Moxy Warsaw Praga Project

Year-End Report 2016
Hotel Market Poland

February 2017 | Hotel Professionals Sp. z o.o.

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Building On Growth.

Hotel occupancies and RevPAR growth which was experienced in Poland in 2016 were recorder at historic levels! The hotel industry showed remarkable zeal and fortitude throughout the year. All cites showed strength in hotel trading year over year in most segments.

As we predicted, the BPO related room nights, the continuing trend of Polish families spending their vacations in Poland, the GDP growth of 3%, and finally the general uptick in government related travel due to changes in Poland's political regime and geopolitical environment, made last year a milestone year for our industry.

Extraordinary events such as the NATO congress in Warsaw, the 24th Congress of Political Science in Poznan, the World Youth Day in Krakow, and the year-round European Capital of Culture impacted significantly the historic performance of the hospitality sector.

Around 2,300 new hotel rooms opened in Poland, which is a close to 2% growth of hotel rooms was still not enough to keep up with the growth in demand for accommodation facilities which was recorded at 3.6%.

Although 2016 presented geopolitical and domestic challenges, these never affected the appetite for new hotel investments in Poland.

Brexit and the results of the US elections will be relevant issues not only for our country, but for all of Europe. In our view, these will have positive outcomes to the Polish economy for many years to come. Brexit will transfer some of the UK's existing Financial and Banking activities to Poland and we should also notice NATO's and the USA's influence in the country take shape in arms trade troop presence in the northern and eastern part on the country.

The BPO sector will continue the rapid growth we have enjoyed in the past five years. The Ministry of Economic Development estimates the effective job creation in this service arena will reach 220,000 workers which is a growth of 26% yoy.

Poland's GDP growth for 2017 has been estimated at 3 - 3.2%. The first tranches of the EU 82.5 Billion Euros will take effect in scientific research, digitalization, climate, green energy, job creation, regional tourism infrastructure among other sectors.

2017 should add another 5,000 new hotel rooms in the major cities where effective projects are in the construction stages. In the coming months, we will see new global hotel brands entering the market such as the Renaissance in Warsaw, AC Hotels by Marriott in Wroclaw, Raffles in Warsaw and finally MOTEL One in Warsaw.

Strong investment sentiment towards modern, branded and well located hotels will remain vigorous. Mixed-use developments with hotels are becoming more and more of a trend. Developers who were driving office space supply are now considering hotel areas in their mix.

The global effect of the consolidations of hotel companies such as Marriott's acquisition of Starwood, Accor's acquisition of FRHI (Fairmont, Raffles, Swissotel) and China's HNA of Carlson Rezidor will begin to make their impact on the market, particularly for new hotel investors and their ability to obtain competitive Franchise or Management Agreements from these companies.

All in all, if we believe that the world will not end, that the EU will remain, that the Polish geopolitical influence will steadily grow, the Trump phenomena will be just that, with no real-world impact, then we know 2017 will be a fantastic year for the hospitality industry in Poland.

We keep the hospitality outlook enthusiastic!

Alex Kloszewski,
Managing Partner | Hotel Professionals

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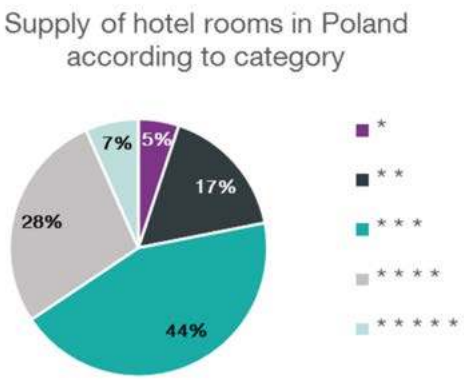
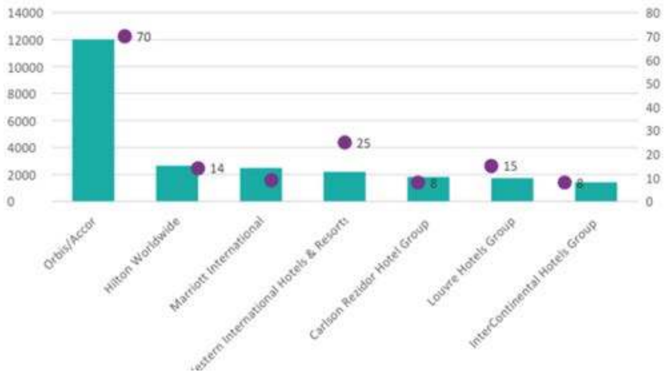
Hotel Market in Poland 2016



There are over 2,500 hotels currently operating in Poland, supplying a total of ca. 125,000 hotel rooms. The majority of hotel rooms in the country are operated in the 3-star category (ca.45%), the second most represented category is the 4-star segment (ca. 28%), followed by the 2-star sector (ca. 17%). 5-star hotel rooms make-up just under 7% of the total hotel room supply. The Polish hotel market is dominated by nonbranded hotels – throughout all categories, the share of branded hotel rooms, consists of less than 35% of the total supply. The only exception is the 5-star hotel segment as close to 60% of rooms in this category function under a global brand.

