2020

HOTEL AND CONDO HOTEL MARKET IN POLAND

EEVALUER

EMMERSON EVALUATION

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Introduction

Dear Readers,

We are pleased to present to you another edition of the report on the hotel and condo-hotel market, as well as on holiday apartment buildings in Poland.

In our report, as in previous years, we analysed the situation on the hotel market in the largest Polish agglomerations and the most popular tourist areas. This year, we decided to postpone the publication of the report until March to summarize the situation at the end of 2019. As in previous editions, the report contains data showing the structure of demand, i.e. average annual growth in the number of Polish and foreign tourists, as well as average financial results for selected hotel segments. The analysis was also carried out for the co-existing segment - the market of condo-hotels and holiday apartment buildings. It presents data showing the dynamics with which this market has been developing recently. Finally, we attempt to anticipate potential scenarios for the development of the hotel market and the possible consequences for the industry associated with the crisis.

Until the end of 2019, we observed an unprecedented boom in the history of our country in the hotel market. Numerous openings enriched the national hotel base in terms of extraordinary investments. This directly translated into a recorded increase in the supply of hotel rooms and accommodation places. The demand still remained at a very high level, as despite the growing supply of accommodation in most voivodships, a statistical increase in the hotel room occupancy rate was recorded. The statements regarding the future supply, which are included in the report, referring to facilities under construction or planned for construction in the coming years, indicated further dynamic development of this sector in the nearest future.

The substantive part of the report was mostly prepared at the turn of February and March, when we could not yet predict the effects of the COVID-19 pandemic on the industry. However, we decided to publish our study as a summary of the unfortunately ending period of the boom for the hotel industry. We are aware that the assessment of the situation and potential forecasts presented in the report may not be reflected in the current, very dynamically changing reality. Certainly, the development of the pandemic, and in particular its duration, will have far-reaching negative effects on the entire tourism industry, including the hotel, condo-hotel and holiday apartment market. At the time of publication of the report, the scale of the potential consequences are difficult to predict and will depend on the development of the pandemic and its duration, making it impossible to make concrete forecasts. However, our study may serve as a point of reference for future analyses of this market segment in a situation where the pandemic is already over.

Nevertheless, we hope that the data contained in the report will be of interest to you and will enrich your knowledge about the development of the domestic hotel market, as well as the segment of condo-hotels and holiday apartment buildings.

SUPPLY OF HOTELS AND ACCOMMODATION PLACES

SUPPLY OF HOTELS AND ACCOMMODATION PLACES IN 2018 AND H1 2019 AND THE CHANGE BETWEEN H1 2019/2018

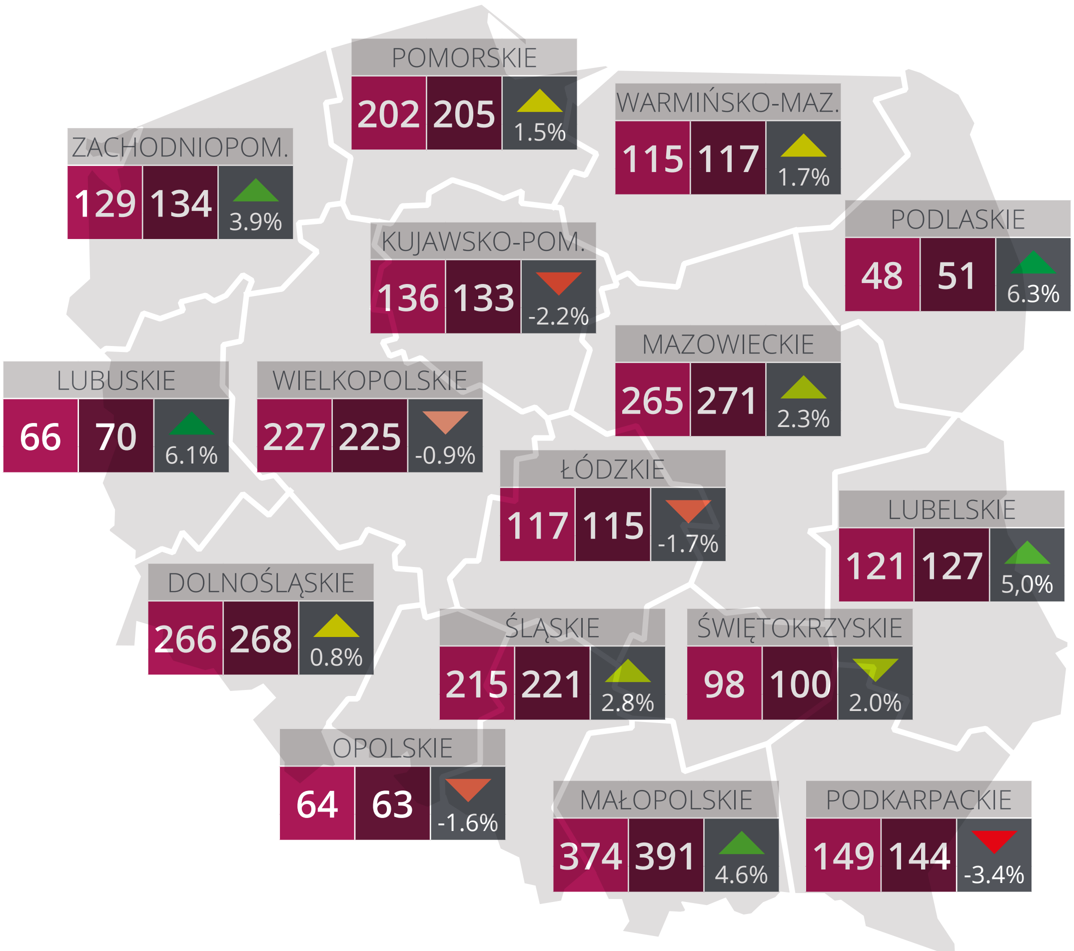
2018 r.

H1 2019 r.

HOTELS

POLAND		
2 592	2 635	1.7%

Source: Emmerson Evaluation



EMMERSON EVALUATION

SUPPLY ANALYSIS
voivodships

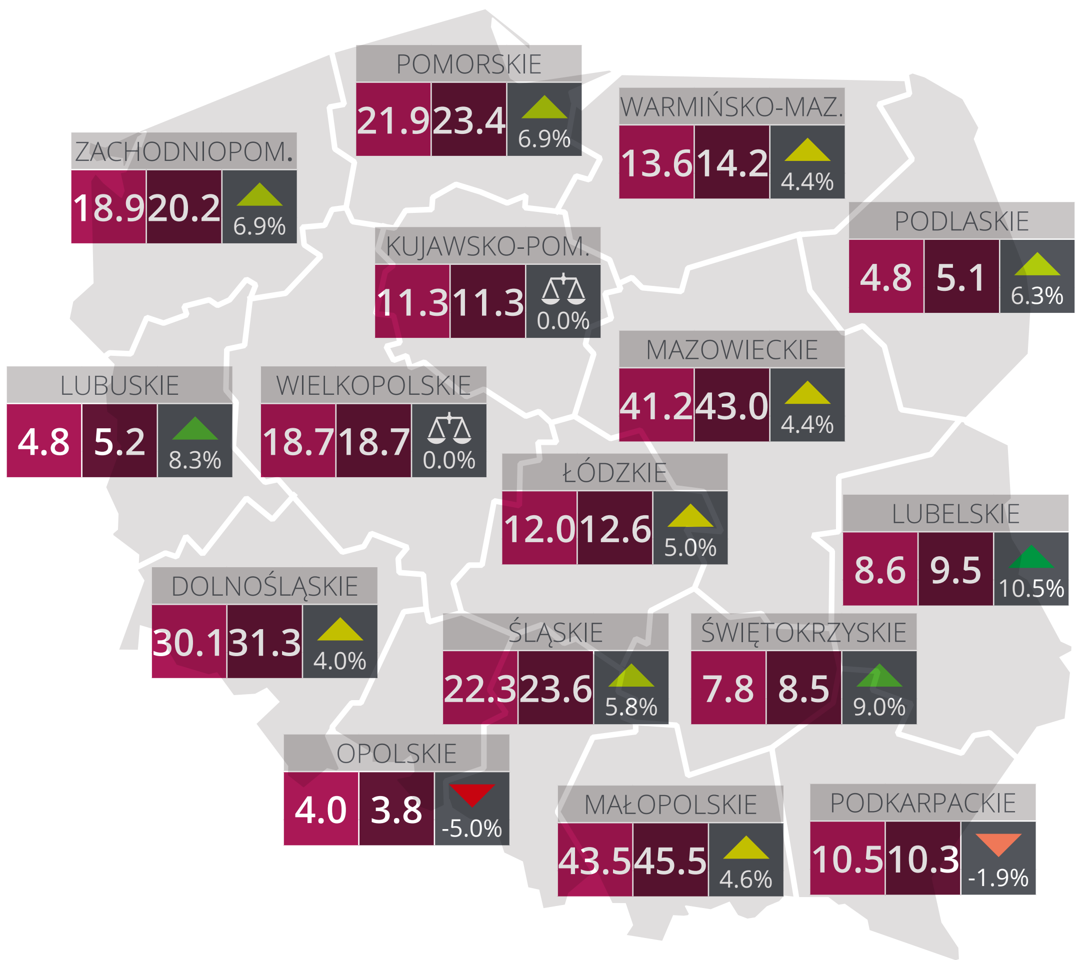
In mid-2019, there were 2,635 categorised hotels with about 286,000 beds in Poland. Data from the Central Statistical Office indicate that the number of hotels in Poland increased in 11 voivodships. Taking into account the number of accommodation places, a 4.5% increase in the accommodation base in relation to 2018 was recorded.

Despite the decrease in the number of hotels in Łódź Voivodship, the number of beds in this area in the first half of 2019 increased by 0.6% compared to 2018, due to the expansion of the existing hotel base. In Wielkopolskie and Kujawsko-Pomorskie Voivodships, the number of hotels fell, but the supply of accommodation places was maintained at the level of 2018. The reason for this situation was the extension of, among others, 4★ Focus Premium Pod Orłem hotel in Bydgoszcz.

