YEAR END REPORT 2017

HOTEL MARKET IN POLAND

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2017, A YEAR OF SURPRISES

The world has changed, the Trump phenomena made the year a complicated one, some other surprises the French and German elections outcome, the Euro Zone GDP growth, the strong global economy, the stock markets, China's economic fortitude, Poland's 4.6% GDP growth, and an overall benevolent EU year, made 2017 a Surprise Year.

We saw the overall economic growth influenced by the USA new president's posture on Tax relief for corporations and easing on regulations in the banking and financial sectors. These positives occurred with the geopolitical gyrations during the year. North Korea, Iran, the Middle East, Russia, China, Venezuela, Israel, Palestine, Poland, Ukraine amongst others.

Some of the above, we forecasted last year, the still unknown is the BREXIT impact on the EU and particularly on Poland. The hotel occupancies and RevPAR growth in Poland grew as we predicted. All cites except for Poznan showed strength in hotel trading year over year, in most segments. Corporate, MICE and leisure room nights were the drivers. The hotel sector in Poland grew (circa) 1% in occupancy to 73.5 % occupancy and Revpar with over 5.5%, The ADR also showed strength to an increase of 5.1%.

As we predicted last year, the BPO related room nights, the continuing trend of Polish families spending their vacations in Poland, (although the summer weather had a negative impact on the Tri City performance) 2017 turned out to be the fourth consecutive year of positive results.

Extraordinary events such as the UNFCC COP 24 Global Climate Conference in Katowice in 2018 will certainly place this city on the world map. Krakow will also benefit from this event.

We saw (circa) close to 2,000 new branded hotel rooms opened in Poland in 2017, some of the notables, was the AC Wroclaw, the INDIGO in Warsaw, the Holiday Inn Warsaw,

Although 2017 presented geopolitical challenges, as well as domestic ones, these never affected the appetite for new hotel investments in Poland. We will have another over 3,000 new branded rooms coming to usage in 2018. The cities with the new inventory include Gdansk, Warsaw, Poznan and Wroclaw. 2018, will be another very good year for the hotel industry in Poland, although there will be some compression on the ADR's in cities where new hotel room inventory is placed.

The strong Eurozone and Polish economy, with manufacturing, and exports leading the way again, will keep our industry humming. The challenge however for the hotel operators will be manpower. We already see difficulties getting qualified staff for the existing and new hotels. The unemployment fell to less than 6%, making the hiring of employees more difficult. The trend of Ukraine's people joining the Polish labor force will continue, and the hospitality and construction sector benefit the most from this.

The BPO sector will continue the rapid growth we have enjoyed in the past five years. Ministry of Economic Development, estimates the effective job creation in 2017 was 35.000 new jobs. The sector now employs just over 250.000. The BPO, R&D, and Business Service Sector already has 1100 companies in Poland tending this sector.

increase by 32%. Up to 300.000 FTE (Full-time equivalents).

The BPO business drives corporate and MICE nights to the hotels, we can see the office market growing in all cities in Poland. Over 1.8 Million Square meters of new office space is being built as we write this report in Poland. In Warsaw alone there over 700.000 Square meters under construction this represents 15 % of the existing office space in the capital.

In Warsaw we expect take up of offices resulting form the BREXIT, as we mentioned last year. Goldman Sachs, JP Morgan Chase &Co. Credit Suisse, Bank of America Merrill Lynch, also eyeing Warsaw as a potential shop set up. PEKAO SA, as well as PKO BP, are preparing their expansion in financial products taking advantage of the London City exodus.

2018 estimated GOP for Poland is 3.5 to 3.8 %, the EU 82.5 Billion Euros, will continue trickling in, scientific research, digitalization, climate., green energy, job creation, regional tourism infrastructure among others. Some caution is prescribed for potential inflation, wages interest rates rising, and the on-going Brussels, Warsaw stressed relationship, and lastly the Sunday's shopping ban.

Strong investment scenario for new quality, well branded and well-located hotels will remain vigorous, more hotels added to Mix Use components, such as the Ghelamco Warsaw Hub project with the Dual Branded Crowne Plaza, Holiday Inn Express with 430 new rooms under one roof. The MOXY at the Mix Use Koneser Warsaw site with 141 rooms.

We will also see AC by Marriott 246 room hotel project in Warsaw, taking shape, the Hampton by Hilton Mokotow will open in May.

Banks, will continue to support and provide financing for new qualified hotel projects, including traditional touristic regions and localities. Such as the newly opened Radisson Blu in Świnoujście. As we mentioned last year, the global effect of the consolidations of hotel companies, Marriott/Starwood, ACCOR/FRHI, Radisson/HNA will be prominent in the coming months, particularly for new hotel investors and their ability to obtain competitive Franchise or Management Agreements from the above. In 2017 due to the above, we noticed new appetite by the chains to look at projects with Long Term Lease or Management Agreements with OPR models, new to the Polish market.

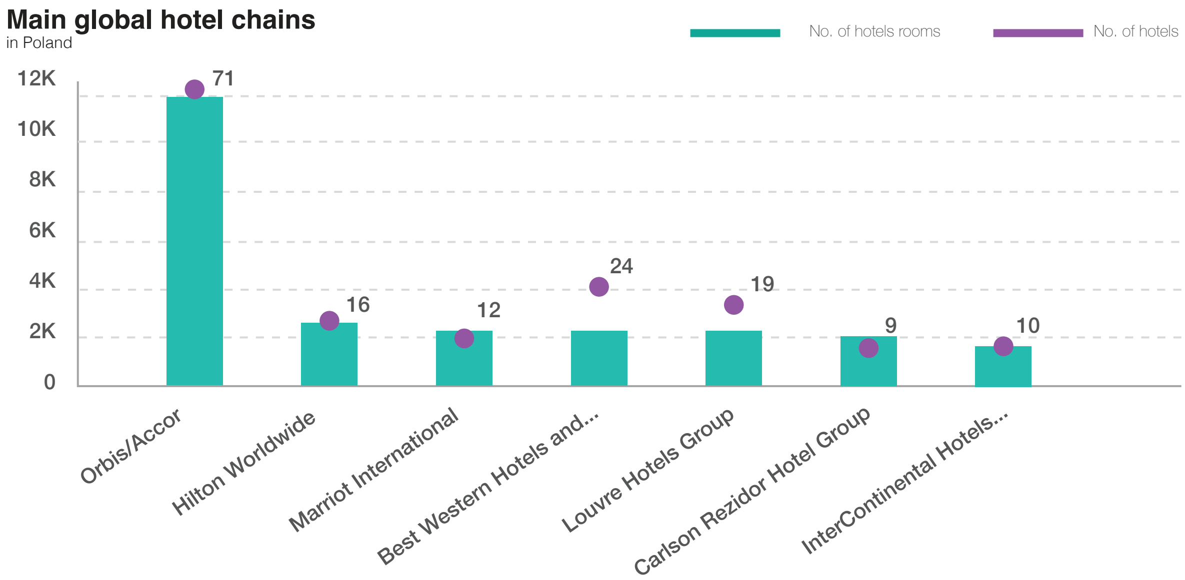
All considered, we believe the hospitality business in Poland, both from the existing hotel trading, as well the vibrant new hotel developments will continue. Our Hotel Professionals teams, both Advisory and Management look forward to a dynamic new year.

Have a congenial and hospitable year!

Alex Kloszewski MRICS
Managing Partner
Hotel Professionals

Al. Jerozolimskie 65/79
Warsaw 00-697, Poland
www.hotelprofessionals.pl

GLOBAL HOTEL BRANDS IN POLAND



The Orbis Group owned by the Paris Accor group remains the global chain with the largest number of hotel rooms in Poland. In 2017 the Group was celebrating its 20th anniversary on the stock exchange. By the end of 2017 this hotel chain had over 12,000 rooms in 71 hotel facilities around Poland. In 2017 one hotel of the Orbis Group was opened – ibis Styles in Grudziądz. The chain plans to expand its presence in 7 strategic cities in Poland and is looking for local franchise investors in smaller cities. Orbis Group, as part of their development strategy, will introduce new brands to the Polish hotel market. Planned for opening are the 5-star MGallery by Sofitel hotel in Wrocław (Ostrów Tumski district) and resort hotel MGallery by Sofitel Jurata. Orbis is also launching a new hotel brand – Aparthotels Adagio to the Eastern European market. A license agreement concluded with Adagio SAS grants Orbis SA the right to operate hotels under the following brands: Adagio, Adagio Access and Adagio Premium in 8 Eastern European countries: in Poland, Czech Republic, Hungary, Romania, Serbia, Estonia, Latvia, and Lithuania.