As in 2015, in the past year, the supply of hotel rooms increased by ca. 2-3% - an additional ca. 2,600 new hotel rooms were added to the market. When taking into account the growth of hotel room supply within the past few years, 2016 was not a record breaking year in terms of the number of new hotel rooms delivered to the Polish market – the development of several planned or announced projects have been postponed for 2017 or even the following year. The relatively low level of new supply, especially in the capital city, coupled with favorable market conditions, produced record hotel performance figures

Global Hotel Chains in Poland



Orbis Hotel Group, part of AccorHotels, is the largest hotel chain in Poland with the largest share of branded hotel rooms in the country. By the end of 2016, the chain was composed of over 12,000 hotel rooms in 70 hotel facilities, out of which 7 hotels were opened throughout the year. Accor's most widely distributed brands in Poland are Mercure, Novotel and ibis respectively.

The second largest global hotel chain present in Poland in terms of the number of rooms is Hilton Worldwide, which is represented by 14 hotels offering a total of just over 2,600 hotel rooms. The chain is rapidly expanding throughout the country and as of the end of 2016 had nine hotels in the pipeline. Once delivered, these hotels will add more than one thousand rooms to Poland's hotel market.

In late 2016, Marriott International completed its acquisition of Starwood Hotels & Resorts Worldwide, making it the largest hotel chain in the world and now the third largest global hotel chain in Poland. Since 2015, Marriott International has been aggressively expanding its presence in Poland and 2017 should welcome some additional brands from the chain such as AC Hotels by Marriott (Wrocław) and Renaissance (Warsaw Airport). By the end of 2018, two other Marriott brands should debut in Poland; Moxy and Four Points by Sheraton.

Best Western Hotels and Resorts is the fourth largest global hotel chain in Poland. Currently, there are three brands part of the Best Western chain present in Poland, including Best Western, Best Western Plus and Best Western Premier. As of the writing of the report, the chain had a total of 25 hotels operating in Poland.
ed at 77.5% and ADRs of €49.50 were achieved.

2016 Year End Summary and 2017 Forecast

2016 proved to be another recording breaking year for the Polish hotel sector, both with regard to the number of tourists accommodated in Polish hotel facilities, as well as with respect to key hotel performance indicators. Overall market observations suggest that the year-to-year RevPAR results in Poland's largest cities have risen by over 10% with occupancy rates significantly exceeding 70%. The persistent strengthening of demand in the past several years, along with a moderate growth in supply, have made hotels an increasingly attractive investment option in the commercial real estate sector.
Tricity has noted the greatest number of hotel room openings in 2016, as over 700 new hotel rooms were delivered to its hotel market. 33% of the newly delivered rooms are supported by global hotel chains. In 2017 the hotel offer in Tricity will increase by an additional ca. 650 new branded hotel rooms. Kraków ranks second with regard to the number of new hotel rooms delivered in the previous year. Four hotels were opened, increasing Kraków's supply by nearly 500 new rooms, 80% of which are branded. In 2017 at least three new hotels are planned for opening. When it comes to the capital city, two new hotels were delivered last year – the 5-star Bellotto hotel in the Prymasowki Palace and the SixtySix boutique hotel located by Nowy Świat Street.

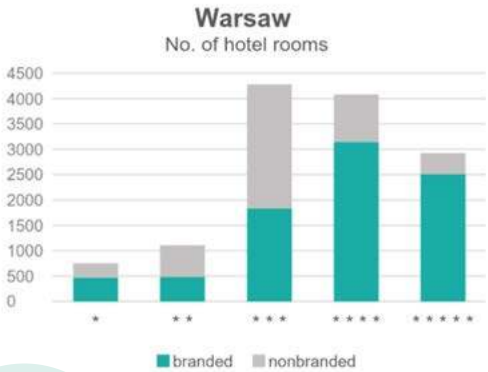
Market observations allow to make a claim that mixed-use investments, encompassing office, retail and hotel space have been gaining popularity among investors in recent years. The recently announced Warsaw Hub development by Ghelamco, combining office and retail space, a conference center and dual-branded hotel development or the Centrum Praksie Koneser complex, currently under construction by Ząbkowska Street in Warsaw's Praga district, highlight the trend. The latter is a lifestyle multi-use complex, including the 141-room Warsaw Moxy Praga hotel, apartments, 25 500 m2 of loft-style office space, ample retail and food & beverage outlets, as well as the Museum of Polish Vodka. Another multi-function investment under development in Warsaw is Port Praski with a 118-room hotel by Sierakowskiego Street. An exceptional project worth noting is Dune City awarded "Best Regeneration and Masterplanning Project" in last year's MIPIM – The International Real Estate Show for Professionals. Dune City, once completed, will serve as a year-round business and tourism destination at the Baltic Sea with an extended conference and exhibition space offer. The resort will have, among others, a 5-star hotel facility with an attractive SPA offer, restaurants and service points addressed to the most demanding visitors. The Norwegian developer Firmus Group plans to commence construction work in 2018. The recently announced Hampton by Hilton Oświęcim hotel is also an example of a multi-use investment, which will include not only a hotel but also office space.