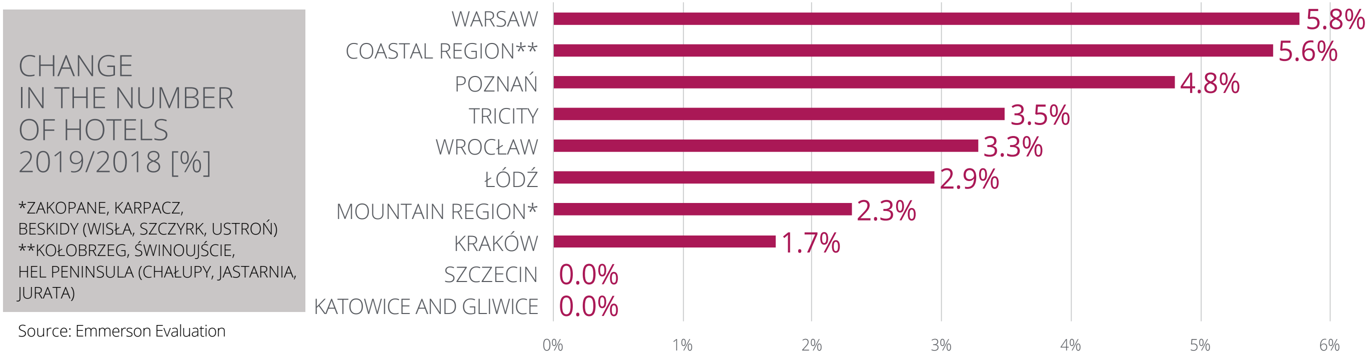
The highest increase in the supply of hotel accommodation was recorded in the Lublin Voivodship – by 10.5% and in the Świętokrzyskie Voivodship – by 9%. A decrease in the supply of hotel accommodation was recorded only in the Opolskie Voivodship – by 5% and the Podkarpackie Voivodship – by 1.9%, where facilities were either closed down due to modernization or completely shut down. In the Kujawsko-Pomorskie and Wielkopolskie Voivodships the accommodation base did not change, and in the Opolskie and Podkarpackie Voivodships there were slight decreases in the number of hotel beds.

ACCOMMODATION PLACES
[thousand]

POLAND		
274.0	286.2	4.5%



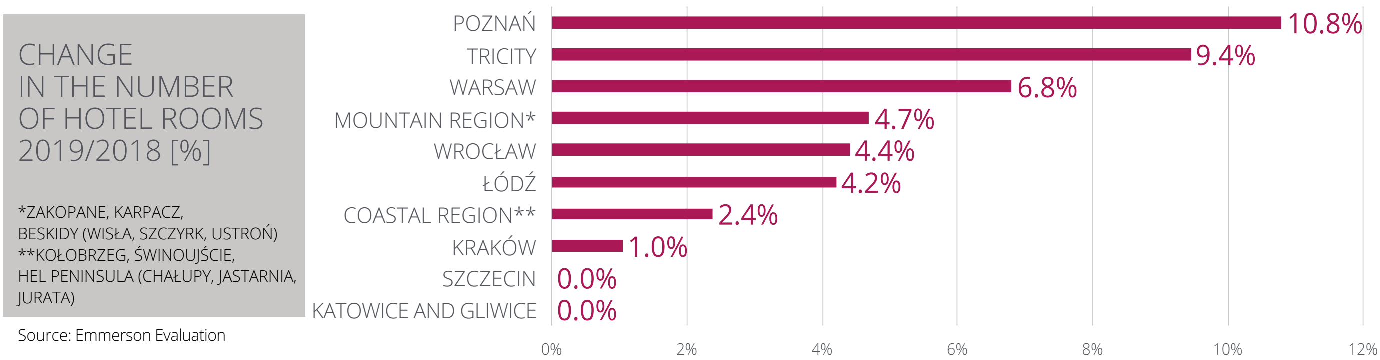
SUPPLY ANALYSIS
agglomerations and resorts



Source: Emmerson Evaluation

For the most important hotel markets, represented by the largest regional cities and tourist regions, we have collected our own detailed data for the whole of 2019. Also in this case, we can see an increase in the number of hotels compared to 2018.

The largest increases in the number of hotels were observed in Warsaw. In 2019, the supply of hotels in Warsaw grew by 5.8% year-to-year. A similar increase – of 5.6% was recorded in the coastal region represented by Świnoujście, Kołobrzeg and the Hel Peninsula. Poznań was also in the lead with an increase of 4.8%. Around 3% increase in the number of hotels was observed in Tricity, Wrocław and Łódź. A slightly smaller increase of 2.3%, was recorded in the mountain region represented by Zakopane, Karpacz and Beskidy. In Szczecin and the main cities of the Silesian agglomeration (Katowice, Gliwice) 2019 no new hotels were opened.



Source: Emmerson Evaluation

In 2019, the largest increase in the number of rooms compared to the end of 2018 could be observed in Poznań, where supply increased by 10.8%. In the capital city of the Wielkopolska Region, in the analysed period the hotel offer was enriched with new facilities of global brands. The hotels Hampton by Hilton and Ibis Poznań Centrum were built there, among others. A high increase in the number of hotel rooms was also recorded in the Tricity – 9.4% year-to-year. Such a significant increase results from the launch of new facilities: 4★ Holiday Inn City Center located on Granary Island and Radisson Hotel & Suites and 3★ Platan Hotel located on the outskirts of Gdańsk. The listed facilities offer a total of 618 hotel rooms.

SELECTED HOTEL OPENINGS SINCE H2 2018

Source: Emmerson Evaluation

	OPENING DATE	HOTEL	DISTRICT/NEIGHBOUR-HOOD	NO. OF ROOMS	CATEGORY
WARSAW	IIH2018	Krakowska Residence	Włochy	350	★★★
		ibis Styles Warszawa Centrum	Śródmieście	179	★★★
		Hotel Warszawa (Prudential)		147	★★★★★
	IH2019	Four Points by Sheraton Warsaw	Mokotów	190	★★★★
		Vienna House Mokotów Warszawa		164	★★★★
		Moxy by Marriott Koneser	Praga Północ	141	★★★
		Arche Hotel Geologiczna	Włochy	80	★★★
		Puro Warszawa Centrum	Śródmieście	148	★★★★
	IIH2019	Motel One		333	★★
KRAKÓW	IIH2018	Metropolo by Golden Tulip	Podgórze	220	★★★★
		Plaza Boutique Hotel	Stare Miasto	34	★★★★
	IH2019	Bachleda Luxury Hotel Kraków MGallery by Sofitel		64	★★★★★
		The Loft Hotel		28	★★★★
		Balthazar Design Hotel		28	★★★★★
GDAŃSK	IH2019	Holiday Inn City Center	Śródmieście	240	★★★★
		Radisson Hotel & Suites		350	★★★★
		Hotel Platan	Łostowice	28	★★★
POZNAŃ	IIH2018	Focus Hotel Premium	Nowe Miasto	94	★★★
		Park Inn by Radisson	Stare Miasto	166	★★★★
	IH2019	Hampton by Hilton		117	★★★
		ibis Poznań Centrum	Centrum	190	★★★
	IIH2019	Moxy by Marriott	Port Lotniczy Poznań-Ławica	120	★★★
WROCŁAW	IIH2018	Active Hotel	Psie Pole	69	★★★
	IH2019	Hotel ZOO	Śródmieście	50	★★★
	IIH2019	The Bridge MGallery by Sofitel		184	★★★★★
ŁÓDŹ	IH2019	Puro	Śródmieście	136	★★★★
LUBLIN	IIH2018	Arche Hotel	Śródmieście	132	★★★
RZESZÓW	IIH2019	Holiday Inn Express Jasionka	Rzeszów-Jasionka	120	★★★
ŚWINOUJŚCIE	IH2019	Hotel Henryk (Uzdrowisko Świnoujście)	Dzielnica Nadmorska	74	★★★
WŁADYSŁAWOWO	IH2019	Gwiazda Morza Resort SPA&SPORT*	Cetniewo	12	★★★★
ZAKOPANE	IH2019	Radisson Blu Hotel & Residences	Antałówka	158	★★★★
KARPACZ	IH2019	Green Mountain Hotel & Apartments*	Wilcza Poręba	137	★★★★★
SZKLARSKA PORĘBA	IIH2019	Platinium Mountain Hotel&SPA*	Kilińskiego	147	★★★★★

*hotel operating partly in the condo system

Warsaw, as the third city in the ranking, recorded a 6.8% year-to-year increase in the number of hotel rooms in 2019. In Warsaw the following hotels have been opened, among others, Four Points by Sheraton Warsaw, Vienna House Mokotów Warsaw and Moxy by Marriott Koneser. The facilities offered a total of about 500 hotel rooms.

The newly opened facilities in the mountain region generated a 4.7% year-to-year increase in hotel room supply in 2019. All thanks to the opening of the two facilities: Radisson Blu Hotel & Residences, offering 158 hotel rooms, and Green Mountain Hotel & Apartments, offering 137 rooms. The listed facilities are categorized as 4★ and 5★ respectively.

In Wrocław and Łódź an increase in the number of hotel rooms was recorded at the level of over 4%. In the capital city of Lower Silesia, the hotel portfolio was enriched by two new facilities, 3★ Hotel ZOO with 50 rooms and 5★ The Bridge MGallery by Sofitel, offering 184 hotel rooms. In 2019, the 4★ PURO hotel with 136 hotel rooms was opened in Łódź.

The increase in the number of hotel rooms at the level of 2.4% was visible in the coastal region. The newly opened Henryk Hotel (Świnoujście Resort) and Star of the Sea Hotel Resort SPA&SPORT in Władysławowo, which has both traditional hotel rooms and condo rooms, contributed to the increase in supply.