The second position in terms of the number of hotel rooms was taken by the Hilton Worldwide hotel chain. In 2017 we witnessed Hampton by Hilton Gdańsk Oliwa and Hampton by Hilton in Lublin entering the Polish market. This year other hotels under the Hampton by Hilton brand will be opened, including in Warsaw (Mokotów district), in Gdańsk, Poznań, Kalisz and Oświęcim. In the following years other hotels of this brand will open in Łódź, Swarzędz and two more in Warsaw. In 2017 the Hilton chain announced the construction of a new Hilton Garden Inn hotel in Kołobrzeg and a hotel under a debuting brand – Curio A Collection by Hilton in Poznań.

Due to the takeover of Starwood Hotels & Resorts Worldwide Inc. by Marriott International, the Marriott chain is now the third largest hotel chain in Poland in terms of the number of rooms. In 2017 the first hotel under the AC Hotels by Marriott brand was opened in Wrocław, the Marriott sign appeared also in Sopot (former Mera SPA hotel).

In 2018 guests will be welcomed in new hotels under Marriott's debuting brands (both located in Warsaw): Renaissance by Marriott next to the Chopin Airport and Moxy as a part of the Centrum Praskie Koneser complex. Other Moxy hotels (in Warsaw with Residence Inn, Katowice-Pyrzowice, Poznań, Szczecin), a Courtyard in Szczecin, the second AC Hotels by Marriott in Poland located in Warsaw will be opened in the following years, also the Autograph Collection brand will make its debut.

In the next 2-3 years we will witness several new brands entering Poland owned by the following hotel chains: Best Western Hotels and Resorts, InterContinental Hotels Group, Raffles Hotels and Resorts and Carlson Rezidor Hotel Group.

Staybridge and Crowne Plaza by the IHG chain in Warsaw, Raffles Hotels and Resorts owned by AccorHotels in Warsaw, Radisson Red by Carlson Rezidor in Cracow and Sure Hotel by Best Western in Poznań – are examples of debuting brands, which will soon appear in Poland.

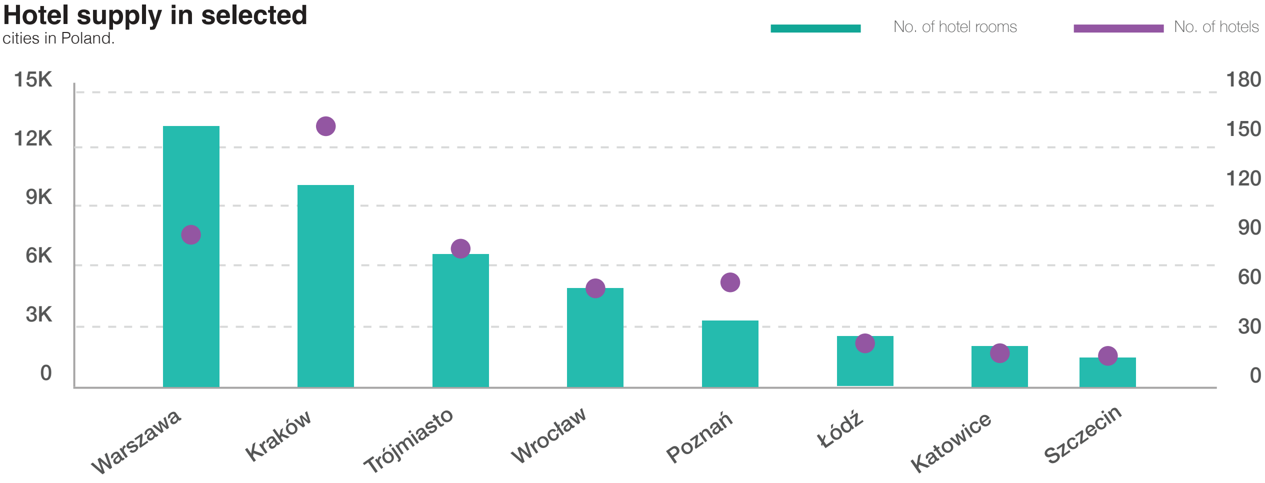
In 2017 the first in Poland hotel part of the Leonardo Hotels chain began operations – Leonardo Royal Hotel Warszawa (former JM Hotel Warsaw Centre). Leonardo Hotels is a European branch of the Fattal Hotels Group, which includes the following brands: Leonardo Hotels, Leonardo Royal Hotels, Leonardo Boutique Hotels and NYX Hotels. In the coming years, we can expect to see additional hotels of the Leonardo Hotels portfolio entering Poland.

Foreign hotel chains are increasingly turning their attention to seaside and mountain resorts. In 2017 the 5-star Radisson Blu was opened in Świnoujście, as part of the Baltic Park Molo complex. Also, a Radisson Blu hotel in Zakopane is under construction and a Four Points by Sheraton was announced. In the previous year, plans to build a Hilton Garden Inn in Kołobrzeg and MGallery by Sofitel in Jurata were announced.

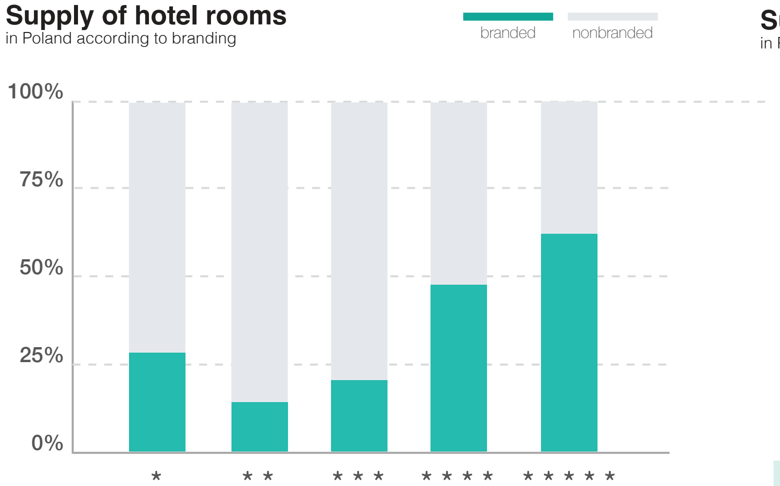
HOTEL MARKET IN POLAND

In Poland there are more than 2,600 hotels offering in total over 125,000 rooms, of which about 44% operate in the 3-star category (economy segment).The second most numerous category are hotel rooms operating in the 4-star segment, followed by the 2-star segment. 5-star rooms constitute a small percentage of the total room supply in Poland, only ca. 7%. The Polish hotel market is dominated by nonbranded hotel rooms in all categories, except for the 5-star segment, where the share of branded rooms is more than 60% of the total room supply. The 4-star rooms segment is also characterized by a large share of branded rooms – roughly 48% of rooms in the category operate under a global, regional or Polish brand.

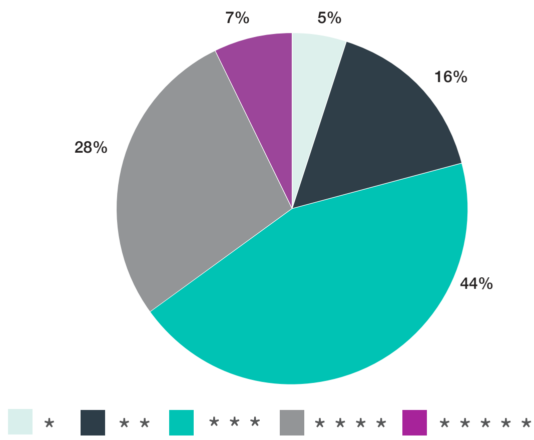
Hotel supply in selected
cities in Poland.