Hotel Professionals is currently engaged in four mixed-use projects, including two projects located in the capital and two in Kraków. The investments are currently at an early stage of development, however already at this point, we are able to estimate that jointly they will deliver ca. 1,000 new hotel rooms to the market. It is highly probable that part of the planned hotels will function under brands not yet present on the Polish market.

Multi-functionality has become a noticeable trend. The benefits of developing multi-use investments are enormous. It allows to create synergies between various elements making the investment a greater competitor when compared to other facilities in the region and additionally ensures a greater diversification of revenues and risks. Moreover, the hotel, as an integral 24/7 component of the investment, enhances the facility's attractiveness, and helps increase the demand for other commercial space to let within the multi-use complex, raising the value of the investment as a whole.

Warsaw
Hotel Market

There are 86 hotels functioning in Poland's capital, offering ca. 13,150 hotel rooms. 3- and 4-star hotel rooms dominate, consisting respectively 33% and 31% of the total room supply in Warsaw. 5-star hotels rank third. The 5-star hotel base is made up of 12 hotels, offering close to 3,000 rooms. In terms of branding, 63% of hotel rooms in Warsaw function under global hotel brands.



Warsaw's 5-star hotels achieved high results in 2016 – the average ADR was EUR 105 with the occupancy rate reaching the level of 80%. What's interesting, is that the highest ADR noted by a hotel in the 5-star category was as high as EUR 160. Whereas 4-star hotel facilities in Poland's capital showed occupancies reported at the level of 87% and ADRs of EUR 65 throughout 2016. High results, when compared to 2015, were also noted by 3-star hotel facilities, which worked out an ADR of EUR 55 and occupancy rate amounting to 80%. High occupancy rates registered in nearly all the categories in Warsaw's market suggest that there is room for additional new good quality hotel products in the capital

Investments completed, under development and planned

In 2016 two hotels were opened – the 5-star Bellotto hotel in the Prymasowski Palace and 4-star boutique hotel – SixtySix by Nowy Świat Street. We anticipate that within the next three years, the number of hotel rooms in Warsaw will increase by over 18%. Currently, there are at least 14 hotel investments planned or under development, which will increase the supply by over 2,500 new hotel rooms.

In 2017 the Renaissance Warsaw by Marriott is planned for opening – after several delays. The hotel will finally increase Warsaw's supply by a further 225 rooms. The luxury 5-star Raffles Europejski Warsaw should also accommodate its first guests in 2017. The hotel will open as a result of the completion of a thorough modernization of the old Europejski Hotel and will offer its guests 100 rooms in a standard not yet known on the Polish market. The lifestyle Warsaw Moxy Praga hotel, part of Marriott International chain will open in 2018. The facility, constituting part of the multifunctional Centrum Praskie Koneser complex, will deliver an additional 141 rooms.

The Mokotow region (Służewiec Przemysłowy) has been subject of a growing interest among investors in recent years. Planned or under construction are an additional 600 rooms in three branded hotel facilities; these include: Four Points by Sheraton, Hampton by Hilton or the dual-branded Moxy and Residence Inn hotel facility. The development of office infrastructure along with the extension of the II metro line have made the Wola district another center of focus among hotel investors. The ca. 250-room 4-star Holiday Inn Warsaw - City Centre at the crossing of Żelazna, Złota and Twarda

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Streets, as well as the recently announced hotel investment which will be part of Ghelamco's mixed-use Warsaw Hub project, are examples hotel project in the region.
The construction of two ibis hotels has also been announced: ibis Styles Warszawa EXPO and ibis Styles Warszawa Włochy. The 118-room hotel announced by Sierakowskiego Street part of the Port Praski development is yet another hotel to open in the Praga district. Another investment, which remains under development is the pre-war building, home to the historic Warsaw hotel being converted into a new luxury hotel of the Likus Hotele chain. The hotel is being built in the characteristic for the 1930s art deco style.

