



**YEAR END
REPORT
2018**



HOTEL MARKET IN POLAND



Hotel Professionals
Advisory + Management Services



TABLE OF CONTENTS

INTRODUCTION	1
HOTEL MARKET IN POLAND 2018	3
WARSAW	7
CRACOW	11
TRICITY	15
WROCŁAW	19
POZNAŃ	23
ŁÓDŹ	27
KATOWICE	30

2018 HOW WAS IT?, IT'S COMPLICATED !...



The world has changed, the Trump phenomena made the year a convoluted one. This was certainly true to 2018. Of course, the geopolitical stresses, continue the abnormal and unpredictable cycle as I list below.

The USA trade wars with Mexico, Canada, China, the EU, the continuing USA's isolation, and nonchalant-ness towards its traditional allies, NATO, the Paris Climate Agreements, Iran's nuclear deal departure, the Wall!, and so many other Trump's tantrums, including managing USA's relations with the world by Tweeter and fakeness of reality, have in fact placed our abilities to predict the immediate future to a 50% accuracy at best.

Proof of the above aloofness comes from the absence of high-powered personas at the Davos economic forum held at the beginning of 2019. Additionally, themes of deglobalization and populism trends around the world have been visible, as well as a lack of optimism.

The Eurozone GDP growth at the level of 1.6% in 2018, was below the year before, but still respectable. Poland's

strong 5.1% GDP growth, and most importantly steady decade growth, and GDP per capita advancement, made 2018 a good year for Poland overall. We expect the positive trend to keep up in the following years however the GDP growth will be slower: 3.7% in 2019 and 3.3% in 2020. The jury is still out on the 2019 economy in the USA due to the prolonged government shutdown.

Economic growth measured on a global scale amounted to 3.4% year-on-year and was influenced by the USA new president's posture on tax relief for corporations, repatriation of profits, and easing on regulations in the banking and financial sectors.

The stock markets did pull back in the USA during the 4th quarter as worries set in across the globe on the economy slowdown in China (6.6% GDP) and the erratic trade postures of both countries' administrations.

Some of the issues we mentioned in last year's report are still unclear, particularly BREXIT. As I write this, we still have no clear direction nor understating of how the UK will finally end this process. To me it looks like they will stay in the EU, however with some EU club's accommodations. But we just don't know, a hard BREXIT is also in play.

The BPO, SSC and R&D related room nights in Poland continued their growth in 2018. Employment in these sectors is 279,000, and is positively affecting cities like Krakow, Warsaw, Lodz, Szczecin, Wroclaw, Poznan and the TriCity. We estimate that these corporate room nights in 2018 amounted to 3 million room nights in total. By 2020 the FTE's in this industry will reach 363,000 ('ABSL est.).

The trend of Polish families spending their vacations in Poland is strong, specially since the per capita income is

improving at 2.8 % year-on-year and the government launched 500+ per child program.

The 2018 summer season was untypically long and pleasant, the TriCity performance in 2018 had its fifth consecutive year of positive results.

The UNFCCC COP 24 Global Climate Conference held in Katowice in December 2018 added circa 125,000 room nights to this city but also Kraków. The past year also showed a record number of real estate transactions in Poland. 7.2 billion Euros and over 100 transactions made the year an unprecedented success.

The hotel RevPAR's had a small growth in Poland, in 2018 the ADR's grew 2%. Poznan showed strength in RevPAR growth in double digits. The most significant drops were in Warsaw and Szczecin. In the capital, we saw a 5% drop in occupancy, this was caused by added new room inventory, as well as the absence of major city-wide events during the year.

The hotel sector in Poland grew (circa) 1% in occupancy to 73.5% occupancy, while the ADR's grew 2%.

We enjoyed (circa) 1650 new branded hotel rooms opening in Poland in 2018, some of the notables, were the Renaissance in Warsaw, Raffles in Warsaw, Park Inn Poznan, Moxxy Katowice Airport, Hampton by Hiltons in Mokotow, Oswiecim, Gdansk.