Supply of hotel rooms
in Poland according to branding



Supply of hotel rooms
in Poland according to category

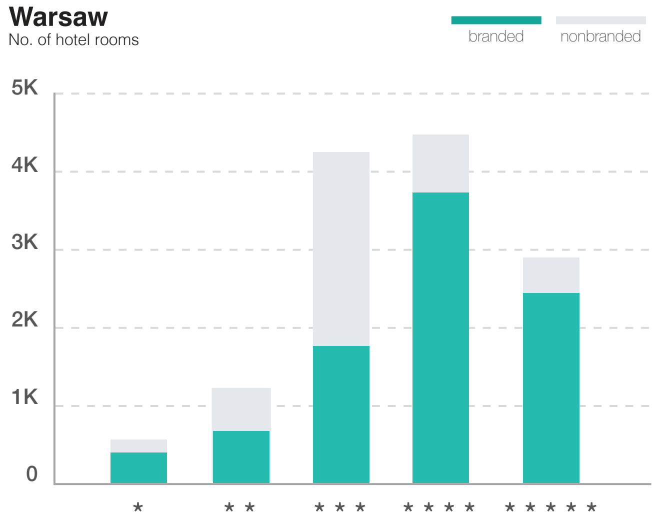


In 2017 in Poland the lowest growth in revenues was reported by hotels from the luxury & upper upscale segment. This was due to a decrease of the occupancy rate by 2,5%. Although a 3% increase of the daily rate eliminated this negative effect, this hotel segment cannot boast such a dynamic revenue growth as other categories. In nominal terms these hotels reported a daily rate at the level of 450 PLN with an average annual occupancy rate at the level of 75%.

Other hotels in both the midscale and economy segments noted an increase of revenues by over 7%. In both segments the change of revenue was mainly caused by an over 5% growth of ADR and 2% occupancy increase. Midscale category hotels reached a daily rate of 277 PLN, and occupancy at the level of 73%. Hotels in the economy segment can boast a similar occupancy, but a significantly lower ADR – on average 174 PLN.

WARSAW
HOTEL MARKET

There are 90 hotels in Warsaw that offer over 13,500 hotel rooms. 3-star and 4-star rooms dominate and constitute roughly 33% and 31.5% of the total room supply in the capital. The third place is taken by 5-star hotels, offering in total nearly 3, 000 rooms. In terms of hotel chain affiliation, 65% of rooms in Warsaw operate under a global brand.



Comparing the average occupancy in the capitals of Eastern Europe we notice that Warsaw's hotel market is characterized by very high levels of occupancy. Compared to other European capitals from the CEE region, Warsaw achieved a result of 79.4% giving way to Prague, which was better by 1.2%. In terms of room rates, the leader in this part of Europe became Budapest with a rate of EUR 86, which was better than Warsaw by EUR 11.

Warsaw's 5-star hotels in 2017 reported very good results. We can see a slight 3% decrease in occupancy which was compensated by an increase of ADR by 8% year-over-year. The highest ADR noted by a hotel in this category was almost EUR 180 which was more than 50% better than the average value for this category. The average ADR result for 5-star hotels was EUR 116, with an occupancy of 78%. Despite the decrease of the occupancy, the RevPar expressed in PLN was 5% better year-over-year. The hotel market awaits the opening of the Raffles Hotel with great interest, the hotel's results can establish new records in the highest hotel segment.

In 2017 the 4-star hotels, unlike 5-star hotels, reached a higher level of occupancy, which was 83% and was about 2% higher than last year. A higher occupancy rate and an increase of ADR by 10% year-over-year contributed to a dynamic revenue growth by 12% per room. On average, hotels in this category were able to count on an ADR level of EUR 72.

Warsaw 3-star hotels reported a 5% occupancy increase – but here we don't notice a significant increase in the daily room rate. The ADR for this category was at the level of 245 PLN and was 2% larger year-over-year, which was a 7% increase in revenue.

The results measured for the whole market ranked Warsaw as a leader with an almost 80% occupancy and an average daily rate of 320 PLN, resulting in an 11% increase in year-over-year revenue.

INVESTMENTS COMPLETED, REALIZED AND PLANNED

In the past year three hotel facilities entered Warsaw's market– the 4-star Indigo Nowy Świat at Smolna 60 Street, the Golden Tulip hotel with 90 rooms by Chopin Airport also in the 4-star standard and UBM Polska's - Holiday Inn City Center, located in the the Wola district in close proximity to the city center, with 256 rooms.

In 2017, the former JM hotel, which opened in 2013, underwent a rebranding process, and currently operates under the brand of a previously not present in Poland hotel chain - Leonardo Hotels and is called Leonardo Royal Warsaw. In the second quarter of 2017, the sales transaction of the Radisson Blu Centrum hotel was finalized. The property has been bought by investment fund Europe Capital which also announced plans for the hotel's renovation. In 2018 we will witness the entry into Warsaw's market of three hotels representing debuting on the Polish market brands. In the first quarter of 2018 the long-awaited first truly luxury hotel Raffles Europejski Warsaw, with 106 luxury rooms, will be opened. Renaissance Warsaw Airport, currently in its completion stage, will also open its doors in 2018. It will be the first 5-star hotel located next to the airport and first hotel of this brand in Central-Eastern Europe. This hotel will enrich the capital's hotel market by 225 new rooms. Established as a part of a multifunctional complex Centrum Koneser, the Moxy Warsaw Praga hotel (141 rooms) is another facility that will welcome guests in 2018, and it will be the first hotel opened in Poland representing this Marriott lifestyle brand. In the new year a Hampton by Hilton in Służewiec Przemysłowy will greet its first guests, as well as the capital's first ibis Styles by Grzybowska 43 Street will be opened. The hotel will operate in a newly built adapted office building. In the summer of 2017

regional hotel chain Vienna House announced plans to open within the Mokotów district a hotel with 164 rooms in the 4-star standard. According to the announcements made by the investor the hotel will be opened in the third quarter of 2018.

Most hotel openings are planned for years 2019-2020. Interesting hotel investments, which are planned to be opened during these years include Motel One hotel at Tamka Street with 330 rooms, or the first in Poland Stabridge Suites "extended-stay" hotel part of the IHG chain, which will be opended in the Ursynów district.

At the end of 2017, at the junction of Koszykowa and Wilcza Streets began the construction of another 5-star hotel - The Bridge, which will be adjacent to the Rialto hotel. The opening of this 5-star hotel with 80 rooms is planned for the third quarter of 2019.

In 2019 the opening of the 4-star Altus hotel with 110 rooms by Pankiewicza Street is also planned.

Służewiec Przemysłowy in Warsaw remains an area of interest among hotel investors. There are currently over 1,500 rooms in 7 facilities under construction and planned in this area, which will operate under the brands of hotel chains: mentioned above Hampton by Hilton hotel by Postępu Street and Vienna House Mokotów, dual branded hotel - Moxy and the Residence Inn by Marriott, Four by Points by Sheraton, Holiday Inn and Holiday Inn Express by IHG and nationally branded Focus Hotel Premium at Woronicza Street. In the fourth quarter of 2017, Ghelmaco Poland announced the conclusion of a management contract with the IHG chain to manage two brands - debuting brand Crowne Plaza and well-established in Poland brand of Holiday Inn Express. The dual branded hotel investment will be developed as a part of multifunctional complex - The Warsaw HUB. These hotels will offer approximately 430 rooms.

In 2017, plans to develop a Holiday Inn hotel by the Dworzec Zachodni railway station and other Hampton by Hilton hotels, one by the Dworzec Wschodni railway station and second near the Reduta shopping center in Ochota were announced. Last year, the Orbis Group signed a contract for the general construction of the next ibis Styles hotel in Warsaw with 179 rooms, which will rise in the Solec district next to the operating ibis Budget hotel. The ibis Styles hotel will also be opened in the Włochy district, with approximately 215 rooms sold in the condo system. The Orbis Group also signed a franchise agreement with the Adept 52 company, which is to build an ibis Styles hotel with 120 rooms at Prądzyńskiego Street vis-a-vis the Expo Hall, however construction work has not yet commenced.

Under construction remain the Polish branded Puro hotel at Widok street and hotel of the luxury Likus Hotele brand, developed as a result of the reconstruction of the pre-war building of the former Warszawa hotel. Genfer Hotels also announced the construction of a second Puro hotel in the Wola district near Grzybowska Street.

SUMMARY OF 2017 AND FORECASTS

Although the increase of new hotel supply in the capital in 2017 was small, this year Warsaw was undoubtedly the leader in terms of the number of new hotel investments announced. Today, in Warsaw's hotel investment pipeline there are more than 5,700 rooms under construction and planned for the next four years, of which more than 90% are branded rooms.