Other new brands such as Motel One and Puro are also starting to make headway on their path towards commercialization.

2016 summary and 2017 forecast

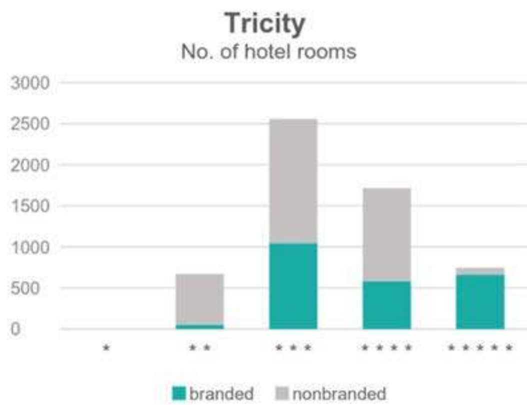
The NATO summit held in Warsaw is undoubtedly one of the most relevant events of the previous year. In July, NATO delegates from 40 countries, as well as several thousand security agents, journalists and technical service representatives were accommodated in Warsaw's hotels. During this period, selected 5- and 4-star hotels noted occupancies at the level of ca. 90%. In 2016 the Warsaw Chopin Airport serviced a record number of passengers. In the period from January to October (included) a total of 10.8 million passengers were serviced, i.e. 11.6% more than in the analogical period in 2015. The PGE National Stadium has also ended 2016 with good financial results. As forecast, the operational revenue is estimated to have reached over PLN 15 million exceeding the results from 2015.

A pivotal event of 2016, not only in Warsaw's hotel market, but on the national scale as a whole, was the sale of the Westin hotel to an investor from Qatar for EUR 56 million (8% yield).

We anticipate that within the next three years, the supply of hotel rooms in Warsaw will increase by over 18%. As of the end of 2016 there are at least 14 hotel establishments planned or under construction, which will increase the supply by more than 2,500 new hotel rooms.

Tri-City (Gdańsk, Gdynia, Sopot)
Hotel Market

Tricity's hotel market comprises of 77 hotels offering more than 5,800 hotel rooms, 48% of which function under a global or Polish hotel brand. The remaining 52% are hotel rooms not affiliated with any brand. The greatest share of rooms in Tricity's hotel room supply belongs to rooms positioned in the 3-star category (ca. 44%), almost half of which are branded. The second most represented segment are four star hotel rooms, as ca. 32% of all rooms in Tricity represent 4-star products. The upscale 5-star segment constitutes less than 15% of the total hotel room supply in Tricity.



Tricity's 5-star hotels reached an ADR at the level of EUR 120 and average occupancy rate of 72%. The highest occupancies were noted by 4-star hotels (76%) with an average rate amounting to EUR 62. Whereas the average occupancy of branded 3-star hotels reached a level of 64%, while the ADR reached an average of EUR 54.

Investments completed, under development and planned

In 2016 Tricity's supply increased by over 700 new hotel rooms. Some of the most interesting hotel openings include the 120-room ibis Gdańsk Stare Miasto, Polish–branded hotel Focus Hotel Premium Gdańsk City Center or nonbranded hotels Almond and Sadova. While in Sopot two hotels greeted their first guests in 2016 – the 4-star Sopot hotel and 70-room Molo hotel part of the Nowe Centrum Sopotu development by the main railway station.

In 2017 the supply of hotel rooms will increase by at least 650 hotel rooms. Under construction are 2 Hampton by Hilton hotels – Hampton by Hilton Stare Miasto by Długa Street and Hampton by Hilton Gdańsk Oliwa. Currently, the Puro hotel, which opened in 2015, is being enlarged, once completed it will offer 211 rooms in total. Other relevant hotel investments include the IBB Długi Targ hotel, currently under construction and planned for opening in Q2 2017 or the 317-room Deo hotel located on the Granary Island, which is to open in 2018. Whereas in Sopot the Focus Hotel Premium Sopot was announced, the hotel will greet its first guests in 2017. In 2019 the 236-room Holiday Inn Gdańsk City Center is planned for opening.

In 2017 the currently 4-star Mera hotel located in Sopot will be rebranded into a Marriott hotel. The rebranded facility will be re-categorized to a 5-star hotel, thus increasing Tricity's highest hotel segment by an additional 145 rooms.
In 2017 the construction of Gdynia's sailing port - Nowa Marina Gdynia is planned to commence. The development will consist of a multi-functional hotel-office-retail center. .

