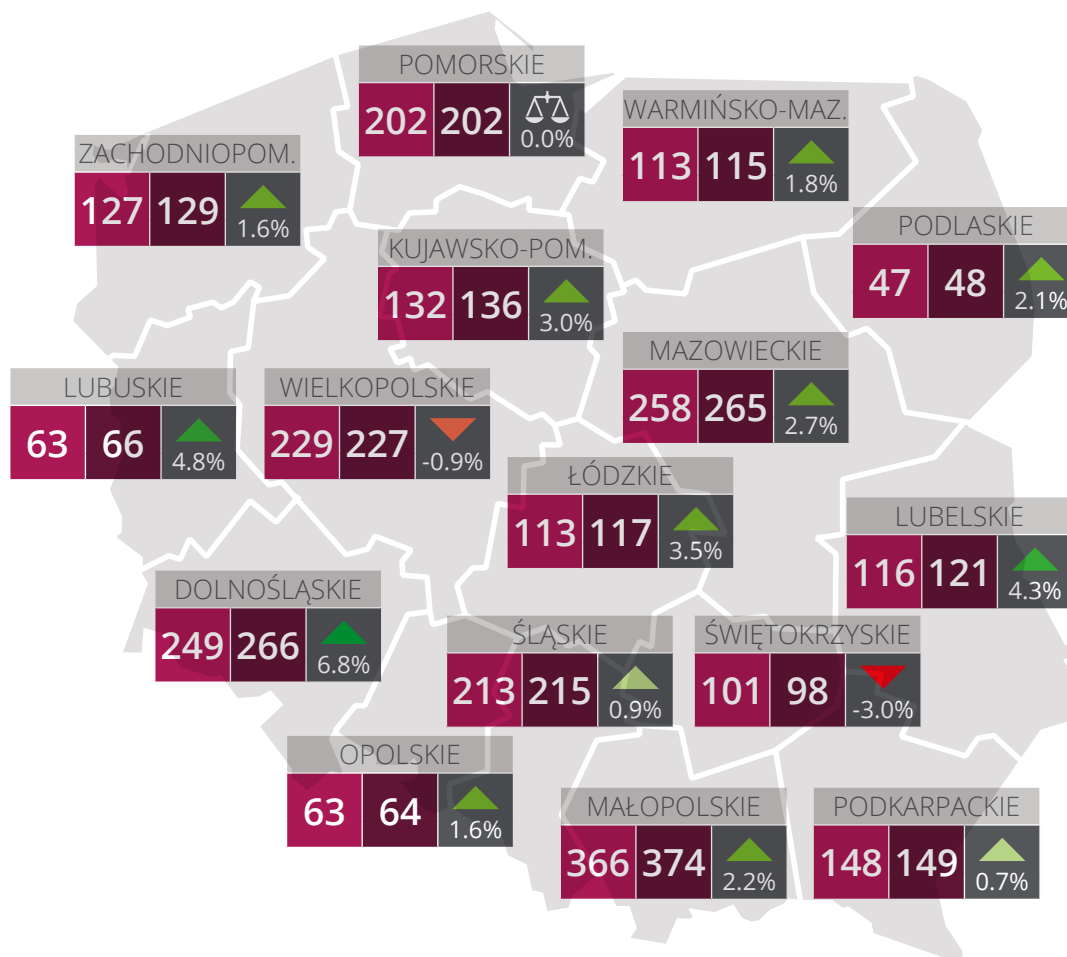
SUPPLY OF HOTELS AND ACCOMMODATION PLACES IN 2017 AND H1 2018, AND THE CHANGE BETWEEN H1 2018 & 2017

2017	
H1 2018	

HOTELS

POLAND		
2540	2592	▲ 2.0%

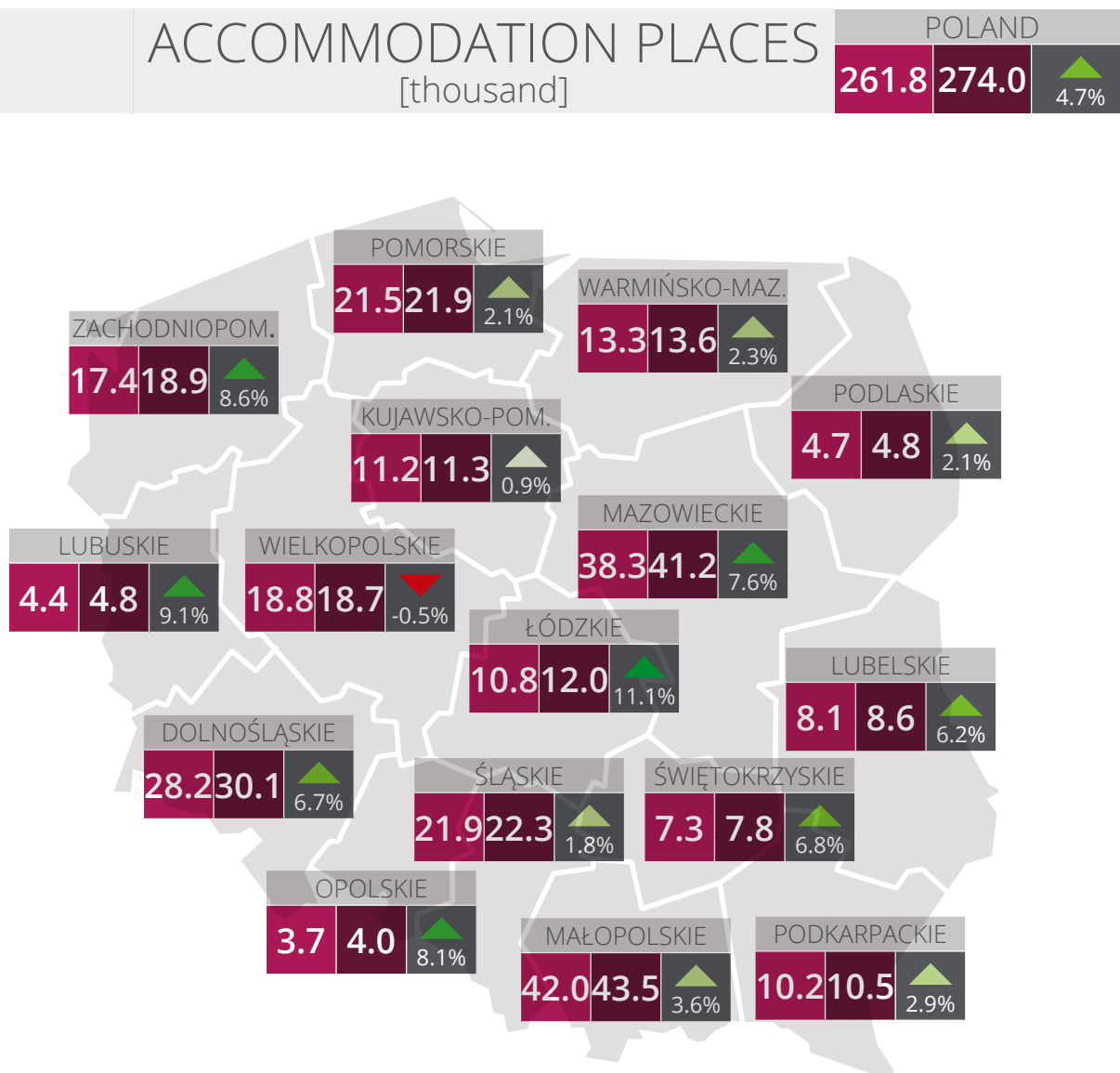
Source: Emmerson Evaluation based on CSO data



Analysis of current supply - voivodeships

According to data provided by the Central Statistical Office, 13 Polish voivodeships recorded an increase in the number of hotel facilities in the first half of 2018 from the previous year's figures. The only voivodeship that did not record changes in this regard was Pomorskie. Two voivodeships, Wielkopolskie voivodeship and Świętokrzyskie voivodeship, recorded a small decrease in the number of hotels, by 0.9% and 3% respectively compared to 2017. Although in the first half of 2018, the number of hotels in Świętokrzyskie voivodeship decreased from 2017's figures, the region recorded an increase in the number of beds due to the expansion of existing facilities and new rooms being added (including the addition of new wings to the four-star

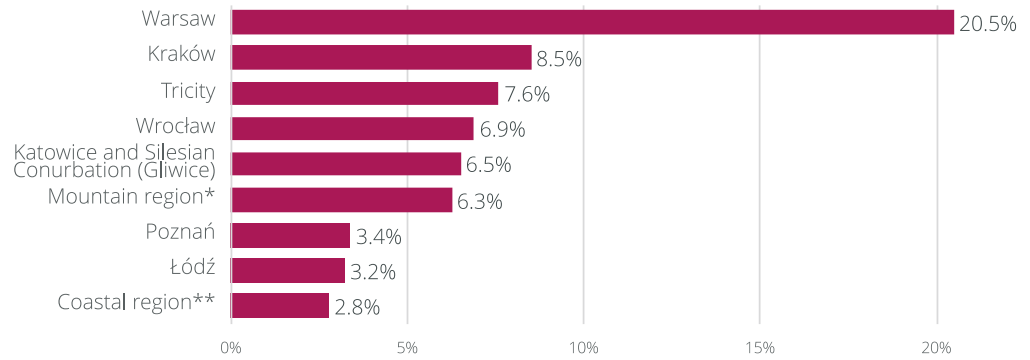
Bińkowski Hotel in Kielce). The largest increase in terms of the number of facilities in the first half of 2018 was observed in Dolnośląskie voivodeship (new facilities in this region generated a 6.8% increase in supply compared to 2017) as well as Lubuskie voivodeship and Lubelskie voivodeship – 4.8% and 4.3% respectively. In turn, the largest increase in terms of the number of new beds was recorded in Łódzkie voivodeship – 11.1% (over 1 000 new beds compared to 2017), Lubuskie voivodeship (9.1%) and Zachodniopomorskie voivodeship (8.6%). The number of beds decreased only in Wielkopolskie voivodeship – by 0.5%, i.e. 100 beds. This might have been caused by one of the facilities being temporarily closed for renovation/modernisation.