Another year in a row, Warsaw's accommodation facilities have welcomed a record number of tourists - in the first three quarters of 2017, 2.65 million tourists were accommodated in Warsaw's accommodation facilities, which is a roughly 14% increase compared to the same period of the previous year.

Improved road and transportation infrastructure (opening and extension of the second Metro line), rich and varied offer of restaurants, clubs, cafés, shopping malls, museums, parks, festivals, international music events, exhibitions, culture, sports events, as well of a revival of interest in Polish history (e.g. Museum of History of Polish Jews) attract an increasing number of tourists to Warsaw's hotels also on weekends.

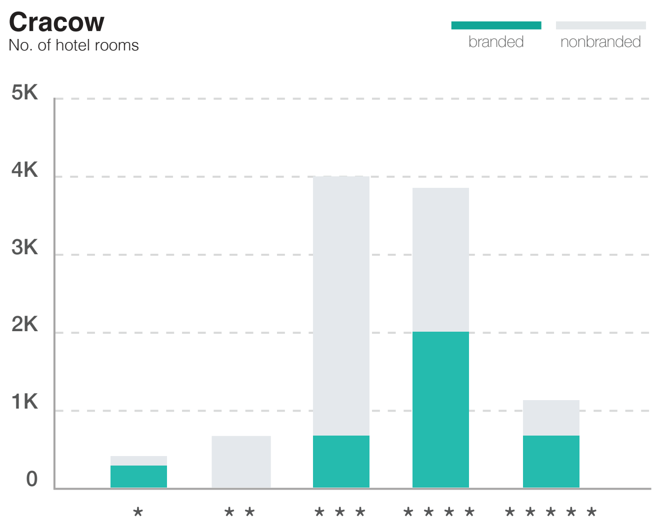
In Warsaw, under construction and planned are more than one million sq. m.. of office space, which will be delivered to the market in the next 5 years, generating demand for hotel rooms among business travelers. We are also observing the effects of the announced Brexit. In the autumn of 2017, investment bank JP Morgan officially announced plans to open an operational center in Warsaw, which will hire 2.5 thousand people. The bank's facility is to be launched in the mid of 2018. Standard Chartered is also considering opening its offices in Poland's capital, while Goldman Sachs is planning to increase employment in Warsaw by 50% next year.

In the second quarter of 2017 the Polish Office Research Forum, due to the changing structure of Warsaw's office market, introduced changes to the borders and names of business zones. Most changes occurred in the capital's central zones, where currently the most office buildings are being developed. The new City Center zone is divided into additional four subzones, among which the City Center West subzone covering the area around the Rondo Daszyńskiego roundabout, is characterized by the greatest development activity. The largest projects under construction in the capital are Varso (140 thousand sq. m.), The Warsaw Hub (75 thousand sq. m.) and the Mennica Legacy Tower (63.8 thousand sq. m.).

The Chopin airport will also end 2017 with a very good result - in the period from January to the end of November Chopin Airport serviced 15.6 million passengers, this is over 23% more than last year. In December 2017, LOT restored flights to Berlin (TXL), and in the spring of 2018 the Chopin Airport will gain a new direct connection to South-East Asia. PLL LOT inaugurates flights from Warsaw to Singapore, making the number of long distance connections from the Warsaw airport to Asia during the summer season increase to nine.

CRACOW
HOTEL MARKET

The Cracow hotel market counts 157 hotel facilities, which provide approximately 10,200 hotel rooms. Most of the rooms are in the 3-star segment – approx. 39%, followed by the 4-star segment which accounts for approx. 38.6% of the hotel room supply. Hotel rooms in the highest 5-star category constitute about 11% of the total room supply. Hotel rooms operating under global, regional or Polish brands constitute approx. 49% of the total supply of hotel rooms in the city.



Cracow, just after Warsaw, is the best hotel market in terms of results. With an average occupancy of 79% and an ADR of 315 PLN Kraków is catching up with the capital and is the second most important market in Poland.

5-star hotels achieved an ADR at the level of 522 PLN with an 83% average occupancy, which translating to revenue at the level of 433 PLN, was better by 13% when compared to Warsaw.

In the 4-star category, we notice a large variation in the results of individual hotels. Hotels located closer to the city center can boast typically an 84% level of occupancy at a daily rate ranging from EUR 80 to EUR 90 per room. For the entire 4-star segment, occupancy was at the level of 74% and was 1% higher year-over-year. However, the room rate changed significantly, on average 304 PLN which allowed for a 6% increase in ADR and consequently a 7% increase in RevPar.

Unfortunately, 2017 was more difficult for hotels of the 3-star category. Here both the occupancy and the daily rate were lower than last year's results. Over a 2% decrease in occupancy at a similar daily rate resulted in almost a 2.5% drop of revenue per room in this category. In the nominal expression, the occupancy rate for this category was 77% at the rate of 206 PLN.

In summary, Cracow's hotel market, despite the high levels of occupancy and daily rates, the average occupancy dropped by 1% for all categories, and the room rates increased by 3.4%, which resulted in a 2.4% RevPar increase.

INVESTMENTS COMPLETED, REALIZED AND PLANNED

In 2017 Cracow again ranked second in terms of the number of new rooms delivered to the hotel market. A total of three hotel facilities were opened, which enriched the Cracow market by ca. 250 new rooms, what is however more then half less than the result achieved in 2016. These are small, independent, 4- and 5-star facilities. These include 4-star hotels: INX Design hotel with 122 rooms, Grand Ascot hotel (65 rooms) and 5-star Unicus Palace (60 rooms) located at Floriańska Street vis-a-vis Unicus hotel. At the finishing stage is the B&B branded hotel by Monte Casino Street, which will deliver more than 120 rooms. Planned for opening in the following years are 5-star Ferrus boutique hotel by Kopernika Street and the second in the city hotel by the Polish brand Puro, which is rising in the Kazimierz district. In 2017, real estate developer Angel Poland Group announced the entry into Poland's market of the Autograph Collection by Marriott brand which has not yet been present in Poland. The hotel, which is developed in a historic tenement house building in close proximity to Wawel, will be the most luxurious property in Cracow. The hotel will offer 125 rooms, luxury suites and a SPA center. Another unique investment announced last year is the Unity Center mixed-use complex, including a hotel under another debuting brand in Poland – Radisson Red, which will be managed by the Rezidor Hotel Group. The complex is developed as part of the reconstruction of the famous "Szkieletor", and the opening of the hotel with 230 rooms is planned for the autumn of 2019. According to press releases, a 4-star hotel at Długa 78/80 Street is planned to open providing 60 rooms, as well as a designer SPA area and a lifestyle restaurant. Company Sunshine Property announced the construction of two new buildings at the Cracow's train station. One of them will be built at Lubicz 9 Street and it will take up the interior of a rebuilt three-storey tenement house with an attic. The hotel will provide 61 rooms. At the back of the investment, a new hotel facility will be built, a 4-star hotel with 70 rooms.

Hotel chains are looking for land for further hotel investments in Cracow. Louvre Hotels announced plans to launch a 4-star hotel under Chinese brand Metropolo.

SUMMARY OF 2017 AND FORECASTS

The increase in the supply of rooms for the coming years in Cracow is smoothly distributed over time and should not cause rapid changes in the hotel market.

According to the Statistical Bulletin of the City of Cracow only in the first half of 2017 nearly 1.08 million tourists chose to stay in Cracow's accommodation facilities (about 1.04 million in the analogical period in 2016), including nearly 518 thousand foreign tourists.

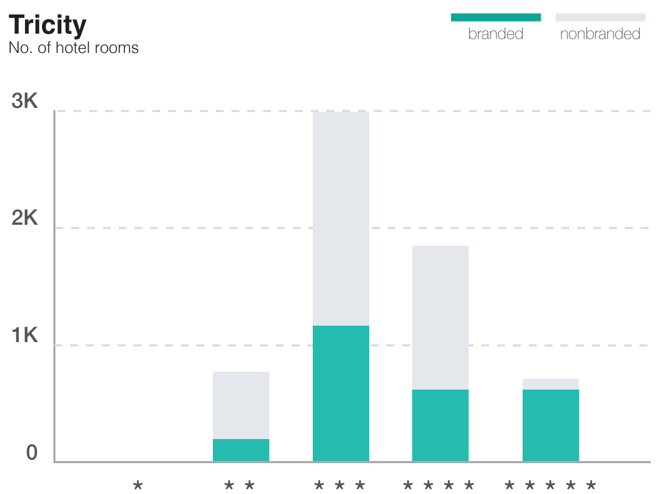
The constant demand from leisure tourists is strengthened by the growing demand of business travellers. In 2017, the supply of modern office space in the capital of Lesser Poland exceeded one million sq. m.., and under construction are about 250 thousand sq. m. of new office space. Cracow is the largest office market in Poland excluding Warsaw and constitutes 30% of the demand for modern office space outside the capital. The capital of Lesser Poland remains a leader in employment in the business services sector. In the first quarter of 2017 service centers employed 55.8 thousand people. The rise of importance of Cracow as a vibrant business center will result in the rise of demand for accommodation services by business tourists.