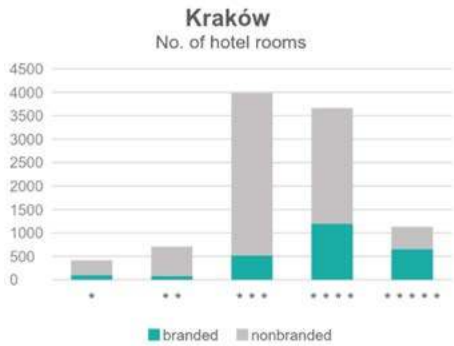
2016 summary and 2017 forecast

In 2017 Poland will be hosting the Men's European Volleyball Championship, whereas part of the tournaments will be held in Gdańsk's Ergo Arena, what will have a positive impact on tourist traffic in the region. The soon to open World War II Museum will constitute a crucial demand generator in the region. While the developing office market in Gdańsk shall contribute to the further strengthening of business tourism. The multitude of investments on the Granary Island in Gdańsk will also have a positive impact on the development of the city as a whole.

The development of road infrastructure and general positive investment climate in the region make Tricity an attractive destination for firms of the BPO/SCC sector, which are one of the most important demand generators contributing to the development of business hotels in the region.

Kraków
Hotel Market

Kraków's hotel market offers close to 150 hotel facilities with ca. 9.9 thousand hotel rooms. 3-star and 4-star hotel rooms dominate as they make up roughly 40% and 37% of the total supply respectively. Hotels functioning in the highest 5-star category make up ca. 11% of the total supply. Kraw's market is dominated by nonbranded hotel facilities. Branded hotel rooms constitute ca. 39% of the total hotel room supply in Małopolska's capital.



Kraków's 5-star hotel category fared well in 2016 with occupancies reported at the level of 81% with a year-end ADR amounting to EUR 112, whereas ADRs of some of the best hotels in the city amounted to approximately EUR 150. 4-star hotels located in the city center reported occupancies at the level of 79% with an ADR amounting to EUR 65. 3-star hotel facilities ended the year with a similar average occupancy rate and ADR at the level of EUR 47.

Investments completed, under development and planned

Kraków ranks second in terms of the number of new hotel rooms delivered to the market in 2016. A total of 4 new hotels were opened increasing Kraków's hotel base by nearly 500 new rooms, 80% of which are branded. New hotel openings include: Mercure Kraków Stare Miasto, Golden Tulip Kraków Kazimierz, the Legend hotel and boutique hotel of the IHG chain - Indigo Kraków Old Town. Indigo Kraków Old Town is the first hotel of the Indigo brand to open it Poland, it offers 56 rooms representing the 4-star category. In May 2016 Kraków's Sheraton joined the group of 25 Sheraton Grand hotels - a collection of premier hotels and resorts around the world featuring the highest levels of design and services. The hotel is currently under the process of a thorough renovation, which shall end in Q1 of 2017. There are at least 3 hotels planned for opening in 2017 – the 60-room Grand Hotel Ascot, 127-room hotel by 91 Starowiślna Street and the 130-room B&B Kraków hotel.

The development of a second Puro hotel was announced, which will most likely offer 200 rooms, as well as an airport hotel in Balice is in the planning phase.

Angel Poland Group also announced plans to introduce a new brand of a well-known global hotel chain to Kraków's


Moxy Warsaw Praga Project

hotel market as part of a mixed-use investment including luxury apartments. .

2016 summary and 2017 forecast

World Youth Day which was organized in the city in July 2016 had a positive impact on tourist traffic in the city of Kraków, as roughly 3 million pilgrims from close to 200 countries visited the city. Visitors coming from Poland and Italy had the greatest share in the number of registered pilgrims participating in the event. Kraków also hosted believers from China, Austria, Venezuela, Peru, Japan, Mexico, Argentina, Congo, India, Canada and the US, among others. According to data published by the Małopolska Tourist Organization in 2016 Kraków was visited by a record number of tourists – ca. 12.5 million, constituting a 20% increase when compared to 2015. Although World Youth Day did not result in the highest occupancies in Kraków's hotels, the event has ensured great promotion of Małopolska's capital among foreign visitors, which may result in their return in the following years as leisure tourists.

2016 has also been a record breaking year in terms of the number of passengers serviced by the Balice airport – as of the end of November, a total of ca. 4.6 million passengers were serviced.

In 2017 Kraków will host the 41st session of the World Heritage Committee, which will gather roughly 1,000 delegates from 190 countries. The delegates will meet in Centrum Kongresowe ICE Kraków. The taking on of delegates and set-up crews will generate additional room bookings to Małopolska's capital city.

Łódź
Hotel Market

Among roughly 3 thousand hotel rooms in Łódź, ca. 42% belong to a global hotel chain. None of the 32 operating hotel facilities are categorized as 5-star hotels. None of the 3- and 1-star hotels in the city of Łódź are affiliated with any brand, while roughly 84% of 4-star hotel rooms represent a global hotel chain. .