Warsaw will add 1345 new rooms in 2019. This is a 10% increase to existing inventory. It is worth mentioning that the Sheraton and Radisson Blu hotels in Warsaw will be out of the comp set, due to major renovations in the first half of the year. Moreover, the Regent Hotel is under receivership, we foresee it being sold.

We will have another ca. 5000 new rooms coming to usage in 2019 in Poland. The cities with this new inventory include Gdansk, Warsaw, Poznan, Lodz and Wroclaw. This is circa 4% of existing hotel room inventory. 2019 will have its challenges, we already see the ADR compressions in most cities where new inventory is added, particularly Warsaw and TriCity. The potential global economic slowdown will impact the occupancies in most cities in Poland, although slightly.

The challenge however for the hotel operators will be manpower. We already see difficulties getting qualified staff for the existing and new hotels. Germany announced plans to welcome Ukrainian people to join the employment with helpful work visas and financial incentives in some sectors. This will certainly negatively affect the Polish hotel and construction sectors which employ over 1 million Ukrainians.

We prescribe some caution for potential wage inflation, employment availability, energy costs across Poland, and lastly the Sunday's shopping ban. In 2018, circa 2.7 million room nights were not realized due the shopping ban.

For new hotel investors, special attention will be required in the construction costs, due to increases of wages and cost of materials.

2019 will be strenuous for the existing hotel operators, with all the new and fresh products coming to their cities. The competition will test the General Managers, their ingenuity, their market savvy, their adherence to the Social Networks, and local communities' involvement will be the key to success. Of course, more than any time in the past, the General Managers will have to bond and make every effort to support and protect their human capital.

Banks, will continue to support and provide financing for new qualified

hotel projects, including traditional touristic regions and localities, but a more cautioned approach will be exercised when these projects do not have experienced operators. Branded hotels will be favored by the banks.

We will see continued advancements in Long-Term Lease agreements signed by operators and developers. We noticed this approach to be popular in 2018, specially by new brands coming to Poland.

All considered, and as we said last year, the hospitality business in Poland, both from the existing hotel trading, as well vibrant new hotel developments will continue. However, only the very best, will have a prolific 2019.

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

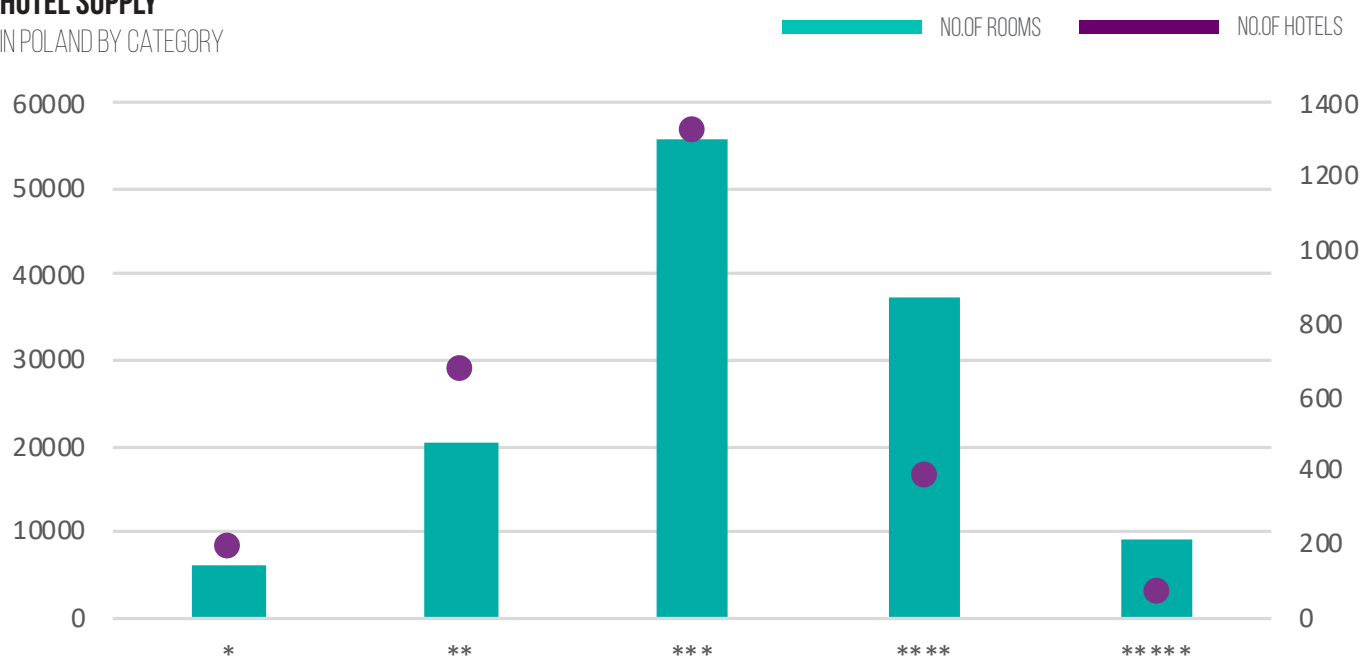
Al. Jerozolimskie 65/79
Warsaw 00-697, Poland
www.hotelprofessionals.pl