The demand for hotel services is also generated by new conference-congress and entertainment infrastructure. In the first two quarters of 2017, Tauron Arena and the ICE Kraków Congress Center held a total of 76 mass events hosting a total of 174.5 thousand participants.

The wide offer of airlines offered by the Cracow airport also positively affects the hotel industry in Cracow. Cracow Airport, which is the second airport in Poland, after Warsaw in terms of the number of passengers serviced annually and at the same time largest regional airport, is expected to end the year with a result of 5.2 million of passengers serviced, which will be another record. In the past year, Cracow airport has gained 27 new connections, including to Chicago and Tel Aviv. In 2018, the airline network will be expanded to eastern directions – the capital of Ukraine and Dubai.

TRICITY
HOTEL MARKET

In Tricity there are 83 hotels offering in total over 6,400 hotel rooms, of which more than half operate under a global, regional or Polish brand. 3-star rooms dominate (nearly 47% of rooms represent this segment), of which over a half do not belong to any chain. The second largest segment are 4-star hotel rooms, approximately 29% of all rooms operate in this category. The highest 5-star segment provides less than 12% of the total supply of hotel rooms in Tricity.



2017 was a quite difficult year for the Tricity market, summarizing all categories we notice a 3.5% decrease of revenue per room caused mainly by a decrease of daily room rates. Unfortunately, in the high season the weather was quite rainy what effectively discouraged Poles from visiting the Polish coast. A bigger decrease in revenues was noted only in Poznań.

For all categories average occupancy was at the level of 72% and ADR at 334 PLN. In terms of the average daily room rate, Tricity reported the highest level in Poland.

Occupancy in 5-star hotels increased by 1% compared to the previous year, but at the same time these hotels noted a drop of daily rates by 5%. On average for this category occupancy was at the level of 73% and the daily rate reached 500 PLN. Tricity 4-star hotels' results were much better, they could boast an increase in the ADR level by 10% year-over-year to 298 PLN with a occupancy decrease by 2%. 3-star hotels noted a 2% increase in both occupancy and ADR. As result of these growths the average occupancy increased to 66% and daily room rate to 240 PLN.

INVESTMENTS COMPLETED, REALIZED AND PLANNED

Another year the Tricity hotel market ranks first in terms of largest number of rooms delivered to market among the largest regional cities. In 2017 Tricity's hotel market grew by over 400 hotel rooms. In spring on the Granary Island (Wyspa Spichrzów) the Number One hotel owned by the Dekpol company was opened with 172 rooms, in summer first guests were welcomed by the Craft Beer Central Hotel with 39 rooms and its own brewery located next to the Main Railway Station, while in October the Hampton by Hilton Gdańsk Oliwa hotel was opened delivering 101 rooms to the market. In addition, in July the second part of the Puro hotel at Stągiewnej Street started to operate with 118 rooms, currently the hotel offers 211 rooms in total. All the above-mentioned hotels are located in Gdańsk. In May the 4-star Mera SPA hotel joined the largest hotel chain in the world, Marriott International, becoming the second hotel with the Marriott brand in Poland, after the Marriott Hotel in Warsaw. In turn two Tricity facilities became independent from the Best Western chain – Bonum hotel in Gdańsk and Villa Aqua in Sopot.

This year another ca. 700 rooms will enter the Tricity market. For 2018 another Hampton by Hilton hotel is announced to be opened as a third hotel of this brand in Gdańsk, located by Lektykarska Street. The hotel will offer 154 rooms. On the Granary Island (Wyspa Spichrzów), the 4-star Deo Gdańsk Old Town Conference & Spa with about 354 rooms will open its doors, and in Jelitkowo the first in Gdańsk hotel of the ibis Budget brand will start to operate offering 76 rooms. For the first quarter of 2018 the IBB Długi Targ hotel with 90 rooms is planned to be opened. While Sopot's market will gain a 4-star hotel of a Polish brand – Focus Hotel Premium with 70 rooms.

New significant investments in Tricity also include another hotel on the Granary Island – Holiday Inn Gdańsk City Center with 236 rooms part of Granaria investment and Radisson Blu in Sopot with 230 rooms. These hotels will welcome first guests in 2019. Arche Group announced plans to convert Dwór Uphagen in Gdańsk into a hotel, which will offer 241 rooms, suites and a conference center. The Nowy Spichlerz investment is planned by Pszenna Street – a hotel, service and residential complex with an ibis Budget hotel with around 172 rooms. The Dekopol company, which is also the investor of the Nowa Motława complex with the Number One hotel, announced the development of another investment on the Granary Island – Grano Residence with a 5-star hotel offering 136 apartments sold in condo system.

The construction of a new sailing center base Nowa Marina Gdynia has been postponed for 2018. The complex will include a multifunctional hotel and office center with service outlets. Also, the construction of a 3-star 14 Avenue hotel in Gdynia by Zwycięstwa Avenue was announced.

SUMMARY OF 2017 AND FORECASTS

In the Tricity the investment boom is concentrated mainly in Gdańsk within the Granary Island and the Old Town, where more than 1,000 rooms and apartments for rent are under construction or planned by 2020.

For third quarter of 2018 next to the Energa Gdańsk stadium a multifunctional entertainment and recreation investment "Nautilus Gdańsk" is scheduled to commence, including the construction of an oceanarium, 5D+ cave, exotic lagoon, hotel and medical gallery.

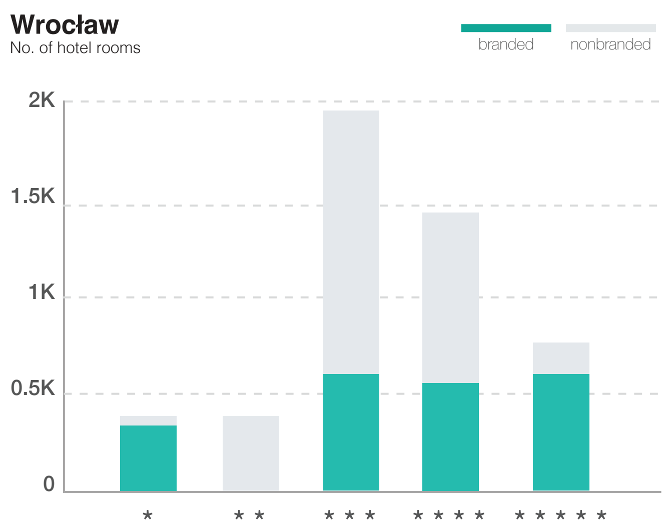
In 2017 Gdańsk was among the top destinations in the "European Best Destinations 2017" competition organized by the Brussels tourist organization ranking third among the best European destinations in 2017.

Tricity is the third largest regional office market in Poland, where demand for office space remains on a high level, and the vacancy rate is one of the lowest in Poland among the largest regional cities. Tricity is becoming a more recognizable brand for global companies, which also translates into a continuous development of the shared services sector. In 2017 in Gdańsk services centers were opened by i.a. Japanese concerns Fujifilm or Ricoh. In the first quarter of 201 7 business service centers in Tricity employed 19,300 people, making Tricity the fourth largest center of business services in Poland. Regarding the development of the office market, we predict that demand for hotel services among business tourists will continue to grow in Tricity, reducing the so-called seasonality of tourist demand.

WROCŁAW

RYNEK HOTELOWY

Wrocław's hotel market offers over 5,000 hotel rooms in 58 facilities, of which about 68% are branded rooms. This city is dominated by 3-star hotels. The second largest segment are 4-star hotels. The 5-star segment makes up around 15% of total hotel room supply in Wrocław.