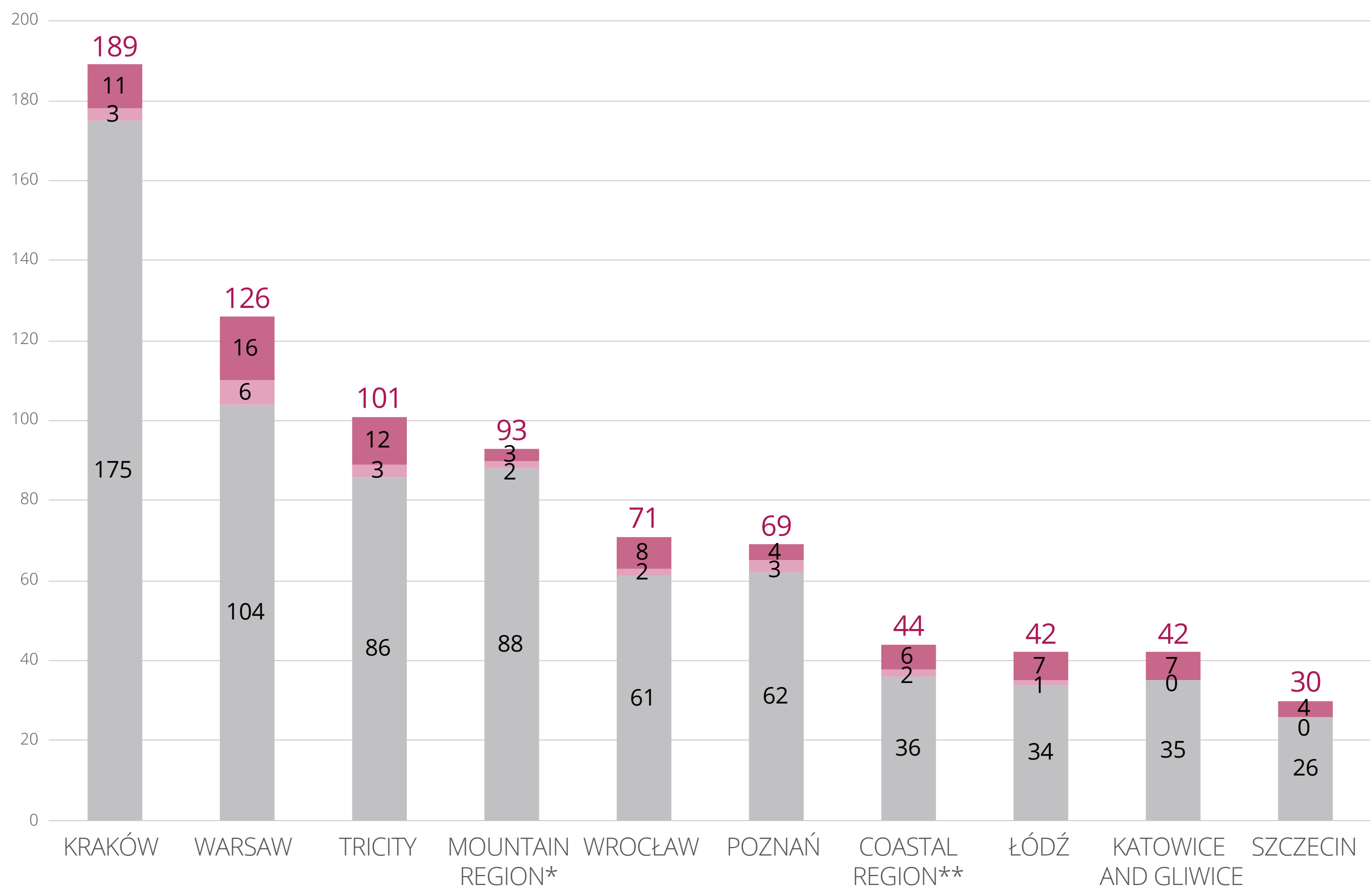
In Kraków, 3 new facilities opened in 2019, offering a total of 120 hotel rooms. Among the newly opened facilities, the largest one was 5★ Bachleda Luxury Hotel Kraków MGallery by Sofitel, which offers 64 rooms. The other two facilities 4★ The Loft Hotel and 5★ Balthazar Design Hotel offer 28 hotel rooms each.

SUPPLY OF HOTELS FROM 2018
INCL. FORECAST UNTIL 2021

*ZAKOPANE, KARPACZ, BESKIDY (WISŁA, SZCZYRK, USTROŃ)
**KOŁOBRZEG, ŚWINOUJŚCIE, HEL PENINSULA (CHAŁUPY, JASTARNIA, JURATA)

Source: Emmerson Evaluation

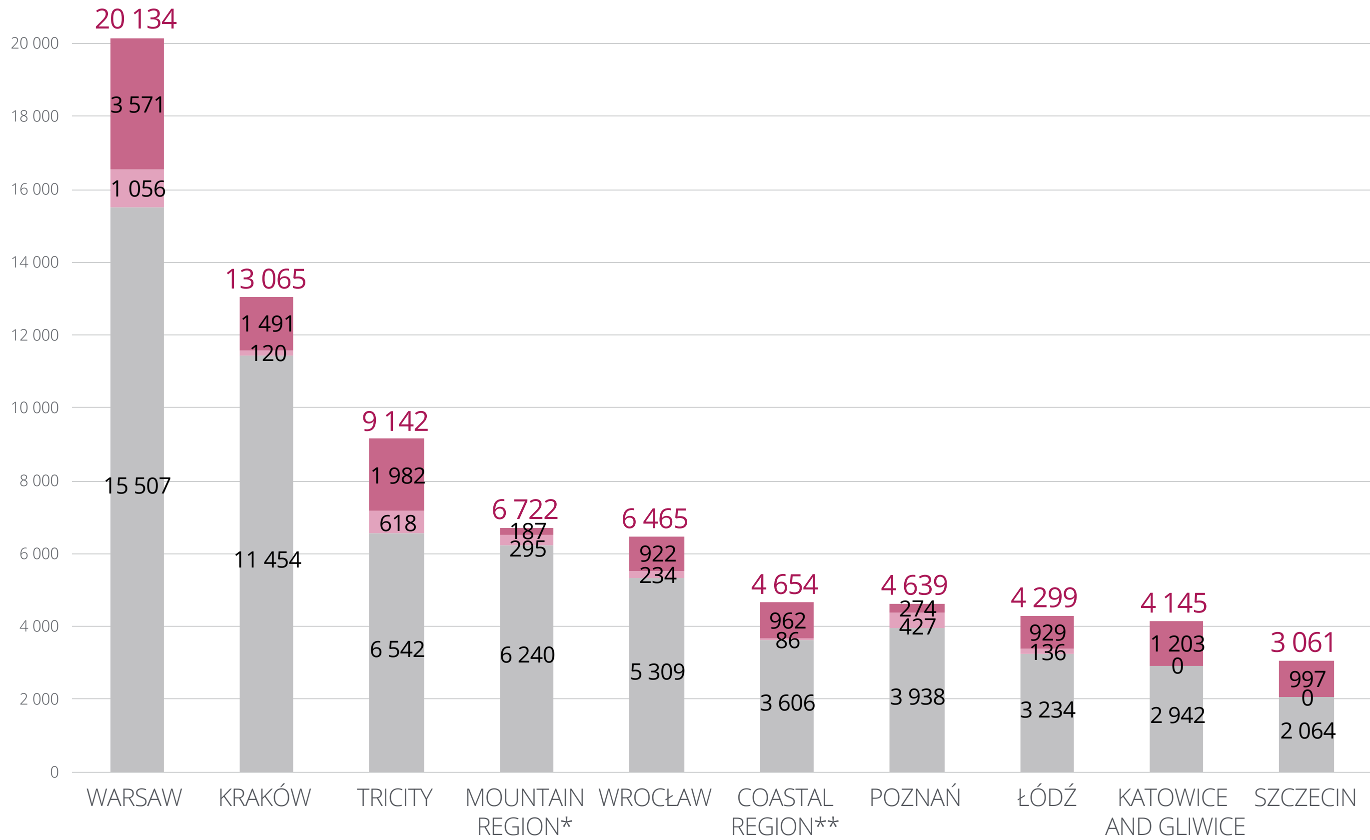
supply of hotels at the end of 2018
new supply of hotels at the end of 2019
new (estimated) supply of hotels by the end of 2021



SUPPLY OF HOTEL ROOMS FROM 2018 INCL. FORECAST UNTIL 2021

*ZAKOPANE, KARPACZ, BESKIDY (WISŁA, SZCZYRK, USTROŃ)
**KOŁOBRZEG, ŚWINOUJŚCIE, HEL PENINSULA (CHAŁUPY, JASTARNIA, JURATA)

Source: Emmerson Evaluation

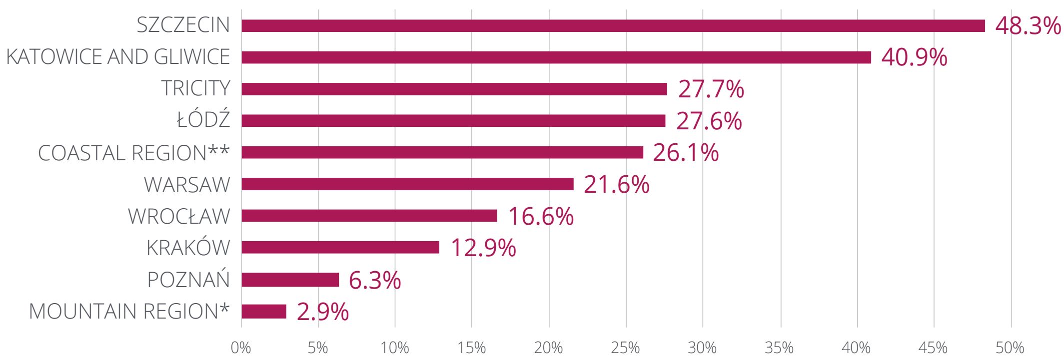


ANALYSIS OF FUTURE SUPPLY
as of February 2020

ESTIMATED CHAGE IN THE SUPPLY OF HOTEL ROOMS BY THE END OF 2021 [%]

*ZAKOPANE, KARPACZ, BESKIDY (WISŁA, SZCZYRK, USTROŃ)
**KOŁOBRZEG, ŚWINOUJŚCIE, HEL PENINSULA (CHAŁUPY, JASTARNIA, JURATA)

Source: Emmerson Evaluation



The number of hotels planned for development in the coming years confirmed the upward supply trend visible until the end of 2019.

Szczecin is the city which can boast the highest growth rate of hotel rooms. In Szczecin, investors plan to launch 4 new hotels offering a total of 997 hotel rooms. One of them is the Courtyard by Marriott and Moxy hotel complex, which is planned in the building of the former Szczecin department store „Poseidon". An interesting investment is also a 5★ Maritim Hotel, which will be part of a large hotel and apartment complex Hot Spring Bay on Lake Dąbie.