CHANGE IN THE NUMBER OF HOTELS Q3 2018/2017 [%]

*Zakopane, Karpacz, Beskidy Mountains (Wisła, Szczyrk, Ustroń)
 **Kołobrzeg, Świnoujście, Hel Peninsula (Chałupy, Jastarnia, Jurata)

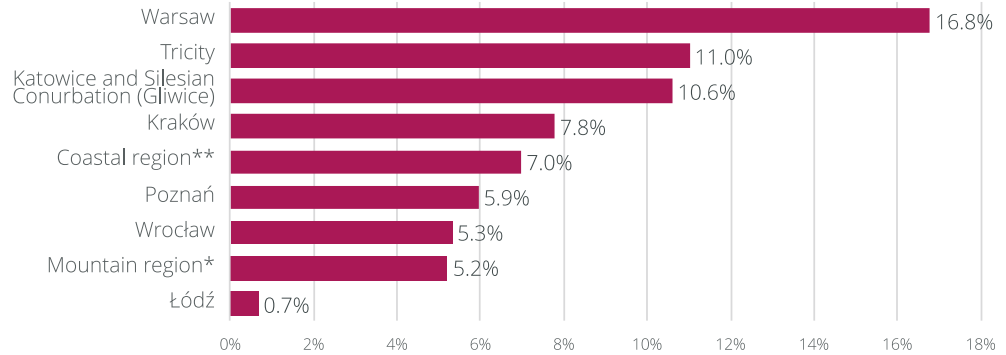
Source: Emmerson Evaluation



CHANGE IN THE NUMBER OF HOTEL ROOMS Q3 2018/2017 [%]

*Zakopane, Karpacz, Beskidy Mountains (Wisła, Szczyrk, Ustroń)
 **Kołobrzeg, Świnoujście, Hel Peninsula (Chałupy, Jastarnia, Jurata)

Source: Emmerson Evaluation



Analysis of current supply – agglomerations and holiday resorts

Analysing hotel supply in voivodeships' capitals and the most popular tourist destinations at the end of Q3 2018, the largest increase in their number, i.e. by more than 1/5, was observed in Warsaw (20.5%). Additionally, the hotel infrastructure increased considerably in Kraków and the Tricity (Gdańsk, Gdynia and Sopot) – by 8.5% and 7.6% respectively. In the Tricity, new facilities mainly appeared in Gdańsk. An increase of 6.9% was recorded in Wrocław, and 6.5% in Silesia, i.e. in Katowice and Gliwice. A slightly smaller increase (6.3%) was recorded in the mountain regions, i.e. in Zakopane, Karpacz, and Beskidy. A small increase was additionally recorded in Poznań, Łódź and in the coastal regions – Kołobrzeg, Świnoujście and the Hel Peninsula – 3.4%, 3.2% and 2.8% respectively.

At the end of Q3 2018, the highest increase in the number of hotel rooms compared to the previous year was observed in Warsaw, where their number increased by 16.8%. This resulted from the launch of over a dozen new hotels, which provided a total of about 2 000 new rooms. Examples of such hotels include the five-star luxury hotel owned by the hotel chain Raffles Hotel & Resort (former Hotel Europejski) on ul. Krakowskie Przedmieście and Marriott Renaissance Warsaw

Airport Hotel near the Fryderyk Chopin Airport. More than a 10% increase in the number of hotel rooms compared to 2017 occurred in the Tricity as well as Katowice and Gliwice. The Tricity, particularly Gdańsk, experienced a high level of activity in terms of delivery to the market of new hotels, e.g. two new three-star Hampton by Hilton hotels (in the city centre and the Oliwa district) and the four-star IBB Hotel Długi Targ. In Silesia, the number of hotel rooms grew due to the opening of two rather large hotels – the 100-room Moxy at Katowice-Pyrzowice Airport and the 168-room Park Inn by Radisson in the city centre. An increase of 7.8% took place in Kraków, where most newly opened hotels are located in the Old Town and used mainly by tourists. An 8% increase in the number of rooms compared to the previous year was recorded in the coastal regions and resulted mainly from the launch of the five-star Radisson Blu Resort Hotel in Świnoujście. Moving south, Poznań boasts an increase of 5.9% and Wrocław 5.3%. The number of new hotels in these cities is not growing as fast as, for example, in Warsaw or Gdańsk, but it can be noted that new hotel brands, e.g. the AC Hotel by Marriott opened in Wrocław, add to the existing hotel infrastructure every year. The number of tourist facilities

SELECTED HOTEL
OPENINGS
SINCE H2 2017

Source: Emmerson Evaluation

is also gradually increasing in the south of the country. In the mountain regions, represented by Zakopane, Karpacz and part of the Beskidy region (Wisła, Szczyrk and Ustroń) in our report, we saw a 5.2% increase in the number of hotel rooms due to, for example, the opening of two new four-star facilities – Aquarion Hotel and Paryski Art & Business Hotel. In the main markets, the lowest increase in the number of new rooms was recorded in Łódź – below 1% (exactly 0.7%). This was due to a hotel that had not been previously categorised shifting to the three-star category.

	LAUNCH DATE	HOTEL	DISTRICT/NEIGHBOURHOOD*	NUMBER OF ROOMS	CATEGORY
WARSAW	H1 2018	Europejski (Raffles Hotels & Resorts)	Śródmieście	103	★★★★★
		Marriott Renaissance Warsaw Airport Hotel	Włochy	225	★★★★★
		Holiday Inn Warsaw City Center	Wola	256	★★★★
		Hampton by Hilton Warsaw Mokotów	Mokotów	163	★★★
		ibis Styles City Center	Śródmieście	220	★★★
	Platinum Hotel&Residence**	Wilanów	165	★★★	
	H2 2018	Krakowska Residence	Włochy	350	★★★
KRAKÓW	H2 2017	INX Design Hotel	Stare Miasto (Old Town)	120	★★★★
		Corner Hotel		49	★★★
	H1 2018	Puro Kazimierz		228	★★★★
		Hotel 32 Kraków Old Town		32	★★★
		B&B Kraków Centrum	Podgórze	130	★★
GDAŃSK	H2 2017	Hampton by Hilton Gdańsk Oliwa	Oliwa	101	★★★
	H1 2018	Hampton by Hilton Gdańsk Old Town	Śródmieście	154	★★★
		IBB Hotel Długi Targ		90	★★★★
POZNAŃ	H2 2017	Hotel Altus	Stare Miasto (Old Town)	109	★★★
	H2 2018	Focus Hotel Premium	Nowe Miasto	94	★★★
WROCŁAW	H2 2017	AC Hotel by Marriott	Stare Miasto (Old Town)	91	★★★★
		Grand City Wrocław		85	★★★★
	H2 2018	Active Hotel	Psie Pole	69	★★★
KATOWICE	H1 2018	Park Inn by Radisson	Śródmieście	168	★★★★
	H2 2018	Moxy	Katowice-Pyrzowice Airport	100	★★★
BIAŁYSTOK	H2 2018	Best Western Hotel Crystal	Centrum	89	★★★★
		Boutique hotel	Wygoda*	23	★★★★
LUBLIN	H2 2017	Hampton by Hilton	Czechów	120	★★★
OŚWIĘCIM	H1 2018	Hampton by Hilton Oświęcim	Monowice*	120	★★★★
SZCZECIN	H1 2018	Grand Park Hotel	Śródmieście	27	★★★★
SOPOT	H2 2017	Focus Hotel Premium	Centrum	70	★★★
ŚWINOUJŚCIE	H2 2017	Radisson Blu Resort**	Nadmorska District	340	★★★★★
ZAKOPANE	H2 2017	Hotel Aquarion	Centrum	136	★★★★
		Hotel Paryski Art&Business	Pardałówka Neighbourhood*	69	★★★★

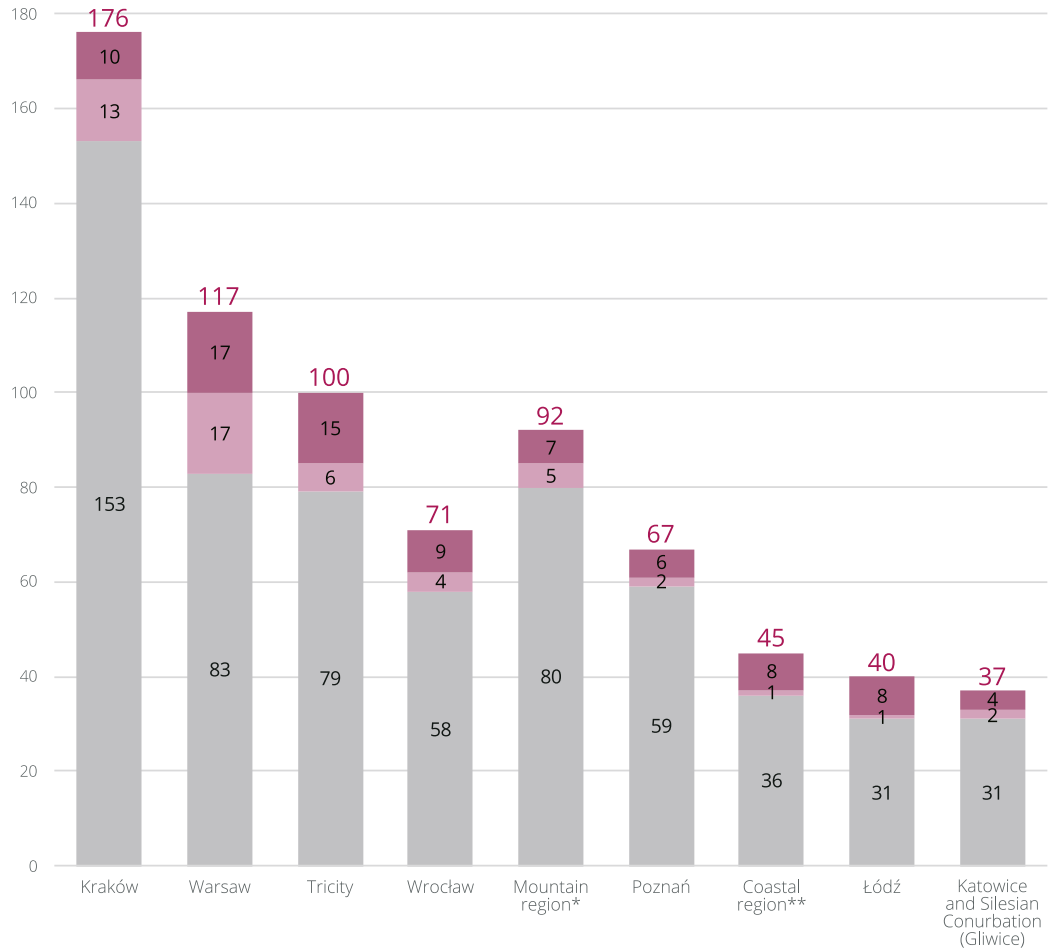
**facility operating as a condo hotel

SUPPLY OF HOTELS IN 2017-2018 ALONG WITH A FORECAST UP UNTIL 2020

*Zakopane, Karpacz, Beskidy Mountains (Wisła, Szczyrk, Ustroń)
 **Kołobrzeg, Świnoujście, Hel Peninsula (Chałupy, Jastarnia, Jurata)