Wrocław was another city, in which we observed a decrease in occupancy. However, it was very slight, since only by 0.5%. At the same time the increase of daily room rates by 5% contributed to the increase of revenue in Wrocław's hotels. 4-star hotels have noted worse results than last year, both in occupancy and in the average room rate, which contributed to a 2% drop in revenue in this category.

The occupancy of 4-star hotels was 74% at the rate of 255 PLN. 3-star hotels could boast a higher occupancy at 78%, at a rate of 170 PLN.

For the whole market, the room average rate was at a level of 240 PLN with a 74% occupancy.

INVESTMENTS COMPLETED, REALIZED AND PLANNED

In 2017 one hotel in Wrocław was opened – the first hotel of the AC Hotels by Marriot brand in Poland. This new 4-star product is located by Wolności 10 Square, in the historic tenement house built in 1875 and offers 91 rooms. There are two hotels under construction that are planned to be opened in 2018: the Best Western Premier Wrocław City Centre condo hotel with 64 rooms and DB hotel with 147 rooms by Strzegomskiej Street. In November 2017 the cornerstone has been laid under the first in Poland hotel of the MGallery by Sofitel brand, owned by the Orbis Group. This 184 room hotel is to be completed in the second quarter of 2019. In autumn of 2017 the reconstruction of the historic building by Nankiera Street in Wrocław also commenced, where a 4-star hotel with 40 rooms, SPA facilities, three conference rooms, a restaurant and a café will be opened. In 2017 the revitalization of the 172 room Grand Hotel, located opposite of the Main Railway Station in Wrocław, began and is to be completed between 2020 and 2021. Holding Liwa the owner of the plot of land between Wrocław Opera and the National Forum of Music, announced the construction of a luxury hotel with ca. 145 rooms, currently the investment remains at the planning stage. The Altus Hotel Mięczkowski company plans to open by Wierzbowa Street in the old Lepzigera Palace, a 5-star Altus Palace hotel with approximately 90 rooms. Therefore, considering the current hotel investment pipeline, the supply of hotel rooms over the next few years will increase at a moderate pace and new hotel facilities should be absorbed by Wrocław's market without major difficulties.

SUMMARY OF 2017 AND FORECASTS

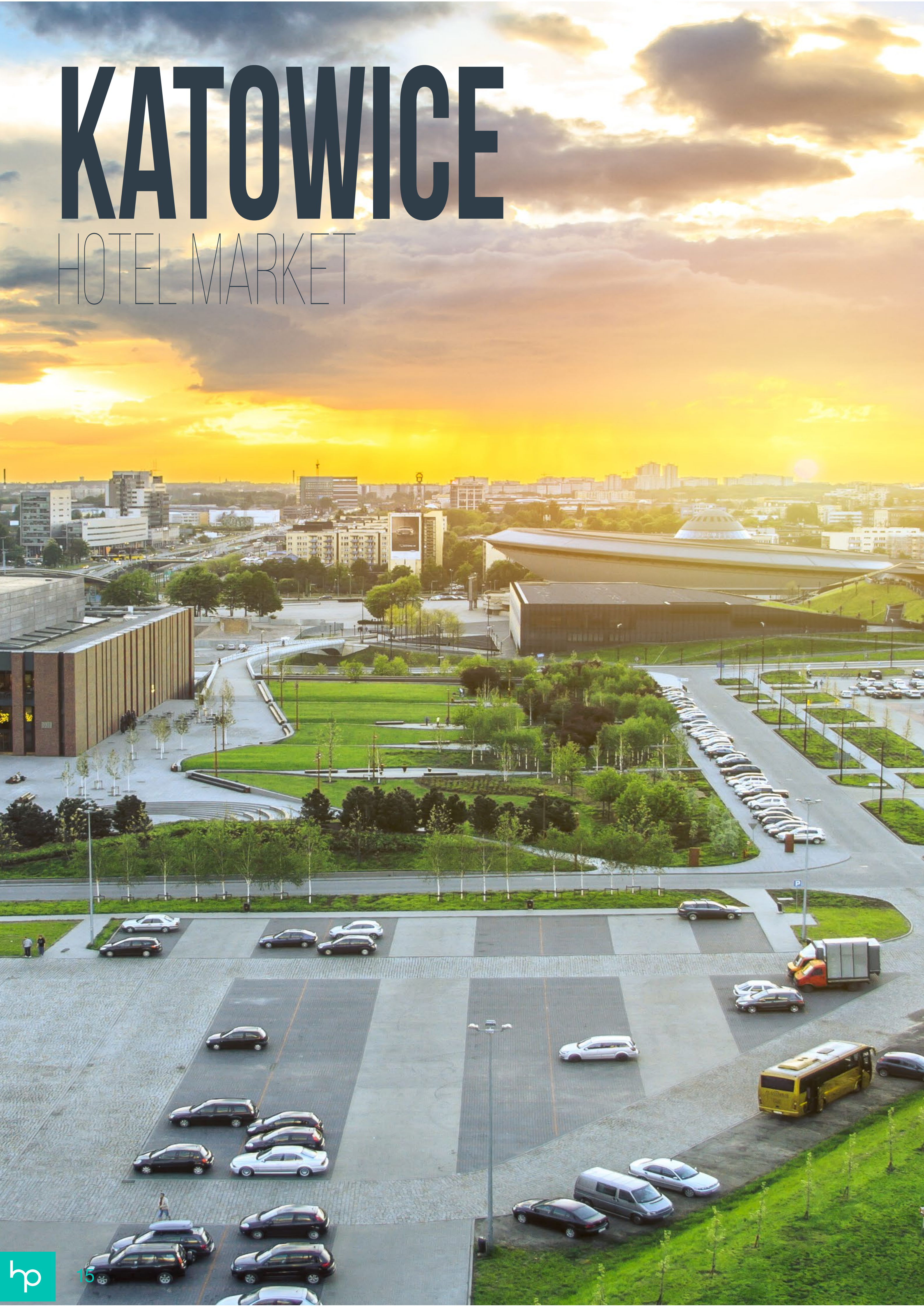
The World Games Olympics held in July 2017 were an organizational success. During the event Wrocław hosted 40,000 participants of the events in 26 arenas and in the fan zone, which took place during 10 days of sports competition, 3,500 competitors from 112 countries, 1,600 volunteers and 700 journalists from 50 countries. At that time, Wrocław hotels recorded increases of RevPAR, and the occupancy in selected hotels was around 80%.

2017 was also a very good year for the Wrocław office market. The capital of Lower Silesia is the second most dynamically developing regional market in Poland, with one of the lowest level of vacancy rates among the largest cities in the country. From January through September 2017, the most office space in all of the regional markets was leased in Wrocław. According to forecasts, by the end of 2018, total office space supply in the capital of Lower Silesia will exceed 1 million sq. m..

Wrocław is also very attractive as an outsourcing location for BPO and SSC tenants, appreciated in international rankings. The city is also the national leader in the development of R&D centers. The capital of Lower Silesia is among the top largest business services centers in Poland in terms of employment and ranks as the third after Cracow and Warsaw, generating 40,000 jobs in this sector.

Very good results are achieved by the Wrocław Airport. During the first ten months of 2017, Wrocław Airport serviced over 2.45 million passengers, which is more than the number reported for the entire 2016 year. In autumn, Wizz Air announced expansion plans of its base in Wrocław, and the launching in spring of 2018 four new connections from the capital of Lower Silesia - to Porto, Basel, Gothenburg and Georgian Kutaisi.