Hotels located in Łódź in all categories, functioning under a global brand reported an average occupancy rate at the level of 66% with ADRs amounting to EUR 66.

Investments completed, under development and planned

JThe only hotel to open in Łódź in 2016 is the B&B Łódź Centrum hotel, which increased hotel room supply by an additional 149 rooms in the 2-star category. The third Ambassador hotel is currently in its finishing construction phase and once completed, the facility will offer 200 new rooms. Hampton by Hilton at the crossing of Piotrkowska and al. Mickiewicza streets, offering 149 rooms, is under construction and will greet its first guests in 2018. A hotel establishment of a similar size by Piotrkowska Street is planned for development at the former headquarters of the "Angora" editorial office. A new Puro hotel with 136 rooms was also announced in Łódź, however the investment is currently put on hold.

2016 summary and 2017 forecast

At the end of 2015 the WZ Route was completed, enhancing transportation between the east and west sides of the city. In 2016 the Łódź Fabryczna main train station was opened. The station, after its modernization, has become one of the most modern stations in Europe and the third largest train in the continent. Currently, a number of office projects are under development, such as Ogrodowa 8 Office or Nowa Fabryczna Łódź by Skanska. Whereas in October of 2016 Ghelamco purchased a land lot in the Nowe Centrum Łódź area, finalizing the largest land sale transaction to ever take place in the city of Łódź. By the end of Q3 2016 the supply of modern office space amounted to 350,000 m2. Within Nowe Centrum Łódź, the historic power plant EC1 is being revitalized. The site is home to Poland's most modern planetarium and the National Film Culture Center. The multimedia and interactive Science and Technology Center is to open soon. The city of Łódź also applied to be the host of the EXPO 2022 fair. The final selected city to host the event will be announced sometime in 2017.

Katowice
Hotel Market

The hotel market in Katowice is dominated by 4-star hotel rooms as 52% of hotel rooms in the city represent this category. The city's hotel base is made up of 19 hotel facilities offering approximately 2,000 hotel rooms. 2-star hotels constitute the second largest segment in the city – ca. 24% of hotel rooms function in this category. 3-star hotel rooms rank third, constituting around 12% of the total hotel room supply in the city. The 5-star and 1-star segments are least represented in the city of Katowice. Branded rooms constitute roughly 83% of all hotel rooms in the city
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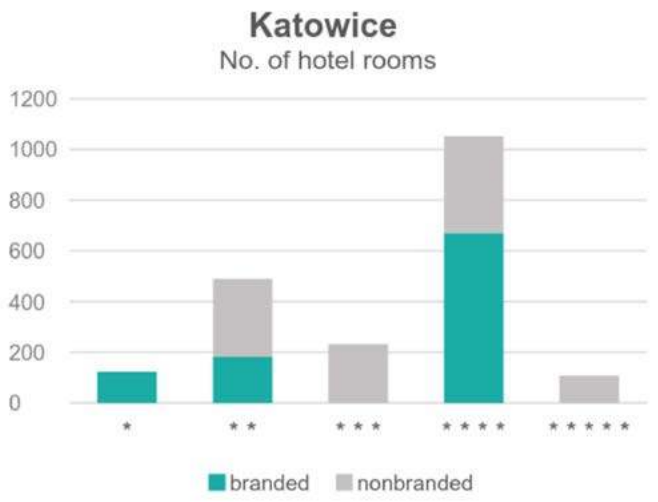


The largest hotels in the city of Katowice reached an average occupancy rate at the level of 65% with ADRs reaching EUR 55.

The city did ca. 64% in occupancy across all branded hotels, and achieved a rate of €58.

Investments completed, under development and planned

In 2016 the 2-star B&B Katowice Centrum hotel was opened increasing the hotel's room supply by an additional 105 rooms. The Katowice hotel located by al. Korfantego Street, which was first built in 1965 underwent significant renovation and as a result, 44 rooms were upgraded and converted to the three-star category; the remaining rooms still function as 2-star units. Along Wojewódzka Street, the 124-room Q Hotel Plus Katowice hotel investment is under development.

The new 4-star facility will be part of the Q Hotels chain and is planned to open in the spring of 2017. There are plans to renovate the former Śląski hotel, as a result of which, a new tourist and cultural complex is planned to be opened, including a 3-star hotel facility, a restaurant and mini brewery. In June of 2016 however construction work was put on hold. According to press releases, the hotel would function as the Best Western Browar Mariacki hotel part of the Best Western Hotels and Resorts chain. In Q3 2016 the real estate was sold. In 2016 the modernization and enlargement process of the Best Western Premier was completed, thanks to which, the complex gained new conference and banquet space.