Source: Emmerson Evaluation

supply of hotels at the end of 2017	Grey
supply of hotels at the end of Q3 2018	Light Pink
new (estimated) hotel supply up until 2020	Dark Pink

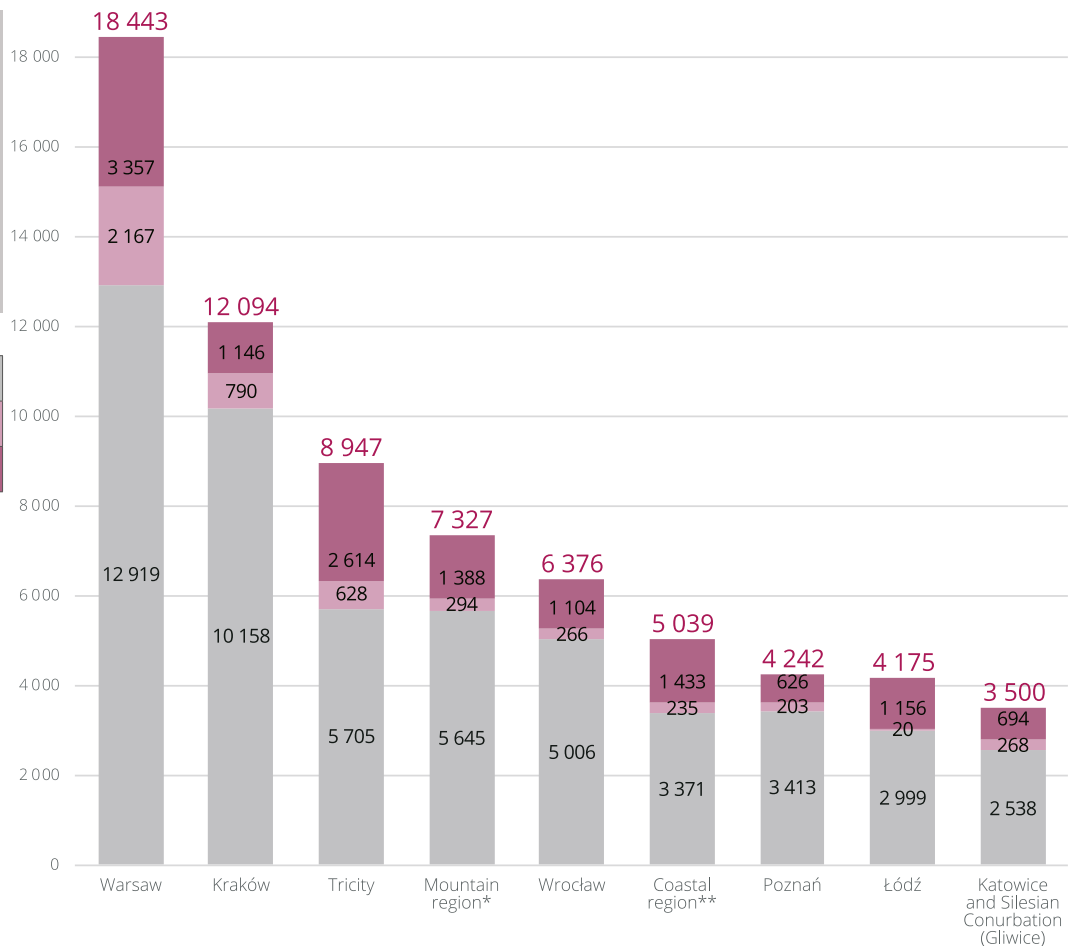


SUPPLY OF HOTEL ROOMS IN 2017-2018 ALONG WITH A FORECAST UP UNTIL 2020

*Zakopane, Karpacz, Beskidy Mountains (Wisła, Szczyrk, Ustroń)
 **Kołobrzeg, Świnoujście, Hel Peninsula (Chałupy, Jastarnia, Jurata)

Source: Emmerson Evaluation

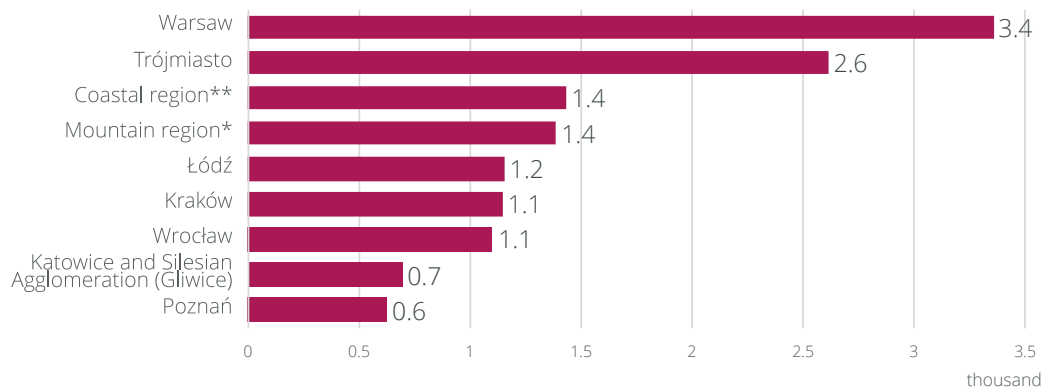
supply of hotel rooms at the end of 2017	Grey
supply of hotel rooms at the end of Q3 2018	Light Pink
new (estimated) hotel rooms supply up until 2020	Dark Pink



**NEW (ESTIMATED)
HOTEL ROOMS
SUPPLY UP
UNTIL 2020
[THOUSAND]**

*Zakopane, Karpacz, Beskidy Mountains (Wisła, Szczyrk, Ustroń)
**Kołobrzeg, Świnoujście, Hel Peninsula (Chalupy, Jastarnia, Jurata)

Source: Emmerston Evaluation



Analysis of future supply

Analysing the future supply of hotels and hotel rooms over the next two years, we will probably see significant growth of the hotel infrastructure in the largest Polish agglomerations and popular holiday destinations.

Our estimates show that by 2020, the largest increase in the number of new hotel rooms (by more than 40% compared to current supply) will occur in the Tricity. A significant share of new facilities is being built on Spichrzów Island, which is one of the most intensively developing areas of Gdańsk resulting from its ongoing regeneration. Facilities developed there include traditional hotel formats, as well as condo hotels and facilities with holiday apartments. In the coming months, two four-star hotels are planned to be launched there: Deo Plaza, which will be managed by the Radisson Blu hotel chain, and InterContinental Granaria Holiday Inn. At the moment, hotels on Spichrzów Island offer over 1 000 rooms, which accounts for nearly 1/5 of the total number of hotel rooms in the entire Tricity.

By the end of 2020, the number of hotel rooms in Łódź and in the popular coastal resorts – Kołobrzeg, Świnoujście and on the Hel Peninsula, will also increase by almost 40%. Most of the facilities to be built on the coast are to be condo hotels. They are becoming increasingly popular, as from the developers' point of view such projects allow for a higher margin than the traditional real estate development formats. Projects implemented in Łódź tend to come in the shape of independent hotels not affiliated with an international hotel chain, or operating within smaller, local chains, such as the Boutique Hotel's chain, which has hotels mainly in Łódź and Silesia. Due to the redesign of the centre of Łódź and development of numerous other office and resi-

dential construction projects, most of the new hotels will appear in the central part of the city.

By the end of 2020, a great increase in the number of hotel rooms will also be recorded in Silesia, mainly including Katowice and Gliwice, where the number of hotel rooms will increase by approximately 1/4 compared to current supply. In Silesia, there will be facilities owned by Polish hotel chains, such as Diament business hotels, as well as international brands such as Kyriad (which has resumed operations on the Polish market after closing its hotel in Warsaw in 2011) and Première Classe (owned by the Louvre Hotels group) – an operator of the Golden Tulip and Campanile chains already established in Poland).

The number of hotel rooms in the mountain regions will increase by over 20%. New construction projects in Zakopane, Karpacz and Wisła represent to a large extent, similarly to the seaside, five-star condo hotels offering a wide range of services. Such facilities usually offer a wellness studio, SPA, fitness facilities, as well as children's playrooms and ski equipment rentals.

Warsaw, which last year ranked first in terms of new supply with the highest growth in the number of hotels and hotel rooms, is no longer in the lead. By the end of 2020, the number of hotel rooms in Warsaw will have increased by 20%. The districts with the highest number of new hotels will be Mokotów, Wola (approximately 1 000 new rooms in both locations) and the city centre (over 800 new rooms). The accumulation of new projects in areas with the highest concentration of office space indicates that the new facilities will be addressed mainly to business clients and corporate employees visiting the capital for business purposes. The oversupply of office space, which has been seen for some time now in Służewiec (part of Mokotów district), means that buildings that were originally designed to operate as

offices have been converted into hotels. An example of such a conversion is Vienna House on ul. Postępu. The projects implemented include more than just new facilities – some of them have incorporated the expansion and modernisation of existing buildings, e.g. Rialto Hotel at ul. Koszykowa (extended) and the building formerly occupied by Prudential, located on Plac Powstańców Warszawy.

In Wrocław, supply of hotel rooms will also have increased by approximately 20% by the end of 2020. The projects implemented in Dolnośląskie voivodeship are planned to attract a wide range of hotel guests. These are smaller, boutique facilities located in the Old Town and its vicinity (e.g. Altus Palace, Indigo), as well as larger facilities meeting the needs of business clients (e.g. the project owned by the Q Hotel chain currently under construction in Bielany Wrocławskie, near the Special Economic Zone and Wrocław-Strachowice Airport).

In Poznań, the number of hotel rooms will increase by at least 17% compared to current supply. The projects identified in the report represent facilities owned

by international chains, including Best Western, Marriott and Hilton. The first one has introduced two brands – Edison Park and Sure Hotel by Best Western, still little known on the Polish market. A hotel in the town of Przeźmierowo in Wielkopolskie voivodeship has been operating as part of the Edison Park brand since March this year, while the Sure Hotel brand is to make its debut in Poland.

The number of hotel rooms in Kraków will have increased by over 10% by the end of 2020 compared to current supply. The projects implemented in the city are often smaller, boutique facilities offering up to several dozen rooms, frequently in the five-star standard. Furthermore, new hotel brands, so far unknown on the Polish market, are set to appear in the capital of Małopolskie voivodeship– e.g. Radisson Red and Metropol by Golden Tulip. These brands are mainly targeted at business customers from around the world who are already familiar with them; however, they will also attract tourists from distant parts of the world.



SELECTED,
PLANNED
AND EXECUTED
HOTEL
INVESTMENTS

Source: Emmerston Evaluation

Classification by segments has been made only for facilities in the pipeline, for which we obtained information about chain operator.