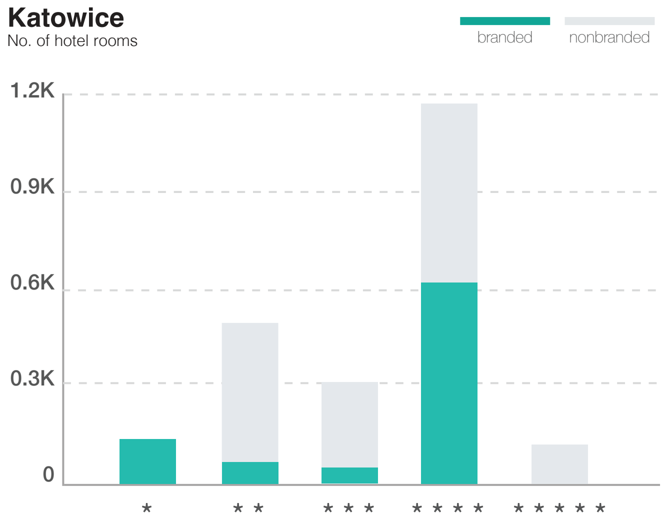
KATOWICE
HOTEL MARKET



HOTEL MARKET

Katowice hotel market is dominated by 4-star rooms, about 53% of all rooms are positioned in this segment. In this city there are in total 22 hotels, which offer over 2,200 rooms. 2-star hotel rooms are the second largest segment – about 22% of hotel rooms operate in this segment. 3-star hotel rooms take the third position (approx. 14.5%). The least represented hotel rooms' segments are 5-star and 1-star segments. Branded rooms constitute about 64% of all hotel rooms in Katowice.

Katowice can boast an almost 5% growth of revenues achieved not only due to average daily rate increase but also due to an increase of occupancy. For all categories the average daily rate was 196 PLN with the occupancy of almost 68%. Similar occupancy i.e. 68% was reported by 4-star hotels, but their average room rate was 240 PLN.



INVESTMENTS COMPLETED, REALIZED AND PLANNED

Last year the hotel market in Katowice grew by 167 new rooms. Two new facilities started to operate: 4-star Q Hotel Plus Katowice at Wojewódzka Street with 121 rooms and Best Western Hotel Mariacki with 46 rooms in the 3-star standard. At the end of December, the Courtyard by Marriott hotel was opened in Altus – the tallest building in the region, where the Qubus hotel operated previously. The hotel has 151 rooms located on 19th to 26th floor.

From January 2018 4-star Best Western Premium Hotel Forum Katowice will be operating under a new brand – Park Inn by Radisson, which belongs to the Carlosn Rezidor Hotel Group. The transition to the brand of the Rezidor Group is related to a change of contract – from franchise agreement concluded with Best Western to a management contract with the Carlosn Rezidor Hotel Group.

A Moxy brand hotel is being built at the Pyrzowice airport. The hotel will offer 100 rooms in the 3-star category and the investor announced that the hotel's first guests will be welcomed in 2018. In July 2017 Chopin Airport Development – the investor signed a contract with a general contractor.

In the autumn of 2017 the extension of the existing Diament Plaza Katowice hotel with additional 89 rooms started and will be delivered most likely in 2018.

Polish chain Puro Hotels also announced plans to enter the Katowice market. Puro hotel would be developed at Korfantego Avenue, in the place of the famous U Michalika restaurant.

SUMMARY OF 2017 AND FORECASTS

Katowice is strengthening its position as an organizer of conferences, meetings and business events. The largest business events in Poland are organized in Katowice International Congress Centre, including Intel Extreme Masters (IEM) international fairs. In 2017 Intel Extreme Masters due to enormous interest in the event, lasted for two weekends and attracted over 150 thousand guests.

The most important global forum dedicated to the world climate policy will be held December 3-14, 2018 – 24th meeting of the United Nations Framework Convention on Climate Change (COP24) with 14th meeting of the Parties to the Kyoto Protocol (CMP14). The meeting will be attended by delegates from 200 countries, as well as representatives of science, business, non-governmental and ecological organizations. The estimated number of attendees in the UNFCCC (UN) conference is approx. 18 thousand people.

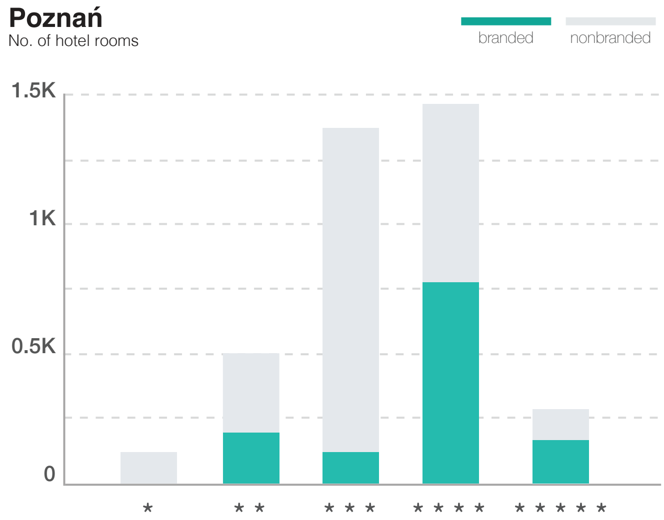
The Katowice agglomeration is also one of the largest business service centers generating more than 19 thousand jobs in the BPO, SSC, IT and R&D centers. In 2017 Katowice overtook Poznań in terms of the stock of modern office space and currently it is the fourth largest regional office market in Poland with supply of office space at about 447.1 thousand sq. m.. In June 2018 the first KTW office building is planned to be opened by Katowice Spodek.

POZNAŃ
HOTEL MARKET

HOTEL MARKET

The supply of hotel rooms in Poznań is over 3.7 thousand rooms offered by 62 facilities, of which 58% of rooms operate under a brand of a global, regional or Polish hotel chain. Most rooms operate in the 4-star standard – close to 41% of all rooms in the city, of which about 53% are globally branded. Among the second largest segment which constitute 3-star rooms, only 10% of the rooms belong to a global hotel chain. The Poznań market by far is dominated by 3- and 4-star hotel rooms, which currently constitute ca. 77% of the total supply.

When compared to all analyzed cities, Poznań noted the worst results in terms of the occupancy level. The decrease in occupancy by 5% and decrease in ADR resulted in a 6% drop of revenue. In terms of the level of occupancy, Poznań reported the lowest results, which for all categories was at the level of 60%, while the average rate per room was at 275 PLN.



INVESTMENTS COMPLETED, REALIZED AND PLANNED

At the beginning of 2017, 60-room DeSilva Premium Poznań located near the Old Town greeted its first guests. Near completion is the 3-star hotel of Altus Hotel Mięczkowski Sp. K., which is developed in the former Dom Towarowy Alfa skyscraper (the hotel will offer approximately 110 rooms). Novotel Poznań Centrum is currently undergoing a renovation and modernization, once completed the facility will function under two brands – Novotel and ibis, with a total of 520 rooms (the hotel now offers 480 rooms). Under construction and planned are over 800 new rooms for years 2018-2020. The opening of globally branded hotel, Park Inn by Radisson, offering 166 rooms has been postponed to 2018. The construction of the 110-room Hampton by Hilton Poznań Old Town hotel is slowly coming to an end and its opening is expected to take place in the first quarter of 2018. In 2017, the Focus Hotels chain signed a contract to open, in the 2nd quarter of 2018, a 94-room 3-star hotel at Serafitek Street. In a historic synagogue at Wroniecka Street, a 100-room hotel was designed to operate under the Curio A Collection by Hilton brand, which is another debuting brand on the Polish market. In the autumn of 2017, Marriott International signed a franchise agreement with Chopin Airport Development, under which a Moxy lifestyle hotel will be built at the Ławica airport. At the end of 2017, a contract for the opening of the Sure Hotel by Best Western hotel was signed. Sure Hotel by Best Western is yet another debuting brand on the Polish market, and will offer around 40 rooms.

SUMMARY OF 2017 AND FORECASTS

The management board of the Poznań International Fair announced in November 2017 at a press conference, its plans to modernize the arena and the multi-storey car park as a one of its new upcoming investments. The modernization of the facility will start in 2018, and should be completed within roughly a year. The old Central Railway Station at Dworcowa Street is also planned to be rebuilt. The old railway station will be demolished or rebuilt and replaced by an office building with conference rooms. In 2017 the construction of the Nowy Rynek complex in Poznań began within the PKS bus station site, which is an investment by Skanska. There will be five buildings with a total lease area of 100 thousand sq. m. of office, residential and service space. The Garbary neighborhood in Poznań is also is undergoing a transformation. A new multi-use investment is to be developed in the area occupied by the old slaughterhouse (Stara Rzeźnia). The Vastint company is interested in the area.