A significant increase in the number of hotel rooms in relation to the existing base can also be seen in Katowice and Gliwice. In Katowice in 2021 there are plans to open, among others, a hotel of the PURO chain, which will offer 200 rooms, and the Nova Silesia hotel with 144 rooms. In Gliwice the portfolio of hotels is to be extended by 4★ hotel Alpha.

According to estimates, 13 new hotels are to be built in Tricity by the end of 2021. In Gdańsk the new hotels are to appear mainly on Granary Island and in the very centre. On the other hand, two new facilities are planned in Gdynia, i.e. 14 Avenue and the Hotel at Morska Street, which are to offer a total of 135 hotel rooms.

By 2021, 7 new hotel facilities are planned in Łódź in the three-, four- and five-star standard. The most anticipated facilities are the Hampton by Hilton hotel and the first 5★ hotel in this city – L Hotel located in the Łagiewnicki Forest.

In the most important locations in the coastal region, 5 hotels are planned to be opened by 2021. These include 4★ hotels i.e. Radisson Resort and Hilton Garden Inn in Kołobrzeg and 5★ hotels i.e. Hilton Świnoujście Resort &SPA as well as 5★ MGallery in Jurata.

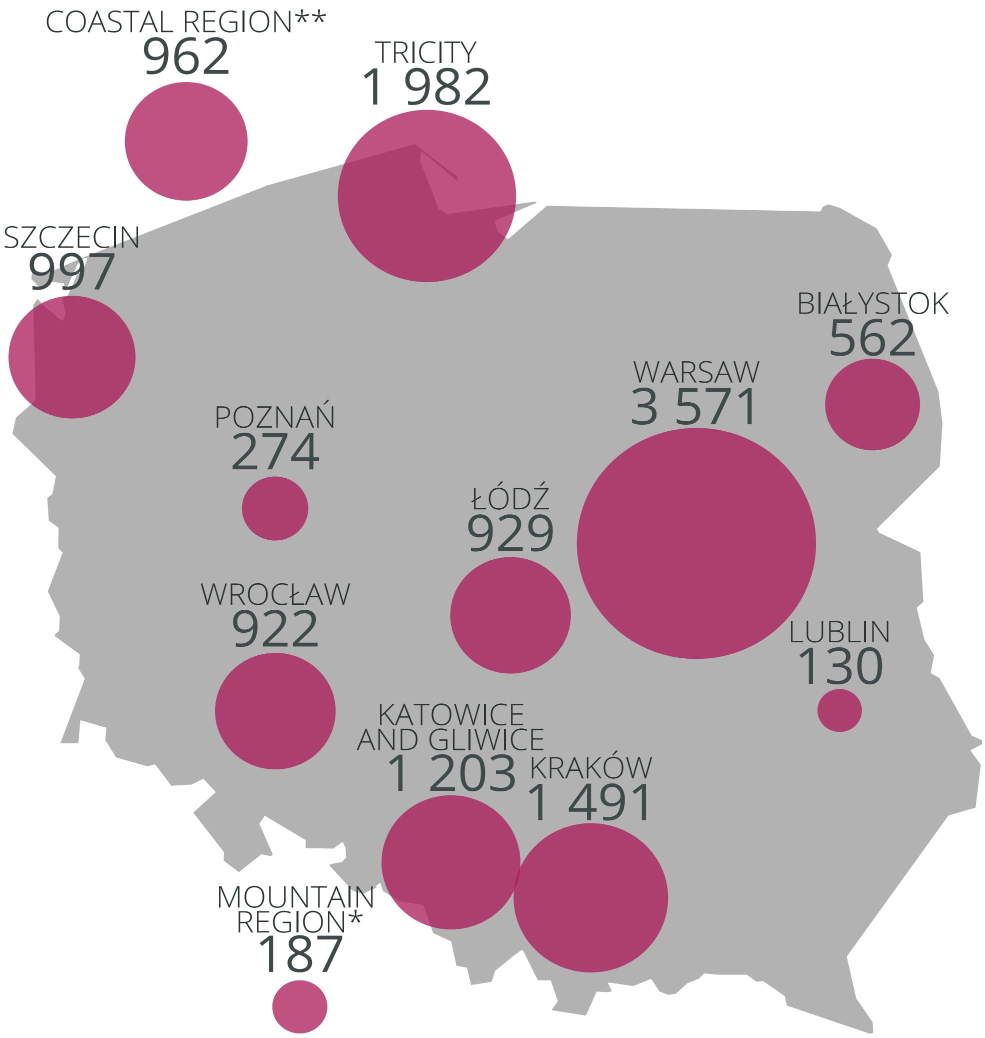
In Warsaw, 6 new hotels were opened in 2019, with at least 16 more planned to be opened by 2021. Along with the new supply, such brands as Royal Tulip and AC hotel are to enter the Warsaw market for the first time. New facilities are also planned to launch brands already present on the Warsaw market – Holiday Inn and Hampton by Hilton. The planned investments over the next 2 years are to provide 3.6 thousand hotel rooms.

In Wrocław there are plans to build 8 hotels, which could provide the market with a total of 922 rooms. One of the planned hotels was 4★ Q Hotel Plus, which would be the largest facility in Poland belonging to this chain and offer 209 rooms. In the centre of the Old Town as a result of the modernisation of Leipziger Palace, the developer plans to open a 5★ hotel with 91 rooms. Within the Old Town, a tenement house in Kościuszki Street is being modernized, which will house a 5★ hotel under the Indigo brand. It is to be the third facility of this brand in Poland, after Warsaw and Kraków.

NEW (ESTIMATED) SUPPLY OF HOTEL ROOMS BY THE END OF 2021

*ZAKOPANE, KARPACZ, BESKIDY (WISŁA, SZCZYRK, USTROŃ)
**KOŁOBRZEG, ŚWINOUJŚCIE, HEL PENINSULA (CHAŁUPY, JASTARNIA, JURATA)

Source: Emmerson Evaluation



In Kraków, the projected increase in the supply of hotel rooms over the next two years is expected to reach 13%. More interesting investments include adaptation of the tenement house, where the first in Poland 5★ Autograph Collection Hotels facility, a brand belonging to the Marriott International chain, is planned to open.

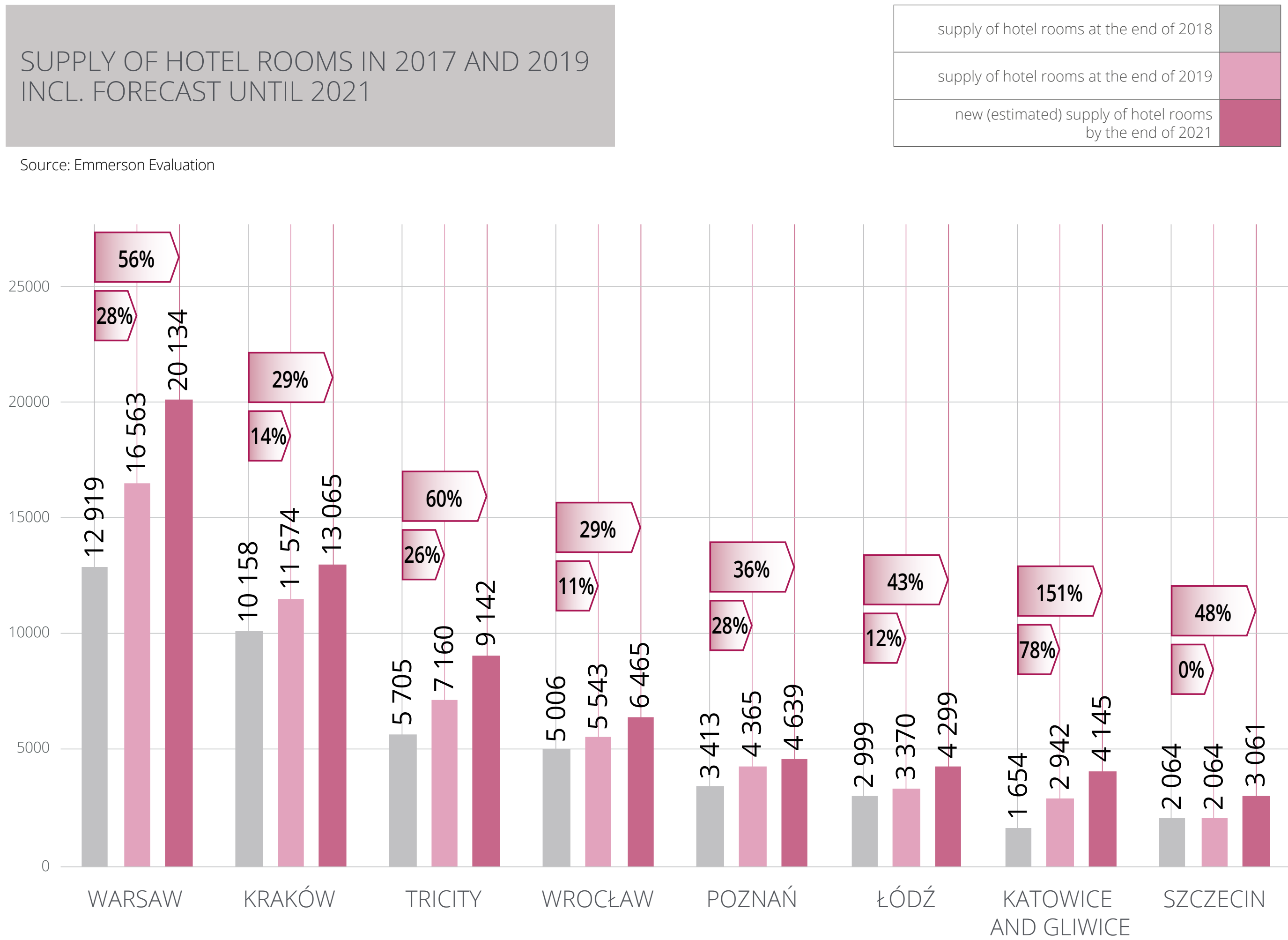
A smaller, 9.3% increase in the supply of hotel rooms is expected in Poznań. Over the next two years new hotel openings are planned mainly in the city centre. Next to the Old Market Square the opening of Sure Hotel by Best Western is planned. In the very centre of the city a facility belonging to the Marriott International chain – AC by Marriott, which will offer 150 hotel rooms, is to be built as a result of the modernization of the property, which has so far served as a retail and office.