	PLANNED OPENING DATE	HOTEL	DISTRICT/AREA	SEGMENT	CATEGORY	PLANNED NUMBER OF HOTEL ROOMS	
WARSAW	2018	ibis Styles Warsaw Centrum	Śródmieście	midscale	★★★	179	
	2018/2019	Warsaw Hotel (Prudential)		n/a	★★★★★	100	
		Four Points by Sheraton Warsaw	Mokotów	upscale	★★★★	192	
		MOXY by Marriott Konserer	Praga Północ	midscale	★★★	141	
	2019	The Bridge*	Śródmieście	n/a	★★★★★	80	
		Staybridge Suites Warsaw Ursynów	Ursynów	upscale	★★★★	185	
		Vienna House Mokotów Warsaw	Mokotów		★★★★	164	
		Puro Warsaw Centrum	Śródmieście	lifestyle	★★★★	150	
		ibis Styles Warsaw Expo	Wola	midscale	★★★	120	
	Motel One	Śródmieście	b.d.		333		
	2020	Żelazna 54	Wola	n/a	★★★★	200	
		Holiday Inn Warsaw Mokotów	Mokotów	upscale	★★★★	230	
		NYX (Varso)	Wola	lifestyle	★★★★	330	
		Port Praski Hotel	Praga Północ	n/a	b.d.	118	
		Crowne Plaza&Holiday Express Inn (The Warsaw HUB)	Wola	upscale/midscale	★★★★/★★★★	430	
		Focus Hotel Premium	Mokotów	n/a	★★★★	238	
Holiday Inn Express Mokotów		midscale		★★★	167		
KRAKÓW	2018	Non-chain hotel, ul. Lubicz	Śródmieście	n/a	★★★	61	
	2019	Ferreus			★★★★★	71	
		H15			★★★★★	69	
		Radisson Red			upscale	★★★★/★★★★	230
		Metropolo by Golden Tulip				Podgórze	★★★★
	Best Western Balice Airport	Balice	midscale	★★★	153		
	2020	Autograph Collection Hotels	Śródmieście	lifestyle	★★★★★	125	
		Bachleda Luxury Hotel Kraków MGallery by Sofitel		n/a	★★★★★	64	
		Osti Hotels		upscale	★★★★	60	
		ibis Styles	Nowa Huta	midscale	★★★	93	
GDAŃSK	2018/2019	Deo Gdańsk Old Town	Śródmieście	n/a	★★★★	349	
	2019	Granaria Holiday Inn City Center		upscale	★★★★	236	
		Zacisze Hotel	Niepołomnicka	n/a	b.d.	28	
		ibis Budget Gdańsk Old Town	Śródmieście	economy	b.d.	120	
	Hotel in a historic tenement	★★★★★		70			
	Diamant	★★★★/★★★★		156			
	Uphagen's Manor (Arche Hotel)	★★★★/★★★★		241			
	2020	Hotel in a historic granary	Na Sępce	n/a	★★★★	120	
		Nowa Motława Hotel	Kamienna Grobla		b.d.	160	
Non-chain hotel ul. Czarny Dwór		Czarny Dwór		b.d.	350		
Hotel in a former LOT building		Wały Jagiellońskie		★★★★	150		
POZNAŃ	2018/2019	Park Inn by Radisson	Stare Miasto (Old Town)	midscale	★★★★	166	
	2019	Edison Park Best Western Premier Collection	Jeżyce	upscale	★★★★	63	
		Hampton by Hilton	Stare Miasto (Old Town)	midscale	★★★	117	
		Moxy by Marriott	Poznań-Ławica Airport		★★★	120	
		2019/2020	B&B	Stare Miasto (Old Town)	economy	★★/★★★★	120
	Sure Hotel by Best Western		midscale		★★★★/★★★★	40	

	PLANNED OPENING DATE	HOTEL	DISTRICT/AREA	SEGMENT	CATEGORY	PLANNED NUMBER OF HOTEL ROOMS
WROCŁAW	2019	MGallery by Sofitel (The Bridge)	Śródmieście	luxury	★★★★★	192
		Non-chain hotel, ul. Nankiera	Stare Miasto (Old Town)	n/a	★★★★	40
		Rodis Karkonoska	Krzyki		b.d.	90
	2020	Altus Palace	Stare Miasto (Old Town)	luxury	★★★★★	91
		Indigo	Krzyki		★★★★★	60
		Grand*	Śródmieście		★★★★	172
		Q Hotel	Bielany Wrocławskie		★★★★	209
		Arche Hotel	Fabryczna		★★★	120
	Krasińskiego Hotel	Stare Miasto (Old Town)	b.d.	130		
ŁÓDŹ	2018	Legs Hotel	Śródmieście	n/a	★★★	68
	2018/2019	Boutique Hotel's		b.d.	119	
	2019	Puro		lifestyle	★★★★	136
		Hampton by Hilton Łódź		midscale	★★★★	149
		Center Hotel		n/a	★★★★	240
		Art Hotels			b.d.	102
	2020	Likor		b.d.	176	
		Hotel in the New Centre of Łódź Project		★★★	166	
KATOWICE AND SILESIA CONURBATION (GLIWICE)	2019	Diament Plaza	Śródmieście	upscale	★★★★	150
		Alpha Hotel	Gliwice/Zerniki	midscale	★★★★	140
	2020	Louvre Hotels (Kyriad i Première Classe)	Brynów	upscale/midscale	★★★★/★★★★	204
		Puro	Śródmieście	lifestyle	★★★★	200
LUBLIN	2018	Arche	Śródmieście	n/a	★★★	130
BIAŁYSTOK	2018	Opera Hotel	Centrum	n/a	b.d.	30
	2019	City Inter Hotel	Młodych Neighbourhood		b.d.	104
	2020	Focus Hotel	Centrum		★★★★	120
SZCZECIN	2019	Courtyard by Marriott i Moxy	Śródmieście	upscale	★★★★/★★★★	248
	2020	Hot Spring Bay	Prawobrzeże	n/a	★★★★★	448
		ibis Styles	Śródmieście	midscale	★★★	150
RZESZÓW	2019	Holiday Inn Express Jasionka	Rzeszów-Jasionka Airport	midscale	★★★	150
		ibis Hotels	Śródmieście	economy	★★/★★★★	105
SOPOT	2019	Radisson Blu	Karlikowo	upper upscale	★★★★	230
		Sopot Hotel	Dolny Sopot	n/a	★★★	124
GDYNIA	2019	Hotel in the Nowa Marina Investment	Śródmieście	n/a	★★★★	200
		14 Avenue	Wzgórze Św. Maksymiliana		★★★	80
KOŁOBRZEG	2019	Seaside Park Hotel**	Uzdrowska District	n/a	★★★★★	209
		Solny Resort**			★★★★	143
		H2O			★★★★	209
	2020	Hilton Garden Inn (Harmony Resort)			upscale	★★★★
ŚWINOUJŚCIE	2018/2019	Henryk Hotel (Świnoujście Resort)	Nadmorska District	n/a	★★★	74
		Dobosz Hotel Blue			★★★★	305
		Platinum Resort			★★★★	237
	2019	Baltic Park Molo (phase III)**			★★★★★	128
ZAKOPANE	2018/2019	Radisson Blu Hotel & Residences	Antałówka	upper upscale	★★★★	158
	2019	Nosalowy Park Luxury Hotel & SPA**	Centrum	n/a	★★★★★	140
		Bachleda Club Residence**			★★★★★	129
	2020	Four Points by Sheraton		upscale	★★★★	97
KARPACZ	2018/2019	Green Mountain Conference & Spa**	Wilcza Poręba	n/a	★★★★★	245
	2019	Sowia Dolina Hotel			b.d.	78
WISŁA	2020	Cristal Mountain Resort**	Obłaziec	n/a	★★★★★	541

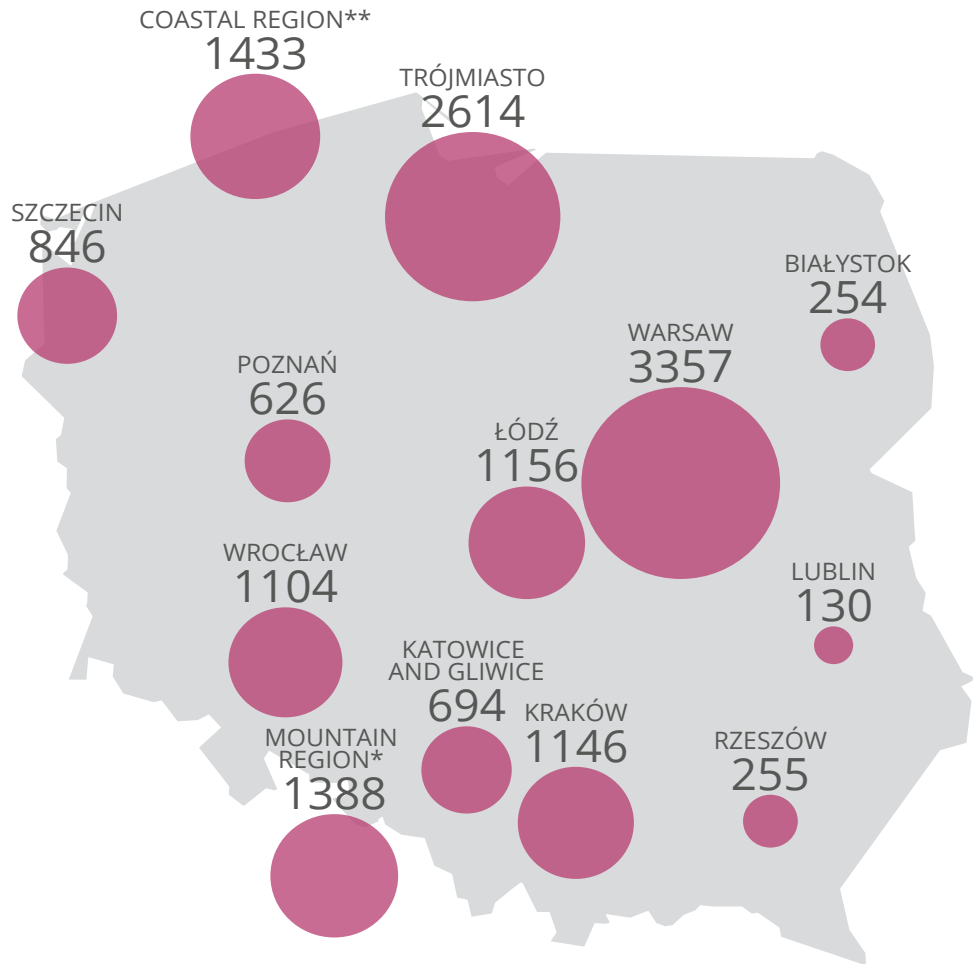
*extension

**facility operating as a condo hotel

NEW (ESTIMATED)
HOTEL ROOMS
SUPPLY UP
UNTIL 2020

Source: Emmerston Evaluation

*Zakopane, Karpacz, Beskidy
Mountains (Wisła, Szczyrk, Ustroń)
**Kołobrzeg, Świnoujście,
Hel Peninsula (Chałupy, Jastarnia, Jurata)



New brands and trends on the market

When analysing newly created hotels and future supply, we spotted several trends emerging in Polish cities on an increasing scale. One of them is the tendency to locate new hotel facilities near office areas. It is particularly visible in the capital, where many new construction projects are carried out in Służewiec and the vicinity of Rondo Daszyńskiego, which are the largest clusters of office space in the city. Many employees travelling to Warsaw from other cities and countries on business value the comfort resulting from the proximity of the place at which they are staying to the workplace. Newly built facilities that combine both of these functions are now appearing on the market. Examples of this trend are: the Varso office facility, where the four-star NYX Hotel is to be included, and the combination of three-star and four-star Crowne Plaza & Holiday Express Inn brands in The Warsaw Hub office complex.