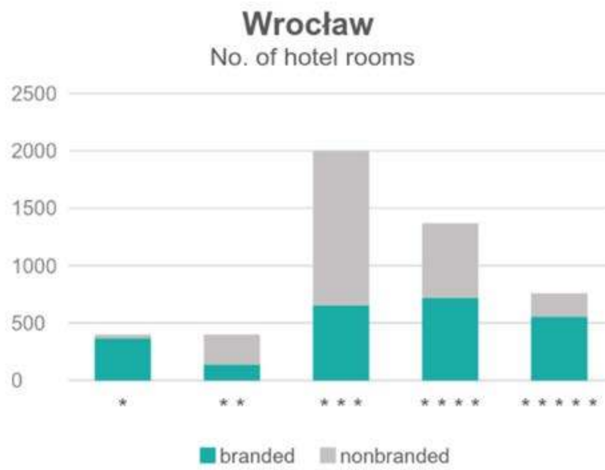
A new Moxy hotel in the immediate vicinity of the passenger terminal at the Katowice Pyrzowice Airport is in its planning phases. The hotel will offer at least 100 rooms in the 3-star category and will accommodate its first guests in 2019. The existing Diament Plaza Katowice hotel is to be enlarged by an additional 95 rooms, which will be up for booking sometime in 2018. Towards the end of 2016 the Qubus sign was taken down from the Altus building. The facility is currently being renovated. Upon the completion of the renovation process, planned for Q2 2017, the former Qubus hotel will function under the Courtyard by Marriott brand.

2016 summary and 2017 forecast

In 2017 Katowice will be hosting part of the Men's European Volleyball Championship tournaments in the iconic Spodek venue. Currently, city authorities are undertaking initiatives, which are to change the image of Upper Silesia's capital city from an industrial center to an attractive cultural and business destination. We anticipate the further strengthening of business and leisure tourism in the city as this new vision gets realized.

Wrocław
Hotel Market

There are ca. 5,000 hotel rooms in the city of Wrocław through the cities 58 hotel facilities. Roughly 59% of hotel rooms in the city are branded. The hotel market in Wrocław is dominated by 3-star hotel rooms. The second largest segment is the 4-star hotel rooms category. The upscale 5-star segment constitutes roughly 15% of the total hotel room supply in Wrocław.



Hotels representing the 5-star category reported an average occupancy rate at the level of 79% with ADRs amounting to EUR 81. 4-star hotels on the other hand, noted occupancy rates at the level of 75% with their ADRs reaching EUR 59. The occupancies of 3-star facilities were also high (roughly 76% on average), with the ADRs of ca. EUR 35.

Investments completed, under development and planned

The 5-star DoubleTree by Hilton opened in August 2016 as part of the mixed-use OVO Wrocław project. Ovo is one of the most awaited hotel openings in the city of Wrocław in recent history. The hotel delivered an additional 189 rooms to the market. Two Accor hotels also greeted their first guests in 2016: ibis Wrocław Centrum and Novotel Wrocław Centrum, which opened as a result of the rebranding and modernization of the former Orbis Wrocław hotel. ibis Wrocław Centrum offers 112 rooms, while Novotel Wrocław Centrum offers 192 rooms. In 2017 the AC by Marriott hotel is planned for opening. The new hotel is located in a converted tenement building by Plac Wolności Street. Once completed, this hotel will be the first AC Hotel by Marriott branded hotel in Poland. Other hotels currently under construction include the 64-room Best Western Premier Wrocław City Center, which is planned for opening in 2018, the 192-room Rialto hotel by the Katedralny square, as well as the DB hotel by Strzegomskiej Street, which will accommodate its first guests in 2018.

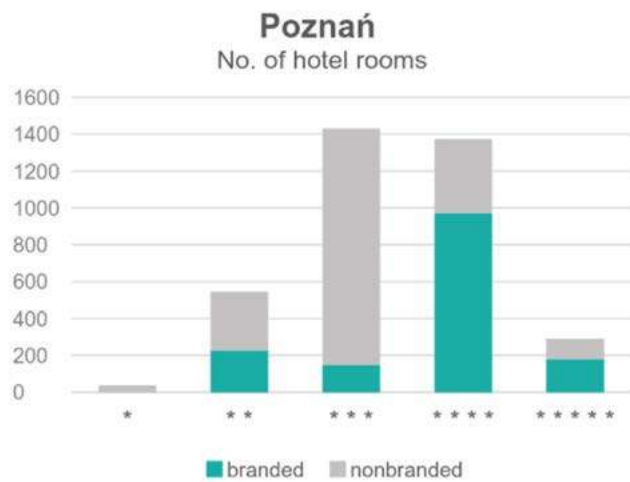
2016 summary and 2017 forecast

In 2016 Wrocław was the European Capital of Culture, which hoteliers confirm had a very positive influence on tourist traffic in the city. The city received a number of prestigious awards and was recommended by Trip Advisor among cities worth visiting in 2016. In the vicinity of the Centennial Hall, visitors can enjoy a new tourist attraction opened in June 2016 – The Four Domes Pavilion, home to the Museum of Contemporary Art Branch of the National Museum in Wrocław. In July 2017 the city of Wrocław will host The World Games which should extend the exposure generated throughout its European Capital of Culture appointment.