In the mountain region, over the next 2 years the most interesting projects are to be developed in Zakopane and Wisła, i.e. Four Points by Sheraton, Mountain Diamond and Cristal Mountain Resort.

Unfortunately, one of the most probable effects of the COVID-19 pandemic on the hotel industry in our opinion will be the suspension or even abandonment of some of the projects mentioned above. At the moment of preparing the report it is difficult to realistically assess the potential scale of this phenomenon.

SUPPLY OF HOTEL ROOMS IN 2017 AND 2019 INCL. FORECAST UNTIL 2021

Source: Emmerson Evaluation



SELECTED PLANNED AND EXECUTED HOTEL INVESTMENTS UNTIL 2021

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

	SCHEDULED OPENING DATE	HOTEL	DISTRICT/AREA	SEGMENT	CATEGORY	PLANNED NUMBER OF HOTEL ROOMS
WARSAW	2020	Nobu Warszawa	Śródmieście	n/a	★★★★★	120
		Żelazna 54	Wola		★★★★	200
		NYX (Varso)		lifestyle	★★★★	331
		Crowne Plaza&Holiday Express Inn (The Warsaw HUB)		upscale/midscale	★★★/★★★★	430
		Holiday Inn przy Dworcu Zachodnim		midscale	★★★★	217
		Holiday Inn Express Mokotów	Mokotów		★★★	167
		Focus Hotel Premium		n/a	★★★★	238
		Best Western Plus	Wawer	midscale	★★★/★★★★	100
		ibis Bielany	Bielany		★★★	185
		Mercure Bielany			★★★/★★★★	137
		Hampton by Hilton Reduta	Ochota		★★★	150
	2021	Royal Tulip Warsaw Apartaments		n/a	★★★★★	448
		AC by Marriott		midscale	★★★★	260
		Holiday Inn Warsaw Mokotów	Mokotów	upscale	★★★★	370
		Hotel Praski	Praga Północ	n/a	★★★★/★★★★★	118
		Autograph Collection	Śródmieście	luxury	★★★★★	100
KRAKÓW	2020	Hotel, ul. Lubicz	Śródmieście	n/a	★★★	64
		Ferreus			★★★★★	71
		Best Western Balice Airport	Balice	midscale	★★★	153
		ibis Styles	Nowa Huta	midscale	★★★	93
		Radisson Red	Śródmieście	upscale	★★★/★★★★	230
		Hotel, ul. Lubicz		n/a	★★★★	71
		H15		n/a	★★★★★	71
		AC by Marriott	Błonia	n/a	★★★★★	300
		Autograph Collection Hotels	Śródmieście	lifestyle	★★★★★	125
	2021	Hotel Saski Curio Collection by Hilton		upper upscale	★★★★★	113
		Mercure Kraków Fabryczna City	Grzegórzki	midscale	★★★★	200
GDAŃSK	2020	Hotel w zabytkowym spichlerzu	Na Stępce	n/a	★★★★	120
	2020/2021	Hotel w danym budynku LOT	Wały Jagiellońskie	n/a	★★★★	150
	2021	ibis Budget Gdańsk Stare Miasto	Śródmieście	economy	b.d.	120
		Hotel w zabytkowej kamienicy		n/a	★★★★★	70
		Hotel Diament		n/a	★★★/★★★★	156
		Dwór Uphagena (Hotel Arche)		n/a	★★★/★★★★	241
		Hotel nad Nową Motławą	Kamienna Grobla	n/a	b.d.	160
		Hotel ul. Czarny Dwór	Czarny Dwór	n/a	b.d.	350
		Renaissance (Wyspa Spichrzów)	Śródmieście	upper upscale	★★★★★	250
SOPOT	2020	Radisson Blu	Karlikowo	upper upscale	****	230
GDYNIA	2020	14 Avenue	Wzgórze Św. Maksymiliana	n/a	***	80
	2021	Hotel przy Morskiej	Chylonia	n/a	***	55

	SCHEDULED OPENING DATE	HOTEL	DISTRICT/AREA	SEGMENT	CATEGORY	PLANNED NUMBER OF HOTEL ROOMS
POZNAŃ	2020	Edison Park Best Western Premier Collection	Jeżyce	upscale	★★★★	63
		Sure Hotel by Best Western	Stare Miasto	midscale	★★★/★★★★	40
	2021	AC by Marriott			★★★★	150
		Authors Boutique Hotel	Łazarz	n/a	b.d.	21
WROCŁAW	2020	Arche Hotel	Fabryczna	n/a	★★★	120
		Hotel, ul. Nankiera	Stare Miasto	n/a	★★★★	40
		Altus Palace		n/a	★★★★★	91
		Indigo	Krzyki	luxury	★★★★★	60
	2020/2021	Grand*	Śródmieście	n/a	★★★★	172
		Hotel, ul. Krasińskiego	Stare Miasto	n/a	b.d.	130
	2021	Q Hotel Plus	Bielany Wrocławskie	n/a	★★★★	209
		Aparthotel StayInn	Stare Miasto	n/a	b.d.	100
ŁÓDŹ	2020	Hotel Legs	Śródmieście	n/a	★★★	68
		Hampton by Hilton Łódź		midscale	★★★★	149
		Center Hotel		n/a	★★★★	156
		Likor			b.d.	176
	2020/2021	Nowe Centrum Łodzi – hotel			★★★	166
	2021	L Hotel	Bałuty		★★★★★	46
		Hotel Arche **	Śródmieście		★★★★	168
KATOWICE AND GLIWICE	2020	Diament Plaza	Śródmieście	upscale	★★★★	150
		Mercure Katowice City Center		midscale	★★★★	268
	2021	Alpha Hotel	Gliwice/Żerniki	midscale	★★★★	140
		Louvre Hotels (Kyriad i Première Classe)	Brynów	upscale/midscale	***/****	204
		Puro	Śródmieście	lifestyle	★★★★	200
		Hotel Qubus	Centrum	n/a	★★★★	97
		Nova Silesia	Śródmieście	n/a	b.d.	144
LUBLIN	2020	B&B Lublin Centrum	Śródmieście	economy	★★	130
BIAŁYSTOK	2020	CityInter Hotel	Os. Młodych	n/a	★★★	110
		Arche Hotel	Os. Bema		★★★/★★★★	210
		Hotel Focus	Centrum		★★★★	120
		Mercure			b.d.	92
	2021	Hotel Opera			b.d.	30
SZCZECIN	2019/2020	Courtyard by Marriott i Moxy	Śródmieście	upscale	★★★/★★★★	255
	2020	Odra Park – hotel	Śródmieście	n/a	★★★	144
		ibis Styles	Śródmieście	midscale	★★★	150
	2021	Hot Spring Bay	Prawobrzeże	n/a	★★★★★	448
KOŁOBRZEG	2020	Radisson Resort	Dzielnica Uzdrowiskowa	n/a	★★★★	209
		Solny Resort**			★★★★	15
	2021	Hilton Garden Inn (Harmony Resort)		upscale	★★★★	128
ŚWINOUJŚCIE	2020	Platinium Resort	Dzielnica Nadmorska	n/a	★★★★	237
		Hilton Świnoujście Resort & SPA		upper upscale	★★★★★	173
JURATA	2021	MGallery	Centrum	luxury	★★★★★	200
ZAKOPANE	2020	Four Points by Sheraton	Centrum	upscale	★★★★	97
		Mountain Diamond		n/a	★★★★★	40
WISŁA	2020	Cristal Mountain Resort**	Obłaziec	n/a	★★★★★	50

*development of an existing building

**facility operating partly as a condo hotel

MARKET TRENDS, NEW BRANDS

Poland's good economic situation, high demand for hotel services in business and tourism have contributed to the growth of the hotel base in the country in recent years, as well as the constant improvement of its quality. New hotel brands introduced modern standards of service to the domestic market and their facilities could stand out in terms of design in relation to the existing, older hotel base.

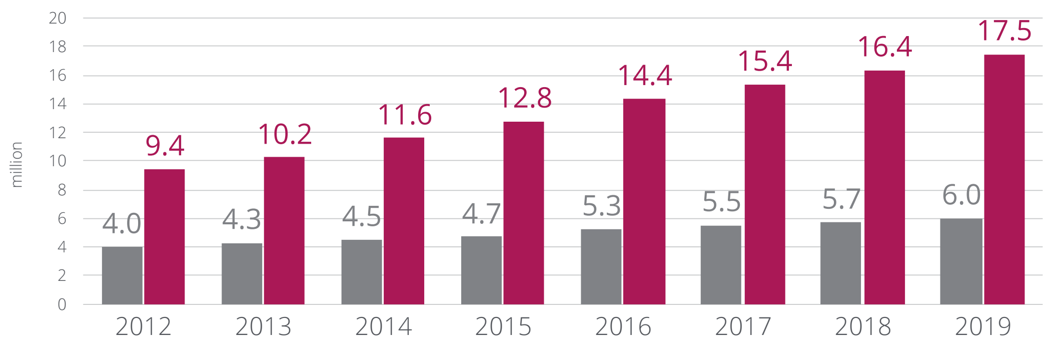
In 2020, however, the situation has changed with the outbreak of the pandemic, which will be a huge challenge for the hotel industry. Some of the facilities, especially those that were less well managed or had a lower standard of services or equipment than their similarly categorized competitors, will certainly find it difficult to stay on the market. The markets that have been growing at the fastest pace in recent years, such as Tricity or even Warsaw, may experience problems. It is expected that the implementation of a significant part of the projects planned for the coming years will be postponed or these facilities will never be built at all. The commissioning of hotels which are in advanced stages of development may also be delayed due to delays in the supply of building materials expected in the near future. As a result of the pandemic, a complete reorganization of the Polish hotel market may occur, which in the long run will change the standard of the hotel base. Facilities deviating from the standard of direct competition may be closed. Certainly, we have to reckon with much more frequent bankruptcies in this industry than before. It can also be expected that there will be acquisitions and mergers of some chains. In the perspective of the next 2-3 years it seems that the inevitable effect of the current situation will be a decrease in the total supply of hotels and accommodation facilities on the Polish market.