Combining two hotel brands in one building also seems to be a new trend emerging on the Polish hotel market. A facility of this type can usually handle a larger number of guests with diverse needs and expectations, targeting different groups – e.g. the so-called millennials, who value a combination of comfort and reasonable price, and customers who can accept a higher price in exchange for a better standard of service and room furnishings. Examples of such facilities include the already mentioned Warsaw Hub in a Warsaw-based office complex, the Crowne Plaza & Holiday Express Inn, as well as the planned Kyriad and Première Classe facility in Katowice – brands owned by the Louvre Hotels chain. Last year, several entirely new international hotel chain brands debuted in Poland, such as AC Hotel by Marriott launched in 2017 in Wrocław and Moxy by Marriott near Katowice-Pyrzowice Airport. In the coming years,

more brands that are not yet well known in Poland will appear here, such as those owned by the Best Western chain – Edison Park and Sure Hotel. Both of the facilities will operate in Poznań and will be launched in 2019 and at the turn of 2019 and 2020 respectively. The Radisson Red brand will also make its debut on the Polish hotel market in 2019; its facility will appear in Kraków in 2019. For many international brands, placement of their operations in our country constitutes a part of their expansion and portfolio extension strategy. Through this strategy, hotel operators wish to increase the recognition of their brands around the world.

In addition to the trend of introducing new brands operating under international chains, there is still demand from tourists for boutique facilities not affiliated with hotel chains, offering up to several dozen rooms. Such facilities mainly appeared in Kraków and Wrocław, where holiday tourism is much more developed than in the capital. Last year, at least 3 such facilities were opened in the Old Town of Kraków – including the five-star Unicus Palace, managed by the Polish chain Dobra Hotel, the three-star Corner Hotel and Hotel 32. In Wrocław, this type of facility is represented by, e.g. Grand Hotel at ul. Rzeźnicza.

The majority of new hotels will operate under the brands positioning themselves as the upscale segment, i.e. four-star, sometimes five-star hotels, offering a full range of hotel services, such as a restaurant, hotel lobby, bar, 24-hour reception, and conference facilities. Furthermore, the so-called lifestyle brands are gradually appearing on the Polish market. Most of them are to be found in Warsaw, Kraków and Łódź. These are brands that offer the furnishings and ambiance of hotel services inspired by current trends, such as new technologies, music, art and fashion, while targeting mainly young people.

And last but not least, there are condo hotels – a fairly new but distinctive segment of the Polish hotel market. From the guests' point of view, these are facilities functioning in the same manner as hotels, but legally each of the individual hotel rooms (apartments) belongs to an individual investor. Initially, facilities of this type operated mainly in the coastal and mountain regions, where they are most popular. However, their presence in urban agglomerations is now growing too. For more information on condo hotels, please see the separate section of our report.





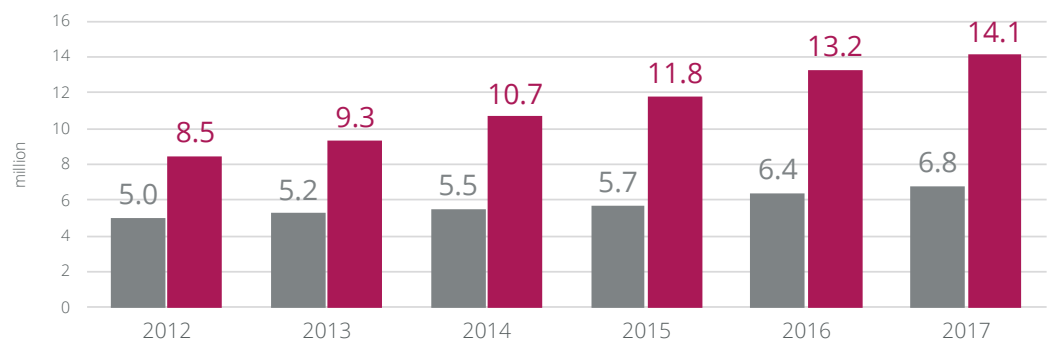
DEMAND

According to the estimates of the Central Statistical Office, Poland was visited by over 1.3 million more tourists in 2017 than in the previous year (this is an increase of approx. 7%). Domestic tourists are still twice as numerous as the foreign ones (over 14.1 million visitors from Poland compared to 6.8 million visitors from abroad). An analysis of the increase in the number of Polish tourists shows that since 2012, it has been growing much faster than the number of foreign tourists,

although the latter, according to preliminary estimates of the Department of Tourism at the Ministry of Sport and Tourism, increased by over 6% in the first half of 2018 compared to 2017. The CAGR (cumulative annual growth rate) for Polish tourists over the past 6 years has been 10.72% compared to 6.44% for foreign tourists. This was probably due to a decline in terms of safety in many once popular foreign tourist destinations and thanks to the improvement of the Polish hotel



Source: Emmerson Evaluation based on CSO data

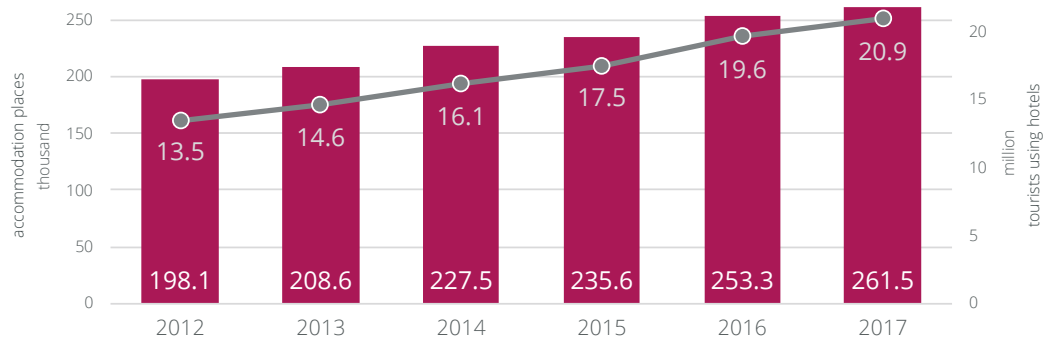


CAGR 2012-2017



NUMBER OF ACCOMMODATION PLACES AND NUMBER OF TOURISTS USING HOTELS IN THE YEARS 2012-2017

Source: Emmerson Evaluation based on CSO data



accommodation places	
tourists using hotels (in general)	

infrastructure, Poles are increasingly choosing to stay in the country rather than go abroad. The total number of tourists (Polish and foreign) has been increasing by 9.21% on average every year since 2012, and the number of beds has been increasing by 5.71%, i.e. nearly half as slowly. This situation is reflected in the increase in occupancy of rooms and hotel spaces. At the end of 2017, the average occupancy of hotel rooms was by 1.1 p.p. higher than in 2016, reaching almost 52% in 2017. Traditionally, the highest average occupancy (64.7%) has been recorded in Mazowieckie voivodeship, generated mainly by the hotels in Warsaw. Zachodniopomorskie voivodeship (63.1%) and Małopolskie voivodeship (57.3%) took second and third place respectively. In the previous year (2016), the occupancy ranking looked similar – the highest average occupancy (62.6%) was recorded in Mazowieckie voivodeship, followed by Zachodniopomorskie voivodeship with 62.1%, and Małopolskie voivodeship with 57.1%. Comparing the change in the average occupancy in 2017 and 2016, the highest increase was recorded in Lubuskie voivodeship (8.7%) and Podlaskie voivodeship (8.2%). A decrease in occupancy (-3.1%) was recorded in Warmia and Mazury. We argue, however, that this is the result of stabilisation of the market – in 2016, the voivodeship was 3rd in terms of increase in occupancy of hotel rooms (an increase of 7.9%). In addition, the negative rates of change in hotel room occupancy in 2017 compared to 2016 were recorded only by Wielkopolskie and Dolnośląskie voivodeships (in both cases below 1%), which can be considered a good result when compared to the rest of the country.

CAGR 2012-2017

accommodation places

5,71%



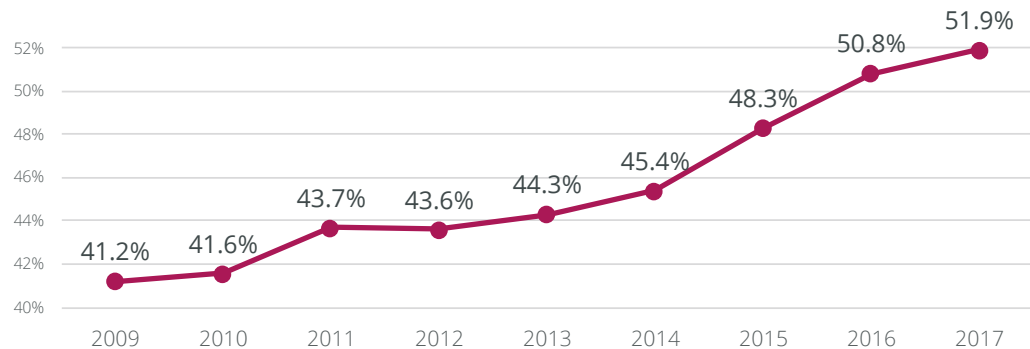
tourists using hotels (in general)