Wrocław is also among cities gathering over 100 BPO/SSC centers and ranks third, after Kraków and Warsaw, in the list of the largest business service sector centers in Poland. The developing BPO/SSC sector will increase the city's image as an attractive business tourism destination., IT and food processing are also flourishing in the city.

Poznań
Hotel Market

Poznań's hotel supply is composed of close to 3,700 hotel rooms (62 hotels), 41% of which function under global brands. The most represented segment are 3-star hotel rooms, however only 10% of the 3-star rooms function under a global hotel brand. 3 and 4-star hotel rooms dominate the market, together constituting 76% of total room supply.



Hotels of all categories, representing global hotel chains, reported occupancies at the level of 57% with ADRs of EUR 63. The results achieved in 2016 were similar to those reported in the previous year. This proves Poznań's hotel market to be stable. The planned new hotel room supply, improving quality of the city's hotel offer, along with the increasing exhibit potential connected with the functioning of the Poznań International Fair, may generate additional demand and in turn may positively influence the city's hotel performance results.

Investments completed, under development and planned

At the beginning of 2017 the 60-room DeSilva Premium Poznań in the vicinity of the Old Market Square is planned for opening. A new globally branded hotel – Park Inn by Radisson, offering 166 rooms will most likely open in Q2 2017. The construction of the Hampton by Hilton Poznań Old Town will commence soon, while the planned delivery date is set for Q2 2018. Two additional hotels are to be developed as a result of the conversion of existing buildings – the high-rise building "Alfa" department store, which will function as a 3-star hotel offering 110 rooms and a former synagogue (details regarding the investment remain unknown).

2016 summary and 2017 forecast

Poland Convention Bureau estimates that in 2016 there were close to 3,000 meetings and events organized in Poznań, which ranked the city 4th after Warsaw, Kraków and Gdańsk. The city also ranked 2nd (after Kraków) when it comes to the number of organized fairs and exhibitions, strengthening its position as a host of conferences, congresses and other corporate events.

The city of Poznań has attractive investment areas such as Wolne Tory and land lots in the vicinity of the former railway station, which are to be developed by Skanska. The development of new business centers in strategic locations within the city may contribute to a further influx of business travel activities in the city in the next few years.

Szczecin
Hotel Market

22 hotel facilities offer ca. 1,700 rooms in the city of Szczecin, where nearly half of the hotel room supply is globally branded. As of today, the city does not have any 5-star hotel facilities, while all 3-star rooms in Szczecin are not affiliated with any hotel chain.
demand and in turn may positively influence the city's hotel

Branded hotels in Szczecin reported occupancies of 74% and ADRs of EUR 49 throughout 2016.

Investments completed, under development and planned

At the end of 2016 the Vulcan hotel offering 116 rooms greeted its first guests and in 2017 the remaining elements of the hotel complex will be made available to its clients – the SPA area and winter garden. In 2019 a new hotel is to be opened in the former "Posejdon" department store building by Brama Portowa square. The establishment will most likely offer 250 rooms. According to press releases it will be a dual branded Courtyard by Marriott and Moxy hotel. Another investment currently under development is the multi-use Szczecin Odra Park, which will include a ca. 120-room globally branded hotel in its mix. In 2016 the owner of Radisson Blu Hotel Szczecin signed a franchise agreement with Carlson Rezidor Hotel Group, replacing its previous management contract with the chain. The Radisson Blu hotel is the first Radisson branded hotel in Poland to function under a franchise agreement.

2016 summary and 2017 forecast

The Fabryka Wody project is currently under development - the former Gontyka swimming pool is being converted into a modern sports and entertainment center with a planned completion date set for 2021. Szczecin's Pogoń stadium is also to be redeveloped and transformed into the Florian Krygier Stadium. Construction work for this project is set for 2017/2018.

Szczecin is also home to the headquarters of the Multinational Corps Northeast. In 2015 Szczecin's corps were promoted to NATO's high readiness units. The activities related to the NATO unit in the city will positively impact the overall hotel market improving hotel performance figures in the short to medium term.

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