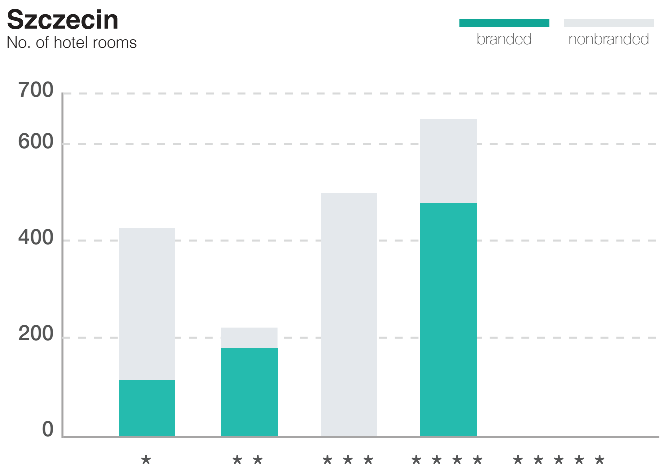
The capital of Greater Poland is gaining popularity among tenants in the BPO/SSC sector. In the autumn of 2017, John Deere an American producer of agricultural machinery and green care equipment opened the Center for Business Services in Poznań, which by 2020 will hire 120 additional employees.

At the end of 2017 Poznań gained an important congress event. The European Federation of Science and Lipid Technology has chosen Poznań as the host of 19th International Congress of Euro Fed Lipid. The organizers estimate that the meeting to be held on 19-22 September 2021 will gather more than 900 European and international participants.

SZCZECIN
HOTEL MARKET

22 hotels operating in Szczecin offer over 1.7 thousand rooms – of which almost 45% belong to an international hotel chain. In Szczecin so far, there are no 5-star hotels and most rooms represent the 4-star segment. Among this group, almost 74% of rooms belong to an international hotel chain.

Szczecin is another city in which, as in Poznań and Tricity, a decrease in revenues was recorded. It was however much smaller, at the level of only 1%. For the entire Szczecin market, the occupancy was at 72% and was 2% lower than in 2016. For the whole market, the room rates were an average of 214 PLN and they were by 1% higher than last year.



INVESTMENTS COMPLETED, REALIZED AND PLANNED

In 2017, no hotel opened in Szczecin. In the autumn of 2017 a hotel construction in the former Dom Towarowy Posejdon by Brama Portowa began. It will be a dual branded facility, operating under the Courtyard by Marriott and Moxy brands with approximately 250 rooms. Construction completion is planned for the fourth quarter of 2018. Investor Redi Sp. z o.o. announced the construction of a globally branded hotel by Zwycięstwa 3 Square. The planned investment was to concern the modernization and expansion of a historic 19th century tenement house, where the former Piast hotel was located. The facility however has been put up for a debt collector's sale. At the conceptual stage, in place of the demolished Arkona hotel, is a new hotel at Panieńska Street. According to press releases, the investor - Orbis S.A. plans to build an ibis Styles hotel. At Gdańska Street in the former "Baltona" complex, by the Parnicki canal a mixed-use office-hotel-service investment is under development. The first stage of the investment includes the construction of an office building and a 3-star branded hotel with more than 140 rooms.

SUMMARY OF 2017 AND FORECASTS

Currently, work is underway on the construction project of the Fabryka Wody investment, which will be a modern entertainment and sports center and will be built on the site of the former Gontynka swimming pool. Construction work is planned to commence at the end of 2018 or the beginning of 2019. At a planning stage remains the reconstruction of the Pogoń stadium in Szczecin. In its place the Florian Krygier city stadium will be built.

The supply of office space in Szczecin at the end of the third quarter of 2017 was more than 150 thousand sq. m. and the vacancy rate was at 9.6%. One of the most characteristic investments under development in Szczecin is the multifunctional Posejdon complex, which counts almost 50 thousand sq. m., of which more than 30 thousand sq. m. are dedicated for hotel and office functions.

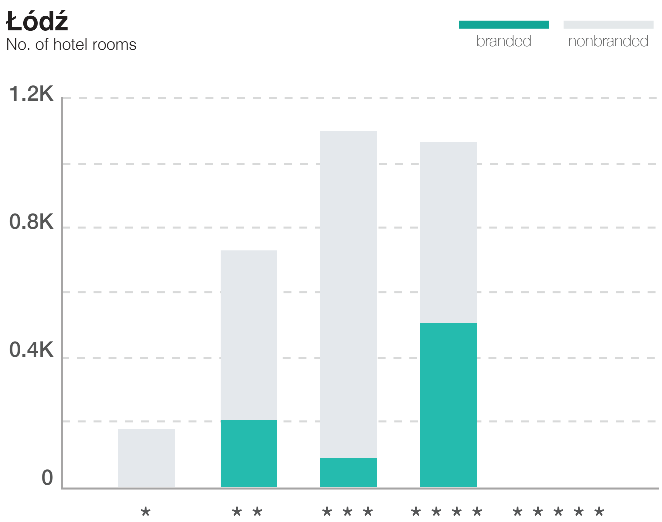
Szczecin is promoted as an attractive hub for the dynamically developing BPO sector. In the first quarter of 2017, the shared services sector employed nearly 4 thousand people.

In Kołbaskowo near Szczecin in 2017, one of Amazon's most modern e-commerce logistic centers was opened. The storage and distribution areas are close to 150.8 thousand sq. m., and the social-office space is over 10,700 sq. m..

Currently in Szczecin multinational North-East Corps serve soldiers from 25 countries. In addition to the representatives of the three founding countries, the Corps consists of soldiers from 20 countries, as well as alliance partner countries: Finland and Sweden.

ŁÓDŹ
HOTEL MARKET

Out of approximately 3,150 hotel rooms in Łódź, about 50% belong to a hotel chain. The 5-star segment is undersupplied, while the supply of 3- and 4-star rooms is at a similar level, they constitute respectively 36% and 35% of the total supply.



In terms of revenue growth, Łódź is placed, just after Cracow, achieving a year-over-year growth of just over 2%. As in other Polish cities, the increase in revenue in Łódź was achieved mainly by the increase in daily rates. For all categories, the average occupancy rate was at 61% and the daily rate at 205 PLN. For 4-star hotels, occupancy increased by 1% year-over-year, on average it was just over 66% and the average daily rate reached 295 PLN, what resulted in a 5% revenue increase. Łódź owes the development of the hotel market to the BPO sector, which is re-discovering the potential of this city.

INVESTMENTS COMPLETED, REALIZED AND PLANNED

The only hotel opened in 2017 in Łódź was the Ambassador Premium hotel, which increased the supply by 205 rooms in the 4-star standard. The Hampton by Hilton hotel (149 rooms) underway at the junction of Piotrkowska Street and Mickiewicza Avenue, which opening was planned for 2018, will serve its first guests in 2019. A hotel of a comparable size, also at Piotrkowska Street, is under development as a result of the reconstruction and expansion of an existing office building. As part of the investment, a 4-star hotel will be built with 150 rooms. Subject to conversion to a hotel is also the former Rheumatology Clinic at Ogrodowa 21 Street. The hotel facility will have 67 rooms and will greet its first guests in the fourth quarter of 2018. Under construction is also the Puro hotel with ca. 130 rooms, located at the junction of Zachodnia and Ogrodowa Streets. The investment is scheduled for completion in the last quarter of 2018.

SUMMARY OF 2017 AND FORECASTS

In recent years Łódź has strengthened its position on the map of centers for the modern business services sector. In Łódź the level of demand for office space generated by companies from the BPO/SSC sector in first quarter of 2017 exceeded 60%. Today, Łódź is one of the largest business service centers in Poland, employing over 18 thousand people in this sector. Łódź is the 6th largest office market in Poland with the stock of office space at about 360 thousand sq. m. and under construction is another 140 thousand sq. m. of office space. The biggest players on the commercial real estate market are active in this city: Echo Investment with its Symetris Business Park project or Skanska with a multifunctional investment Brama Miasta and office building Nowa Fabryczna within the Nowe Centrum Łodzi complex. Land properties, which were intended for the organization of EXPO 2022, due to the city's loss in the competition, were sold for investment purposes, including office and residential projects.

At the end of 2017 the official opening of a new science and technology center "Centrum Nauki i Techniki EC1" took place. The center occupies over 18 thousand sq. m., which makes it the largest facility of this type in Poland. According to estimates of city authorities annually the center will attract over 400 thousand people, becoming an attractive addition to its Warsaw equivalent – Copernicus Science Center.

Hotel Professionals
Al. Jerozolimskie 65/79
Warsaw 00-697, Poland
www.hotelprofessionals.pl