9,21%



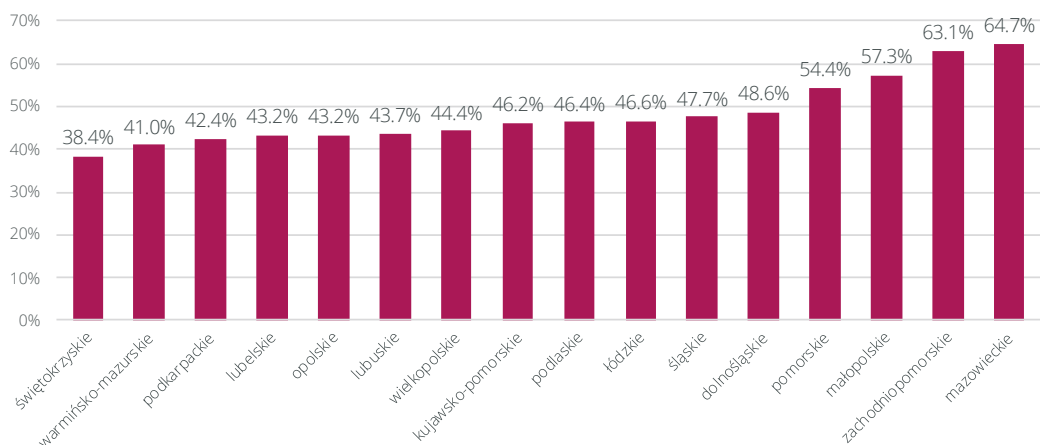
HOTEL ROOM OCCUPANCY RATE IN THE YEARS 2009-2017

Source: Emmerson Evaluation based on CSO data



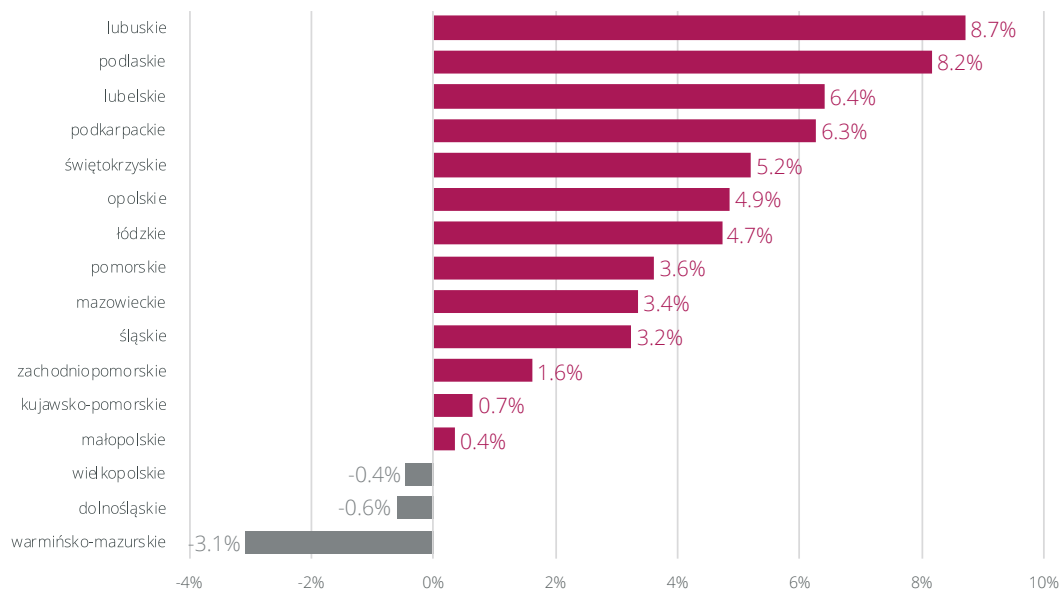
AVERAGE HOTEL ROOMS OCCUPANCY IN PARTICULAR VOIVODESHIPS IN 2017

Source: Emmerson Evaluation based on CSO data





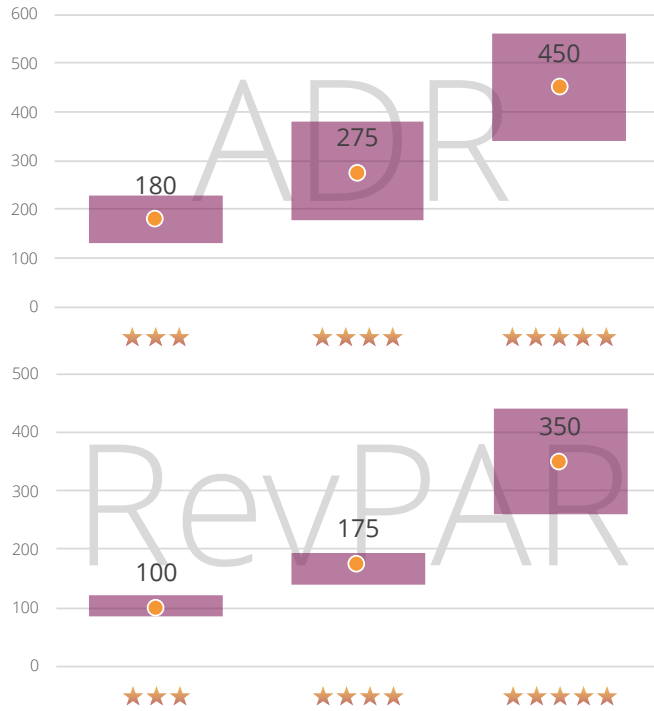
CHANGE IN THE OCCUPANCY RATE IN PARTICULAR VOIVODESHIPS [2017/2016]

Source: Emmerson Evaluation based on CSO data



ADR AND REVPAR INDICES FOR HOTELS IN THE 3-4- AND 5-STAR CATEGORY

scope (min-max)	
average	



OVER THE LAST MONTHS THE ADR AND REVPAR INDICES FOR HOTELS HAVE BEEN AS FOLLOWS:

ADR	★★★★	from 130 to 230 zł
	★★★★★	from 180 to 380 zł
	★★★★★★	from 340 to 560 zł
RevPAR	★★★★	from 85 to 120 zł
	★★★★★	from 140 to 195 zł
	★★★★★★	from 260 to 440 zł



ANALYSIS OF THE MARKET OF CONDO HOTELS AND FACILITIES WITH HOLIDAY/RENTAL APARTMENTS

In recent years, due to the good economic situation in Poland, low interest rates and interest rates on deposits as well as the growing wealth of the population, investing in real estate has become increasingly popular.

Demand is largely reported by natural persons who, as a rule (due to their limited capital) decide to purchase one or several premises. In turn, the dynamic development of tourism means that in attractive tourist and business locations, higher rates of return on invested capital are obtained from short-term rental (counted in days) rather than from long-term rental of a flat to a single tenant. All these factors influenced the intensive development of the so-called condo hotels and holiday apartments in Poland. Furthermore, the increase in the attractiveness and popularity of online travel services, such as Booking.com and AirBnB, thanks to which the offer of private investors has become competitive even for the best hotel rooms in given locations, was also of key importance, particularly as regards growth of the holiday apartment market.

Developers recognised the prevailing situation as a good business opportunity, and, trying to maximize their profits, they began to adapt their products to the needs of the customer and thus create facilities offering leisure/holiday apartments legally constituting independent residential and usable premises. If only the planning conditions provide the opportunity, such construction projects are most often executed in the form of multi-family residential buildings, since the sales tax (VAT) rate for residential premises is lower (8%) than for business premises. Non-residential (com-

mercial) premises are constructed only in locations where there is no possibility to develop a multi-family housing project. You can encounter situations where developers try to circumvent the planning restrictions by building various types of service buildings and separating independent commercial premises within them. Building permits (or decisions to change the way of use) for some buildings define them as „service buildings with apartments”, „boatswain buildings”, and „apartment buildings with individual recreation facilities”.

It should be noted that the market of facilities with holiday apartments is very diverse. The smallest form of such a building is a multi-family residential building, without a reception or extensive common areas, offering no additional services, with a variety of fit-out standards for particular premises, where several operators, including owners, are involved in the rental management. Owners of individual premises have the option of choosing the operator managing the rental of their apartments, and some of the premises can be used for their own housing purposes. These types of facilities were created mainly in the initial stage of development of the holiday apartment market, and due to their attractive locations in popular tourist destinations, they were sold quickly. With the development of the leisure market segment, increased competition and higher expectations from buyers, developers began to build multi-family houses with an increased or high standard of fit-out and furnishings, with a wide range of additional services. Such facilities often function under one marketing name and an individual website is maintained for them with the option of booking

individual apartments. Fit-out and furnishings can also be standardised, which means that from the guests' point of view, such a facility may not be different to a typical hotel. In the case of such facilities, the operators incorrectly use the name „aparthotel”, which in this case is only an element of marketing. An aparthotel is a hotel facility that is not intended for individual sale and does not have separate premises. However, instead of typical hotel rooms, it offers apartments (rooms additionally equipped with kitchenettes), which is why it is also called an apartment hotel.

Records of local spatial development plans in attractive locations in popular tourist destinations and urban agglomerations would frequently only allow for the construction of a service facility – e.g. for tourism and rec-

reation, i.e. most often a hotel or a guesthouse. For this reason, many developers wanting to take advantage of high demand from individual investors for properties in attractive locations started establishing condo hotel ventures. From the guests' point of view, such a facility is no different to a traditional hotel, and the developer allows for faster exit from the investment.

Poland's condo hotel market is relatively young and still taking shape. The definition of this type of facility is not regulated by law and thus often abused. Based on the experience of the Western markets, source data and the results of our analysis of the Polish supply market, we present below our version of the condo hotel definition together with the criteria that should be met by such a facility.

CRITERION	CONDO HOTEL
GENERAL DESCRIPTION	Hotel buildings within which independent non-residential premises have been separated, creating a condominium (community of owners). Individual premises with a uniform standard of fit-out and furnishings are sold. Functionally, the premises usually consist of 1-2 hotel rooms and a bathroom. There are also condo hotels that include apartments consisting of 1-2 hotel rooms, a kitchenette and a bathroom.
CONSTRUCTION / USE PERMIT	A facility for which a building permit for tourist and recreational accommodation has been issued (category 14 according to Polish Construction Law) – a hotel or guesthouse building, or a decision to change its way of use into a hotel or a guesthouse.
LEGAL	Individual premises are legally separated as non-residential premises.
OPERATIONAL	As part of a single facility, premises are managed by one (dominating) operator dedicated to the given facility, which is most often already selected at the construction stage. As a rule, it is not possible for the owners of the individual premises to choose the operator. The facility can operate as part of a hotel chain.
FUNCTIONAL	From the guests' point of view, the facility functions in the same manner as a hotel. It offers a range of services and conveniences typical of a hotel, such as reception, restaurant, concierge, SPA, conference facilities. Individual premises usually consist of 1-2 rooms with a bathroom. Sometimes condo hotels also function as facilities that consist of apartments (i.e. hotel rooms with kitchenettes) or as facilities constituting a complex of hotel rooms and apartments.
TAX	In the primary market, non-residential premises are sold with a VAT rate of 23% (commercial premises). The property tax is paid by the owners of individual premises, with the tax rate for land and buildings related to running a business. In the case of non-residential premises with which a share in common property is associated, i.e. the right of perpetual usufruct of land, the owner additionally pays an annual fee for this right, at an interest rate of 3%. Imposing VAT on the activity conducted in the premises: as a rule, the hotel operator taxes his income with VAT at a rate of 8%.
FIT-OUT / FURNISHING STANDARD	Premises in condo hotels are most often sold finished and standardised for the entire facility. However, some are unfinished and it is necessary to purchase an additional equipment package.
CATEGORIZATION	The facility is subject to categorisation or not categorised. The facility is adapted to function as a hotel, i.e. meets the requirements for hotel furnishings imposed by the law.
EXAMPLES OF FACILITIES	Cristal Mountain Resort in Wisła, Blue Mountain Resort in Szklarska Poręba, Radisson Blu Resort in Świnoujście, Hotel Number One in Gdańsk



Analysis of management contracts

Due to the dynamic development of the market for condo hotels and holiday apartments, more and more companies offering professional and comprehensive apartment management services for short-term rental have started appearing on the market.