Hotels that manage to overcome the crisis in order to stay on the market will have to follow the latest technological trends and facilities that will be increasingly important for their competitiveness on the market in the long term. For many of the hotel owners, this is a good time to introduce new tools, technologies and sales strategies in their facilities, such as online booking or so-called direct booking, which combines communication with potential guests, sales and the booking process through various online communication channels.

In the long run, the new generation of facilities may change the rules of categorising hotels in Poland, which is quite outdated and does not distinguish between their actual standard. This causes that equally categorized facilities located in a similar location are often absolutely incomparable. This is visible in the price of their rooms and occupancy rate.

DEMAND
FOR ACCOMMODATION

NUMBER OF POLISH AND FOREIGN TOURISTS IN THE YEARS 2012-2019 USING HOTELS



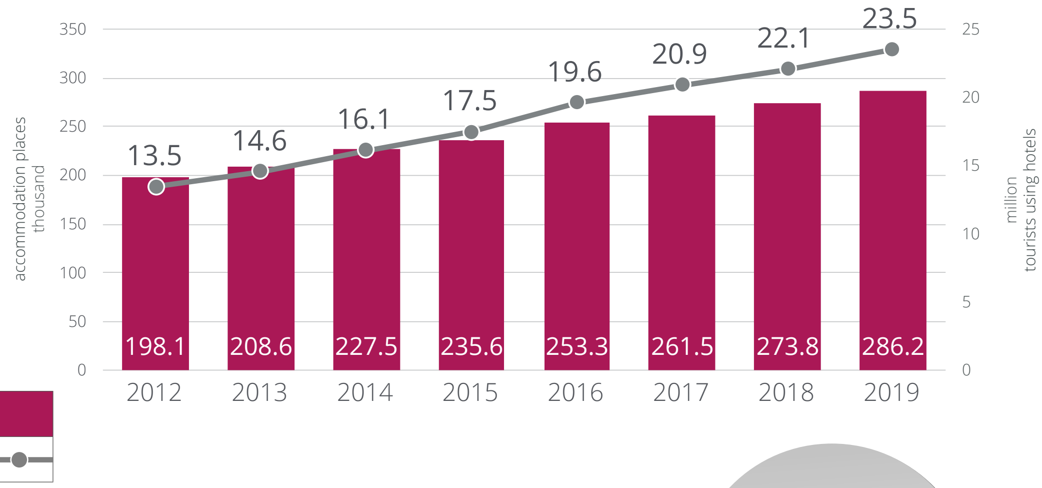
Source: Emmerson Evaluation based on CSO data

According to the Central Statistical Office, the year 2019 was another year in which the number of tourists, both domestic and foreign, increased. In 2019, more than 1.4 million more people decided to stay in Polish hotels than a year before (an increase of almost 7%). Polish tourists still greatly outnumber the foreign ones – Poles constitute almost 2/3 of all people spending their holidays in our country. This disproportion is growing from year to year, which is due to the higher dynamics of growth in the number of Polish tourists as compared to foreign tourists. This is well illustrated by the CAGR index, i.e. cumulative annual growth rate, which over the last 7 years amounted to over 9% for domestic tourists and less than 6% for foreigners visiting Poland. Along with rising salaries, Poles spent more and more money on domestic tourist services. Both Polish and foreign tourists were attracted by well-known, global hotel brands, and many of these have appeared in recent years. In Poland, hotel room prices were still relatively low compared to other European countries.

CAGR
2012-2019

NUMBER OF ACCOMMODATION PLACES AND NUMBER OF TOURISTS USING HOTELS IN THE YEARS 2012-2019

Source: Emmerson Evaluation based on CSO data



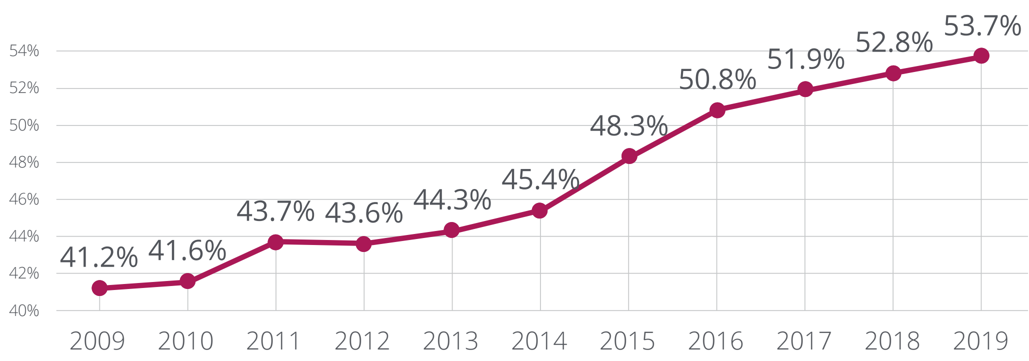
CAGR
2012-2019

Unflagging interest in Polish hotels among Polish and foreign tourists for years has translated into the number of accommodation places, which since 2012 has grown by 5.4% annually on average.

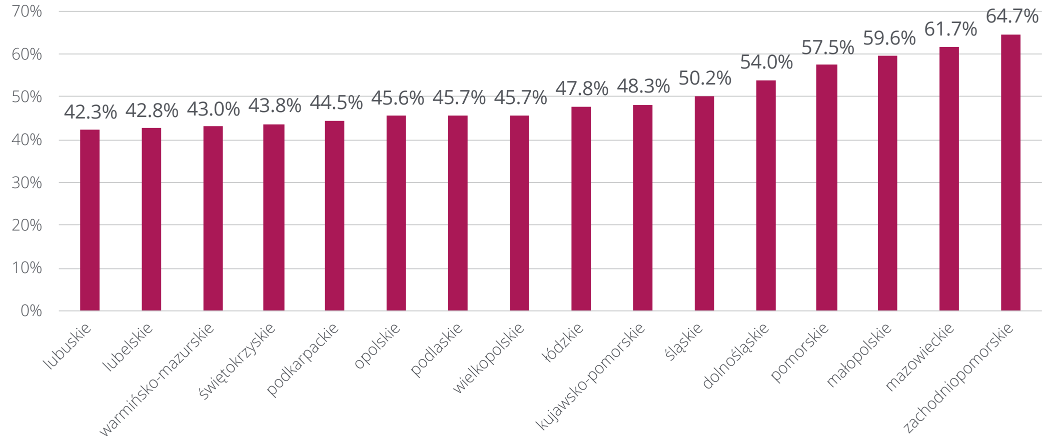
HOTEL ROOM OCCUPANCY

HOTEL ROOM OCCUPANCY RATE IN THE YEARS 2010-2019 IN POLAND

Source: Emmerson Evaluation based on CSO data

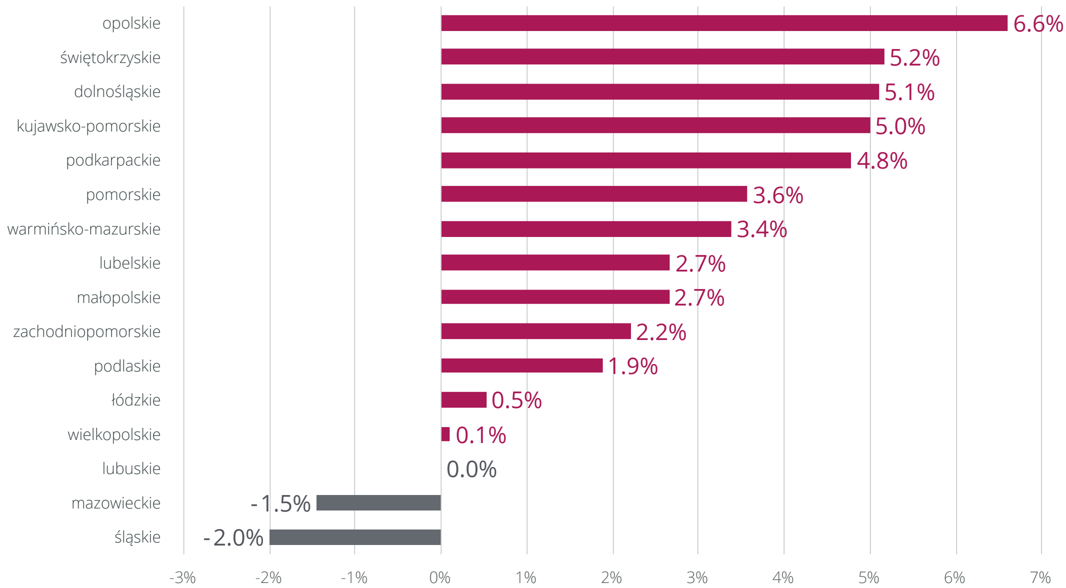


AVERAGE
HOTEL ROOM
OCCUPANCY RATE
IN PARTICULAR
VOIVODSHIPS
IN 2019



Source: Emmerson Evaluation based on CSO data

CHANGE
IN HOTEL ROOM
OCCUPANY RATE
IN PARTICULAR
VOIVODSHIPS
[2019/2018]



Source: Emmerson Evaluation based on CSO data

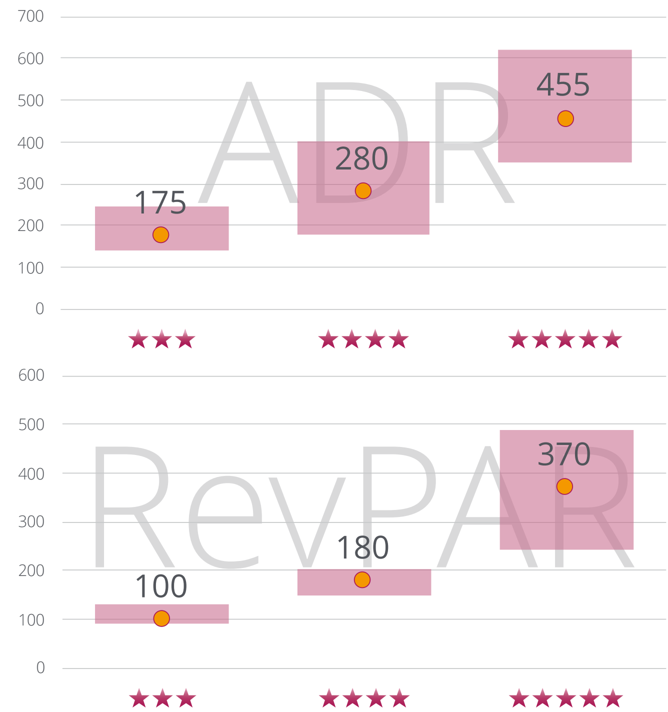
Despite the constant expansion of the Polish hotel base, the occupancy rate of the rooms increased year by year. This was due to a faster increase in the number of tourists staying in Poland (CAGR of over 8% in total, for Polish and foreign tourists) than the number of beds. The ranking of voivodships with the highest room occupancy rate is constantly changing. The ranking in 2019 covered the Zachodniopomorskie Voivodship, where the average occupancy rate the last year was 64.7%. The previous leader, Mazowieckie Voivodship, achieved a slightly worse result in 2019. (61.7%), which is mainly due to a lower occupancy rate for Warsaw this year. In contrast to previous years, no region recorded an occupancy rate below 40% in 2019, and the lowest room occupancy rate was in Lubuskie, which in 2019 recorded a result of 42.3%. A lower occupancy rate in 2019 compared to 2018 occurred in the Mazowieckie and Śląskie Voivodships. The remaining regions recorded an increase in the discussed indicator, and the largest increase of over 6% occurred in Opolskie Voivodship.