In the case of facilities with holiday apartments, the most common scope of services offered by operators covers rental management through online portals and the operator's own website (or – less frequently, the facility's website), ensuring constant and comprehensive hospitality service and technical supervision of the apartments. A rental agreement is signed with the owner of the apartment, usually for an indefinite period of time with a 3-6 or a 12-month notice period. In accordance with the provisions of such an agreement, the costs related to the ongoing hospitality service (including cleaning the apartments and washing towels and bed linen) are borne by the management company, while the remaining costs are paid by the owner of the apartment. The owner of the apartment must also cover the periodic cost of refreshing the apartment and (in the long term) replacement of equipment. The payment model that is most frequently used between the owner and the management company is the distribution of revenues, where the commission for the management company usually amounts to 25-30% of net revenue (without VAT, after deduction of com-

missions charged by booking websites). In some cases, when the operator is a dedicated and dominant operator in a given building, he offers a guaranteed rent for the first few years of the facility's operation (usually three years). There is also a combination of guaranteed rent and an additional rent depending on turnover, but this is very rare.

In the case of condo hotels, the rental management offer of the operator of a given facility is usually presented at the stage of purchasing the premises. A new trend, emerging in particular in more attractive facilities, is the offer of long-term lease agreements (10-30 years) with a guaranteed rent of 6 to even 8-8.5% of the net purchase price (developer's finish or furnished). Lease agreements also contain provisions regarding the costs of running repairs and renovations of the premises and its equipment, which, as a rule, are paid by the operator. Virtually all fees related to managing the premises, its promotion and advertising are borne by the operator. The owner pays for any damage caused during his stay in the apartment or that of people associated with him. Moreover, he pays covers insurance for the apartment and property tax. Most often, the owner has the right to use the premises for his own needs only during a strictly specified period of the year (the so-called time-share – usually outside of holidays and the high season).

The table below includes a detailed analysis of the types of contracts most frequently applied to condo hotels or holiday apartments.

TYPE OF RENT AGREEMENT		AGREEMENT WITH GUARANTEED RENT	AGREEMENT WITH GUARANTEED RENT AND VARIABLE RENT	AGREEMENT WITH VARIABLE RENT
TYPE OF FACILITY		A typical agreement for condo hotels and facilities with condo apartments with higher standard and expanded common area.	The rarest type of agreement, both in the case of condo hotels and facilities with condo apartments.	An agreement typical for most facilities with condo apartments, not possible to conclude for the best condo hotels.
RENT TERM		Definite term between 3 and 30 years.	Definite term between 3 and 30 years.	Indefinite period, occasionally the agreement is concluded for a definite period.
RENT TERM IN SPECIFIC REGIONS	MOUNTAIN AREA	3-15 years	3-15 years	indefinite
	COASTAL AREA	3-30 years	3-30 years	indefinite
	WARMIA & MAZURY	5-15 years	5-15 years	indefinite
	AGGLOMERATIONS	4-30 years	4-30 years	indefinite
GUARANTEED RATE OF RETURN	MOUNTAIN AREA	6-8%	6-8%	N/A
	COASTAL AREA	5-8%	5-8%	N/A
	WARMIA & MAZURY	6-8%	6-8%	N/A
	AGGLOMERATIONS	6,5-8%	6,5-8%	N/A
DETERMINING THE RENT		Fixed rent as a net percentage of the net purchase price of the premises specified in the agreement (usually developer's finish, unfurnished) and net purchase price of a parking space.	There are two options: 1. Rent guaranteed for the first few years of the agreement (usually 3 years), after which it becomes variable rent (e.g. as a percentage – most often 50-70% of the net revenue from the rental of the apartment). 2. Rent guaranteed throughout the duration of the agreement + additionally variable rent (e.g. determined as % of the net profit from the operation of the facility, which is divided among investors in accordance with the adopted criterion, for example, area share).	The operator charges a commission determined as a certain percentage (usually 25-30%) on the net revenue from the rental of the apartment.
OTHER TERMS AND CONDITIONS OF RENTAL AGREEMENTS	RENT PAYMENT PERIOD	Quarterly or monthly	Quarterly or monthly	Monthly
	INDEXATION	Some rental agreements include provisions for the rent indexation	Some rental agreements include provisions for the rent indexation	No provisions for the rent indexation
	TIMESHARE	A precisely defined number of days a year, most often 14 - 21 days, except periods clearly defined in the agreement	A precisely defined number of days a year, most often 14 - 21 days, except periods clearly defined in the agreement	Any number of days in a year
	COSTS PAID BY THE OPERATOR	Rental management costs and operating costs of the entire facility, including costs of utilities and carrying out repairs of the premises	Rental management costs and operating costs of the entire facility, including costs of utilities and carrying out repairs of the premises	Rental management costs, including cleaning costs
	COSTS PAID BY THE OWNER	Property tax, perpetual usufruct fee (if applicable), insurance for the premises. In some cases, a fixed fee is collected by the operator for periodic repairs of the premises and replacement of furnishings	Property tax, perpetual usufruct fee (if applicable), insurance for the premises. In some cases, a fixed fee is collected by the operator for periodic repairs of the premises and replacement of furnishings	Property tax, perpetual usufruct fee (if applicable), insurance for the premises, community rent, costs of utilities, maintenance, ongoing repairs and renovations

EXISTING SUPPLY
AND SUPPLY
IN THE PIPELINE
(UNDER
CONSTRUCTION/IN
THE DESIGN PHASE)

Supply of condo hotels and holiday/rental apartments

In our report, we analysed the market of condo hotels and facilities with holiday apartments in the most popular seaside and mountain resorts, in Warmia and Mazury, as well as in the largest Polish agglomerations. We only considered facilities that were intended for

MOUNTAIN REGION	EXISTING			IN THE PIPELINE		
	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL
TATRA MOUNTAINS			30			13
ZAKOPANE	3	27	30	2	10	12
BIŁKA TATRZAŃSKA	-	-	0	-	1	1
BESKIDY MOUNTAINS			22			11
WISŁA	-	8	8	1	2	3
USTROŃ	-	4	4	-	3	3
KRYNICA-ZDRÓJ	-	8	8	1	-	1
SZCZAWNICA	-	-	0	1	-	1
SZCZYRK	-	2	2	-	2	2
KOZUBNIK	-	-	0	-	1	1
SUDETY MOUNTAINS			38			11
KARPACZ	-	23	23	3	-	3
SZKLARSKA PORĘBA	-	10	10	-	1	1
ŚWIERADÓW ZDRÓJ	-	2	2	-	1	1
POLANICA ZDRÓJ	-	1	1	-	1	1
DUSZNIKI ZDRÓJ	-	-	0	1	-	1
PODGÓRZYN	1	-	1	2	-	2
SIENNA	-	1	1	-	2	2
TOTAL	4	86	90	11	24	35
NEW (ESTIMATED) ROOMS/APARTMENTS SUPPLY UP UNTIL 2020				approx. 5000		

WARMIA AND MAZURY	EXISTING			IN THE PIPELINE		
	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL
GIŻYCKO	-	1	1	-	1	1
MIKOŁAJKI	2	1	3	-	2	2
OLSZTYN	1	-	1	1	-	1
IŁAWA	-	1	1	-	-	0
RUCIANE NIDA	-	-	0	-	1	1
PASYM	-	1	1	-	-	0
MIŁKI K. GIŻYCKA	-	1	1	-	1	1
TOTAL	3	5	8	1	5	6
NEW (ESTIMATED) ROOMS/APARTMENTS SUPPLY UP UNTIL 2020				approx. 350		

short-term rental and had their own website. We included existing facilities and those under construction.

The largest supply of condo hotels and facilities with holiday apartments is to be found in the coastal regions; there are over 100 of them in total.

This accounts for over 46% of all facilities identified by

us in the analysed regions. The offer in the mountain regions accounts for 40% thereof, in agglomerations approximately 10%, and in Warmia and Mazury only approximately 4%.

Most of the facilities in the coastal regions (almost 75%) are located in Zachodniopomorskie voivodeship. Facilities

COASTAL REGION	EXISTING			IN THE PIPELINE		
	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL	CONDO HOTELS	FACILITIES WITH HOLIDAY APARTMENTS	FACILITIES IN GENERAL
POMORSKIE VOIVODESHIP			27			6
WŁADYSŁAWOWO	1	13	14	1	1	2
JASTARNIA	2	3	5	-	-	0
KRYNICA MORSKA	2	2	2	-	-	0
HEL	-	2	2	-	1	1
USTKA	-	2	2	-	2	2
STEGNA	-	2	2	-	-	0
ŁEBA	-	-	0	-	1	1
ZACHODNIOPOMORSKIE VOIVODESHIP			77			44
KOŁOBRZEG	7	17	24	4	4	8
ŚWINOUJŚCIE	2	19	21	2	5	7
MIĘDZYDROJE	-	8	8	2	5	7
MIELNO	1	7	8	-	5	5
DZIWNÓW	-	7	7	1	7	8
REWAL	-	5	5	-	1	1
USTRONIE MORSKIE	-	2	2	-	3	3
TRZEBIATÓW	-	1	1	1	2	3
DARŁOWO	-	1	1	-	1	1
SARBINOWO	-	-	0	-	1	1
TOTAL	13	91	104	11	39	50
NEW (ESTIMATED) ROOMS/APARTMENTS SUPPLY UP UNTIL 2020				approx. 7000		

AGGLOMERATIONS	EXISTING			IN THE PIPELINE		
	CONDO HOTELS	FACILITIES WITH RENTAL APARTMENTS	FACILITIES IN GENERAL	CONDO HOTELS	FACILITIES WITH RENTAL APARTMENTS	FACILITIES IN GENERAL
WARSAW	5	5	10	4	3	7
KRAKÓW	-	2	2	2	1	3
WROCŁAW	-	2	2	4	3	7
GDAŃSK	2	2	4	2	-	2
POZNAŃ	-	1	1	-	1	1
ŁÓDŹ	-	-	0	2	2	4
SZCZECIN	-	3	3	-	-	0
TOTAL	7	15	22	14	10	24
NEW (ESTIMATED) ROOMS/APARTMENTS SUPPLY UP UNTIL 2020				approx. 3500		

with holiday apartments are also found here more often than condo hotels (these account for approximately 10% of all facilities in the coastal regions). This results from the growth stage of the market in Poland, which we have already described – facilities with holiday apartments appeared much earlier, they are also less capital-intensive investments than condo hotels.

The most popular locations for holiday apartments are Świnoujście (accounting for over 20% of facilities with holiday apartments), Kołobrzeg (nearly 19%), and Władysławowo (over 14%). Additionally, several facilities operate in Międzyzdroje, Mielno, Dziwnów and Rewal. Individual facilities are to be found in Jastarnia, Krynica Morska, Ustka, Stegna, Ustronie Morskie, Trzebiatów, Darłów and on the Hel Peninsula.

Most condo hotels are located in Kołobrzeg. They account for over 50% of all the condo hotels in the coastal regions identified by us. In addition, individual facilities operate in Świnoujście, Władysławowo, Krynica Morska, Jastarnia and Mielno.

Currently, the largest number of facilities in the pipeline (under construction or planned) are located in the towns of Zachodniopomorskie voivodeship – Kołobrzeg, Dziwnów, Świnoujście and Międzyzdroje. In total, condo-hotels and facilities with recreational apartments in the pipeline in Zachodniopomorskie voivodeship account for nearly 90% of all facilities of this type to be found in the coastal regions. According to our estimates, by the end of 2020, the largest number of condo hotels and facilities with holiday apartments (over 30) will continue to operate in Kołobrzeg, followed by Świnoujście with 28 facilities, as well as Władysławowo (16), Międzyzdroje (15) and Dziwnów (15). In total, there will be over 7 000 new rooms and suites in condo hotels and facilities with holiday apartments in the entire coastal area by the end of 2020.

Another area with the largest number of condo hotels and facilities with holiday apartments is the mountain region. The largest number of operating facilities is located in the Sudety Mountains (over 42%), then in the Tatra Mountains (approximately 33%) and the Beskidy Mountains (approximately 24%). The most popular cities for locating facilities with holiday apartments are Zakopane (approximately 31% of all facilities with holiday apartments in the mountain regions), Karpacz (approximately 27%) and Szklarska-Poręba (approximately 12%). Facilities with holiday apartments operating

in Wisła and Krynica-Zdrój account for approximately 10% of the supply. Facilities of this type are also to be found in Ustroń, Szczyrk, Świeradów-Zdrój, Polanica-Zdrój and Sienna near Stronie Śląskie.

Condo hotels in the mountain regions represent a minority – only approximately 4% of all facilities identified by us. Currently, they operate in Zakopane and in Podgórzyn near the Sudety Mountains.

By 2020, the highest number of new construction projects will have appeared in the Tatra Mountains region – in Zakopane and Białka Tatrzańska, accounting for nearly 40% of building projects in preparation in the mountain area. Buildings under construction or in the design phase in the Sudety Mountains and the Beskidy Mountains with a planned delivery date for 2020 will generate approximately 30% of new supply. In total, the mountain regions will have gained nearly 5 000 new rooms in condo hotels and holiday apartments by the end of 2020.

In the region of Warmia and Mazury, the supply of condo hotels and facilities with holiday apartments is definitely lower than in the coastal and mountain areas. This region has been gaining popularity with developers and individual investors for only a short time now. As in the regions analysed earlier, facilities with holiday apartments dominate here too. They represent over 60% of the supply of this type of property to be found in the region of Warmia and Mazury. Condo hotels were identified only in Mikołajki and Olsztyn. A few new facilities with holiday apartments are being constructed in Mikołajki, Giżycko and its surroundings and Ruciane-Nida, while there is a condo hotel being developed in Olsztyn. Over 350 new rooms and apartments are expected to be delivered to the market in Warmia in Mazury by 2020.

The markets of the largest Polish agglomerations were also analysed as regards facilities with rental apartments and condo hotels. Facilities offering apartments for short-term rental account for 70% of the supply. They are located mainly in: Warsaw (approximately 30% of facilities with apartments for short-term rental), Szczecin (approximately 20%) as well as Kraków, Wrocław and Gdańsk (approximately 13% in each of these cities). In the case of condo hotels, the supply is divided between Warsaw (approximately 70%) and Gdańsk (approximately 30%).

The situation regarding supply in the pipeline is in fa-

avour of condo hotels – a dozen or so new facilities will be built by 2020. This will account for nearly 60% of all facilities of this type being under construction or in the design phase. It is expected that the largest number of condo hotels and apartments for short-term rental will be built in Warsaw, Wrocław and Łódź – approximately 75% of the supply currently in the pipeline. According to our estimates, the number of new premises in condo hotels and holiday apartments will have increased by 3 500 by the end of 2020.

The market of condo hotels and facilities with holiday apartments in Poland is still relatively young. In the West, the first facilities of this type began appearing many years ago (in the mid-twentieth century, while in Poland it was around 2008-2009). The market in Poland is now gaining popularity among developers. Even investors who have already been operating on the housing market wish to extend and diversify their offer with condo hotels and facilities with holiday/rental apartments. From the developers' point of view, such an undertaking is attractive because it allows for a much higher margin than in the case of sales of apartments. Prices of premises in such facilities are often higher, and in the case of the most luxurious projects, they can reach nearly PLN 30 000 net/sqm. It is therefore not surprising that so many facilities of this type are appearing on the Polish market. Due to the increase in competition, developers and operators are trying to adapt their offer to customers' requirements. Currently, products with a guaranteed rate of return are offered, where the buyer of the premises earns a profit defined in the agreement. Sometimes it is quite high and reaches as much as 8-8.5%, which is much more than for renting a flat for a longer period. Despite the many advantages of investing capital in condo hotels and holiday apartments, there are many risks to be taken into account.

With the vast majority of such facilities located in holiday resorts, the seasonality and occupancy of facilities during particular times of the year may be a problem. Although the tourist season in Poland has become longer in recent years, it still lasts for only a few months a year. Hence, it is not certain how much longer operators will offer such high rates of return on investment in the face of increasing supply and growing competition. We expect that in the coming years, the market will start to mature and over time it will become saturated. An extremely high volume of supply and a large number of construction and operator companies will cause new facilities to appear more slowly and probably offer lower rates of return.

In our opinion, the most important factor, in addition to the location of the facility, is the developer's experience in implementing similar projects. The best facilities must meet the requirements of hotel chains and offer a wide range of services available on-site. We believe that facilities able to guarantee a long-term contract with an operator – a widely recognisable hotel chain – will be profitable. This should also guarantee a return on investment in a holiday apartment in the long-term, as the need to maintain hotel chain standards will positively affect the condition of the building and infrastructure for a longer period of time. As the condo hotel and holiday apartment market develops and matures, facilities that do not meet the criteria mentioned above may lose their attractiveness in the face of the emerging competition. Developers who have less experience in this segment of the market and who neither diversify nor improve their offer may not be able to cope with the growing competition and other market factors (e.g. increasing costs of building materials), which may affect the profitability of a given facility.



SUMMARY

In the last few years, the situation on the Polish hotel market has been very positive. The continued interest from both international networks and individual investors indicated that hotel investments made in Poland are highly profitable.

The year-on-year statistics on the number of Polish and foreign tourists as well as the occupancy of hotel rooms confirmed that Poland was a good choice for investors. It is not without reason that many well-known hotel brands appeared or resumed operations in our country. However, if we analyse the average rate of increase in the number of rooms in hotels at the end of 2017, it turns out that the upward trend in the number of new premises has slightly decelerated. At the end of 2016, the CAGR (compound annual growth rate) amounted to 6.34%, while at the end of 2017 it was only 5.71%. Although the number of new facilities in the hotel segment is still growing, it is the result of decisions made by investors a year or two ago. These may be the initial symptoms of the crisis on the Polish hotel market. Some of the more experienced developers and hotel chains are already selecting locations for new facilities with greater caution than a few years ago. It seems that although there have been no signs of collapse on the market so far, the best times are over and we are entering a phase of slowdown. At the moment, it may

be risky to invest in locations that have experienced the most dynamic growth in supply. Being unable to absorb such a high number of facilities, the market will become increasingly demanding for potential investors. One can expect a reversal of the observed growth trends in terms of the use of accommodation, as well as the RevPAR and ADR indicators.

The condo hotel and holiday apartment market should also be given due consideration, as it is developing rapidly now. The popularity of these types of facilities is growing continuously, particularly among individual investors, who, instead of buying another apartment for long-term rent, decide to buy a holiday apartment or a condo hotel.

It is often associated not only with the intention of generating passive income from real estate, but also with the prestige of having an apartment in a holiday resort. However, it should be stressed that the observed boom in this market segment attracted many housing developers who did not have adequate experience in building these types of facilities. The supply that is in progress now, and thus also competition among developers and management companies, is of considerable volume, which is why they are competing by offering potential buyers various types of incentives. The premises are usually bundled with a management contract suited to the needs of a given project, which may give rise to a problem if the contract is concluded with an operator without relevant experience. Popular long-term lease agreements with rent guaranteed for the entire duration of the contract have aroused controversy recently. The currently offered amount of rent is comparable to the results achieved by some of the existing premises in condo hotels and holiday apartments with variable rent (a share in the actual results). However, considering that we are currently in the upper range of the business cycle (as indicated by market conditions), it may not be possible to maintain the rent at this level in the long term. When the market slows down, some operators may not be able to fulfil their promises.



GLOSSARY OF TERMS

The ADR index

– defines the average net daily rate per hotel room. It is achieved by dividing net revenues from sale of hotel rooms by the number of hotel rooms sold.

The RevPAR index

– defines revenue per available room. It is achieved as the product of the average revenue generated by one available hotel room and the average occupancy rate or as the quotient of the revenues from sale of hotel rooms and the number of hotel rooms available in the given period of time.

CAGR MEANS COMPOUND ANNUAL GROWTH RATE

– this is an average index of annual growth in the examined period of time. The CAGR index is defined by taking into account the final and starting value of the given phenomenon, and also the number of years between the starting and final year.

HOTEL ROOM OCCUPANCY RATIO

– the relation of the number of rented rooms to the nominal number of rooms (the total number of rooms prepared for tourists on every day of the hotel's operations). It is expressed as percentage. It is defined as hotel room occupancy ratio or hotel occupancy.

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