Due to the development of the COVID-19 pandemic in 2020, hotels were practically completely depopulated. This will have a significant impact on this year's occupancy rates for individual hotels. However, the key factor will be the length of the period during which hotels will not be able to operate normally. Depending on the further development of the pandemic we will find out how much demand for hotel services will fall this year. Significant drops are certainly to be expected. At the moment, the final scale of this phenomenon is basically impossible to assess unambiguously.

ADR AND REVPAR INDICATORS FOR 3, 4 AND 5 STAR HOTELS IN POLAND

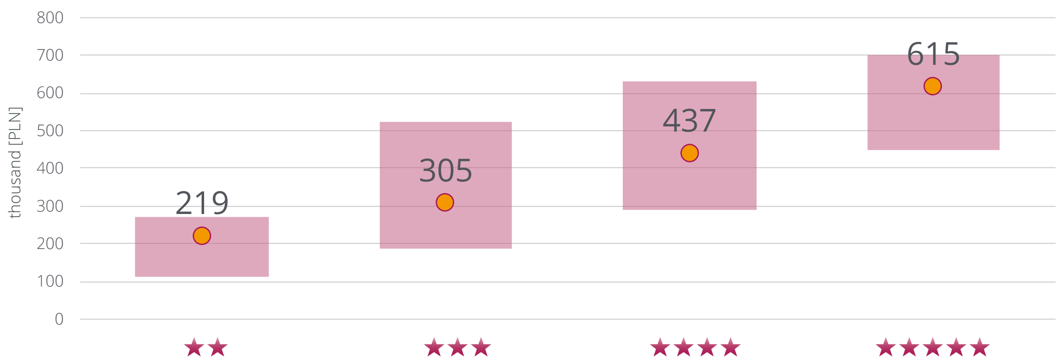
scope (min-max) [PLN]	
average [PLN]	

Source: Emmerson Evaluation



OVER THE LAST MONTHS THE ADR AND RevPAR INDICES FOR HOTELS HAVE BEEN AS FOLLOWS:		
ADR	★★★	from 140 to 245 PLN
	★★★★	from 180 to 400 PLN
	★★★★★	from 350 to 620 PLN
RevPAR	★★★	from 90 to 130 PLN
	★★★★	from 150 to 205 PLN
	★★★★★	from 245 to 490 PLN

HOTEL INVESTMENT CONSTRUCTION COSTS PER ROOM [PLN]

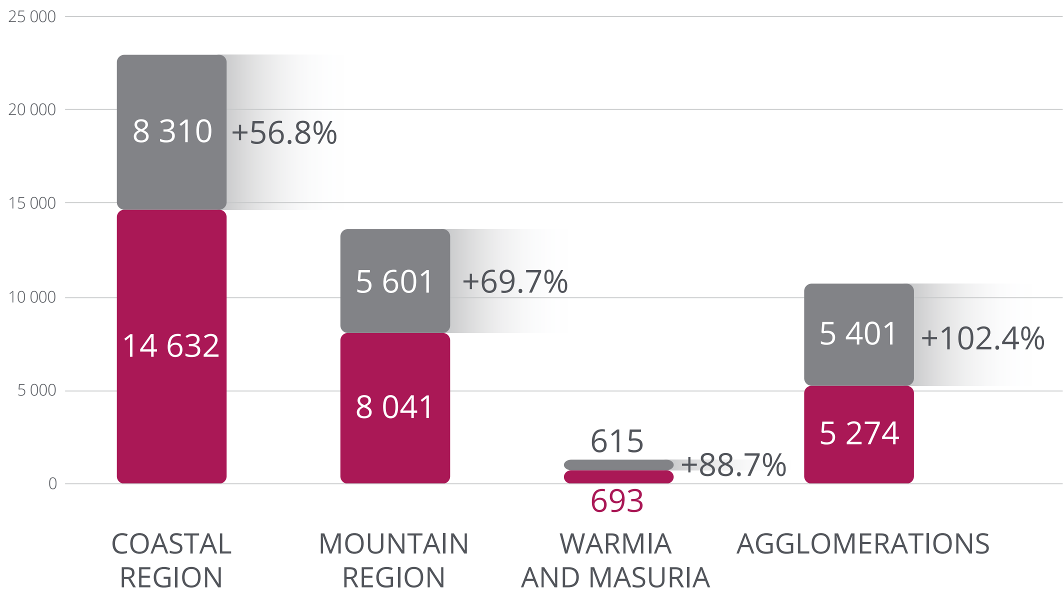


Source: Emmerson Evaluation

SUPPLY ANALYSIS ON THE MARKET OF **CONDO-HOTELS** AND **HOLIDAY APARTMENT BUILDINGS**

GROWTH IN NEW SUPPLY OF INVESTMENT APARTMENTS UNTIL 2022 COMPARED TO THE SUPPLY AT THE END OF 2019

Source: Emmerson Evaluation



supply at the end of 2019
new supply until 2022

An analysis of the supply of condo-hotels and holiday apartment buildings for rent in Poland, as at the end of 2019, showed a continuing interest in such facilities. The dominant region in terms of supply is the coastal region represented by the most important holiday resorts, including Władysławowo, Kołobrzeg, Świnoujście and towns located on the Hel Peninsula. At the end of 2019, there were 17 condo-hotels and over 100 holiday apartment buildings in the area, offering a total of over 14.5 thousand rooms. The high supply in the coastal region is due to the fact that the largest number of facilities with rooms for rent appeared there and that they had a relatively large area. In 2019, many condo-hotels and apartment buildings for rent appeared on the market, offering more than 100-200 rooms. The largest ones included: Baltic Port Fort in Świnoujście (130 rooms), Saltic Resport&Spa in Grzybów near Kołobrzeg (approx. 160 rooms) and Seaside Park in Kołobrzeg, offering over 200 rooms for rent.

The second region in terms of supply of rooms in condo-hotels and holiday apartment buildings is the mountain region. In its case, the analysis included such places as Zakopane, Białka Tatrzańska, Wisła, Ustroń, Karpacz. The supply at the end of 2019 in the mountain region was over 8 thousand rooms. The most important openings in 2019 include the launch of 4★ Forest Ski&Resort in Szklarska Poreba, over 170-room Lake Hill Resort&SPA in Podgórzyn near Karpacz, as well as two facilities in Zakopane - Nosalowy Park Luxury Hotel&SPA and Bachleda Club Residence. These facilities are one of the largest that appeared in 2019 in the mountain region. Much more often smaller, more intimate objects with apartments for rent, offering several dozen rooms, are built there.

SELECTED OPENINGS OF CONDO HOTELS AND FACILITIES WITH HOLIDAY/RENTAL APARTMENTS SINCE 1H 2019.

	OPENING DATE	FACILITY NAME	FACILITY TYPE	NO. OF ROOMS/ APARTMENTS
WARSAW	IIH2019	Hotel Ibis Styles ★★★	condo hotel	214
KRAKÓW	IIH2019	Kalwaryjska 34	facility with holiday/rental apartments	50
WROCŁAW	IIH2019	Minimaxy Zarembowicza	facility with holiday/rental apartments	264
GDAŃSK	IH2019	Baltica Towers	facility with holiday/rental apartments	134
	IIH2019	Granaria Etap I	facility with holiday/rental apartments	136
	IIH2019	Deo Plaza Etap II	facility with holiday/rental apartments	121
KOŁOBRZEG	IIH2019	Seaside Park	condo hotel	210
ŚWINOUJŚCIE	IIH2019	Baltic Park Fort	condo hotel	130
GRZYBOWO K. KOŁOBRZEGU	IIH2019	Saltic Resort & SPA	condo hotel	163
WŁADYSŁAWOWO	IH2019	Gwiazda Morza Resort SPA&SPORT ★★	condo hotel	88
ZAKOPANE	IIH2019	Nosalowy Park Luxury Hotel & SPA	condo hotel	140
	IIH2019	Bachleda Club Residence	condo hotel	129
BIAŁKA TATRZAŃSKA	IIH2019	Resorts Białka Tatrzańska	facility with holiday/rental apartments	77
KARPACZ	IH2019	Green Mountain Hotel & Apartments ★★	condo hotel	131
	IH2019	Triventi Mountain Residence	facility with holiday/rental apartments	112
PODGÓRZYN	IH2019	Lake Hill Resort&Spa	condo hotel	173
SZKLARSKA PORĘBA	IIH2019	Forest Ski Hotel ★★★★ & Resort	condo hotel	104

The largest Polish agglomerations represented by Warsaw, Kraków, Wrocław, Gdańsk, Sopot, Poznań, Łódź and – within the Silesian Agglomeration – Gliwice already offer a total of over 5,200 rooms in almost 40 facilities. In 2019 in Warsaw, among others, 3★hotel ibis Styles (in the condo-hotel formula) was launched, offering over 200 rooms. In Wrocław, the Minimaxy facility at ul. Zarembowicza was opened, offering over 260 investment premises with an average area of about 25 m^2. However, Gdańsk has been the leading city in terms of the number of condo-hotels and apartment buildings for rent among Polish agglomerations for several years now. In 2019, the first stage of the Granaria investment on Granary Island - an apartment building offering over 130 apartments - was opened there, the second stage of the Deo Plaza investment – an apartment building with 120 apartments for rent and Baltica Towers – a facility with over 130 investment apartments.

The smallest supply is in Warmia and Masuria – the offer includes almost 700 rooms in 9 facilities. In 2019 we have not identified any newly opened facilities which would offer rooms or apartments for rent.

An analysis of the future supply, taking into account facilities whose planned date of commissioning is by 2022, shows that the largest number of new rooms is planned again in the coastal region – over 8.3 thousand new units. The largest facilities to be built in the coming years at the Polish seaside include Stages I and II of Shelter Hotel&Apartments in Rogowo, which are to offer a total of 500 apartments. Several new facilities will also appear in Kołobrzeg and Świnoujście.

In the mountain region we have recorded investments which are to supply the market with about 5.5 thousand new rooms and premises for rent by 2022. The largest of these include the Infinity Zieleniec Ski&SPA investment and the first stage of the Green Club investment. Both facilities are to have about 300 rooms each. A similar number of new units as in the mountain region (approx. 5.5 thousand rooms) was recorded in the plans for the largest agglomerations. Here, by the end of 2022, we expect the investments Lokum Smart City and Krakowska 37 in Wrocław and Varsovia Pilecki in Warsaw to be commissioned. The smallest supply, less than 1,000 rooms, is planned in Warmia and Masuria. The Vista condo-hotel with over 140 rooms is to be built there.

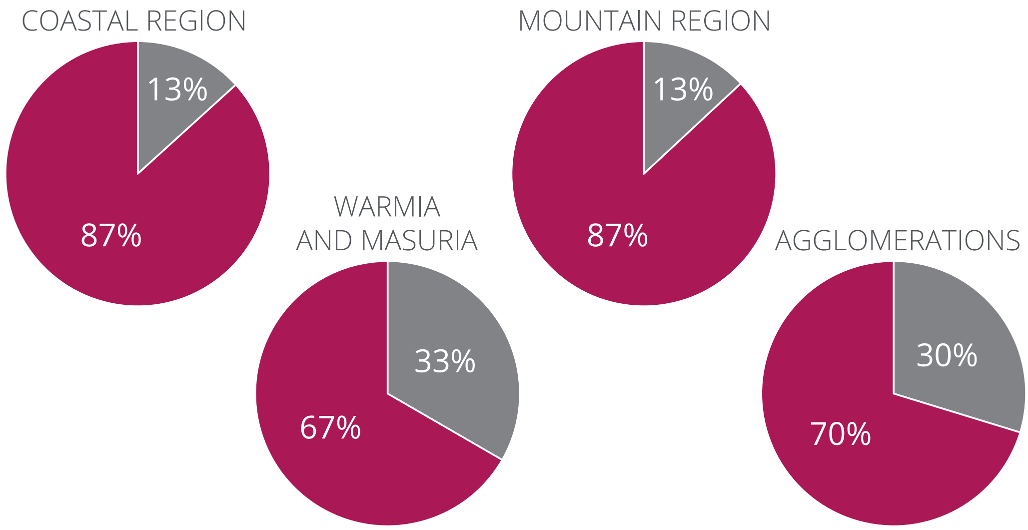
Analysing the future supply in relative terms, we can indicate that the largest increase in investment apartments is expected in agglomerations. In large urban centres there are investments which should generate more than a twofold increase in supply within the next two years. According to our estimates, at the end of 2022, there are expected to be over 10,000 apartments for rent in the 8 largest urban centres. The supply in Warmia and Masuria should also increase strongly – by almost 90% compared to the current supply. An increase of nearly 70% is expected in the area of the mountain region and almost 60% in the coastal region.

However, in the face of the crisis caused by the pandemic it is difficult to confirm whether these investments will be executed. The situation related to COVID-19 will probably delay their implementation. It should also be reckoned with that a significant part of the investments will not be completed at all.

SHARE IN THE NUMBER OF CONDO-HOTELS AND FACILITIES WITH HOLIDAY APARTMENTS IN PARTICULAR LOCATIONS

Source: Emmerson Evaluation

condo hotels	(grey)
holiday apartment building	(crimson)



SELECTED PLANNED OPENINGS OF CONDO HOTELS AND HOLIDAY APARTMENT BUILDINGS / FOR RENT

	PLANNED OPENING DATE	FACILITY NAME	FACILITY TYPE	PLANNED NO. OF ROOMS/ APARTMENTS
WARSAW	2020	Apartamenty Varsovia Pileckiego	facility with holiday/rental apartments	**220**
	IIH2021	Royal Tulip Warsaw Apartaments	facility with holiday/rental apartments	**448**
KRAKÓW	IIH2020	Bagry Park	facility with holiday/rental apartments	**124**
WROCŁAW	IH2020	Krakowska 37	facility with holiday/rental apartments	**263**
	IIH2020	Lokum Smart City	facility with holiday/rental apartments	**360**

GDAŃSK	IH2020	Hotel Grano	complex: condo hotel with holiday apartments	141
	IIH2020	Nadmotławie Estate	facility with holiday/rental apartments	157
	IIH2020	Dwie Motławy	facility with holiday/rental apartments	105
	IH2021	Aura 40	facility with holiday/rental apartments	251
KOŁOBRZEG	IH2020	H2O Hotel	condohotel	209
	IIH2020	Harmony Resort	condohotel	169
	IIH2020	Wyspa Solna – budynek E	facility with holiday/rental apartments	100
	IH2021	Solny Resort	condohotel	143
	IIH2021	Baltic Wave	condohotel	468
ŚWINOUJŚCIE	IIH2020	ApartPark Etap II (bud. Lividius)	facility with holiday/rental apartments	188
	IIH2020	Baltic Park Molo – Etap III	condohotel	170
	IH2021	The NAVY Best Western Premier Resort&SPA	complex: condo hotel with holiday apartments	275
MIEDZYZDROJE	IH2020	By The Sea Resort	complex: condo hotel with holiday apartments	260
	IIH2020	Apartamentowce Siemaszko	facility with holiday/rental apartments	300
	IH2021	Wave Apartments	facility with holiday/rental apartments	393
DUSZNIKI-ZDRÓJ	IIH2020	Infinity Zieleniec Ski&SPA	condohotel	328
DZIWNÓW	IH2020	Baltic Riviera – Etap I	facility with holiday/rental apartments	465
	IH2020	Porta Mare Marina Dziwnów	facility with holiday/rental apartments	242
DZIWNÓWEK	IH2020	Porta Mare Wallness&Spa	facility with holiday/rental apartments	380
ROGOWO	IH2020	Rogowo Pearl – Etap I (bud. Alpha)	facility with holiday/rental apartments	115
	IIH2020	Shellter Hotel&Apartments – Etap I i II	complex: condo hotel with holiday apartments	500
ZAKOPANE	IIH2020	Apartamenty Zakopiańskie	facility with holiday/rental apartments	241
KARPACZ	IIH2020	Tremonti Ski&Bike Resort	condohotel	130
KOZUBNIK	IIH2020	Kozubnik SPA&Resort – Aqua Park z hotelem	condohotel	170
	IIH2020	Kozubnik Spa&Resport Apartamenty	facility with holiday/rental apartments	150
KRYNICA-ZDRÓJ	IH2021	Belmonte Hotel & Resort	condohotel	275
SZKLARSKA PORĘBA	IIH2020	Platinum Mountain Resort	complex: condo hotel with holiday apartments	147
	IIH2020	Green Club – Etap I	facility with holiday/rental apartments	310
	IIH2020	Sun&Snow Resort Szklarska Poręba	complex: condo hotel with holiday apartments	282
WISŁA	IH2020	Wisełka Apartamenty & SPA	facility with holiday/rental apartments	129
	IIH2021	Crystal Mountain Resort	condohotel	491
OLSZTYN	IH2020	Hotel Vista	condohotel	144

SUMMARY

This report presents the data collected over 2019 and early 2020. It presents the state of supply and demand, as well as predictions of future supply before the outbreak of the epidemiological crisis in Poland and worldwide. Please bear this in mind when analysing the data presented in this report.

Due to the current situation in the country, resulting from the outbreak of the coronavirus epidemic, it is extremely difficult to forecast any results and predict the consequences it will have for the hotel industry in the long run. However, one can be sure that in the short term, it will negatively affect the entire tourism industry. Some, if not most, new investments will be delayed. Some of the projects may also be abandoned for at least the next few years.

The tourism industry, including hotels and other leisure facilities, was badly affected by the pandemic in the first place and will continue to suffer from it for a long time to come. Due to the closure of our and other countries' borders, tourist traffic has drastically decreased, which directly translates into a decrease in hotel occupancy, which has a strong negative impact on the performance of the entire industry. Also, the reduction in domestic travel has taken away an even larger group of customers from Polish hotels. There is no doubt that many of the weaker facilities are facing temporary suspension or complete closure of their business. Also, the future of the hotels, in case of which most of the occupancy rate was strongly correlated with various cyclical events, is very uncertain. Only owners and managers of hotels with sufficient capital reserves to survive a difficult period can feel a little more relaxed. However, even in this case they have to reckon with a very large scale of losses.

Investors who have purchased rooms in condo-hotels or residential units in holiday apartment buildings can also expect big losses. In our opinion, such facilities may suffer even more than traditional hotel chains. It is also likely that the holiday apartment sales market will hibernate almost completely until the end of this year. Potential investors at a time of such great economic uncertainty may not be willing to buy this type of units. In the longer term, the coronavirus epidemic may have some positive effects on the facilities that will remain on the market. Some potential customers will certainly be afraid to travel to more distant regions of the world (such as China or Vietnam), which, once the epidemiological and economic situation has stabilised, may translate into an increased interest in the offer of domestic hotels and resorts. However, we will have to wait many more months for the effects of this situation. Currently, the tourism industry is facing a very difficult period, which will be a kind of test and settlement of how these facilities have been managed so far and to what extent they can cope with the crisis on the market.

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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