HOTEL MARKET IN POLAND 2018

There are ca. 2 700 hotels in Poland offering over 129.5 thousand rooms. Ca. 43% of rooms represent the 3-star segment (economy segment). Rooms positioned in the 4-star category have the second largest share in the market, followed by 2-star rooms. 5-star rooms constitute a small percentage of the total hotel room supply in Poland – ca. 7%.

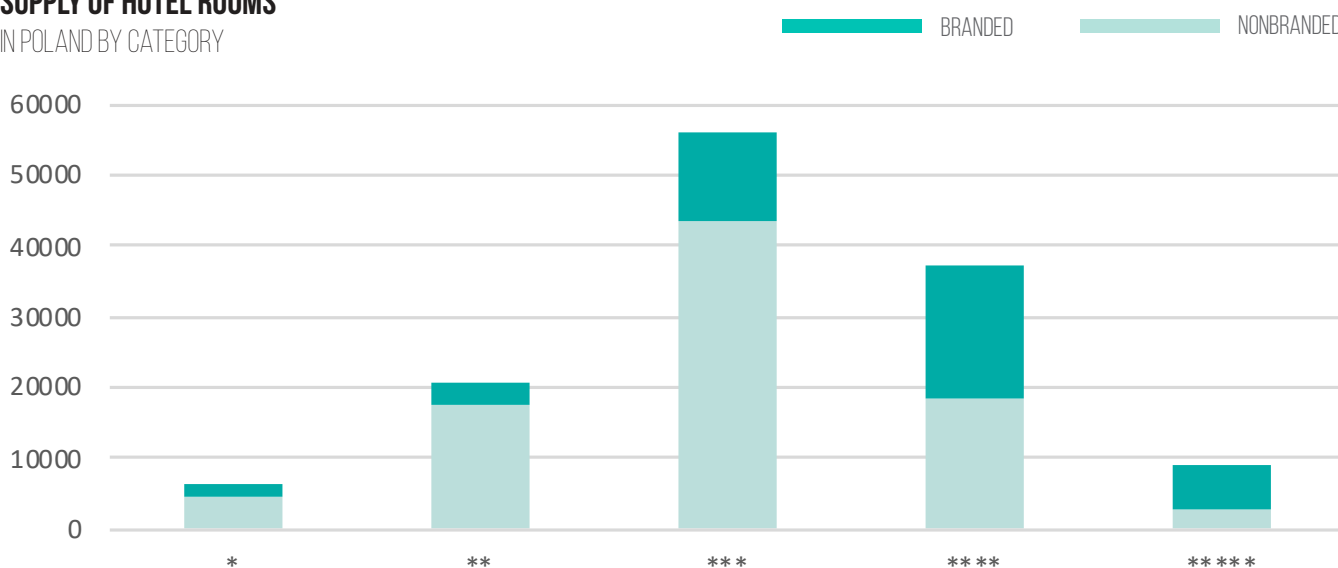
HOTEL SUPPLY

IN POLAND BY CATEGORY



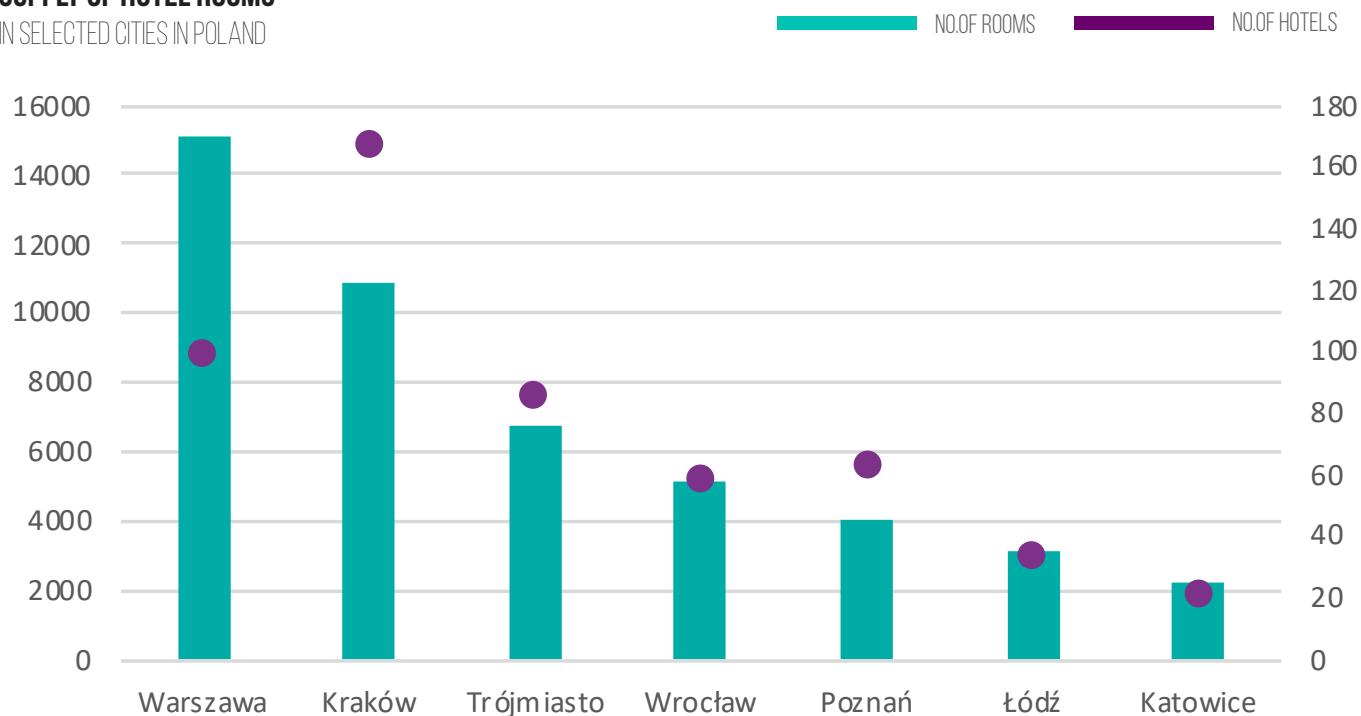
SUPPLY OF HOTEL ROOMS

IN POLAND BY CATEGORY



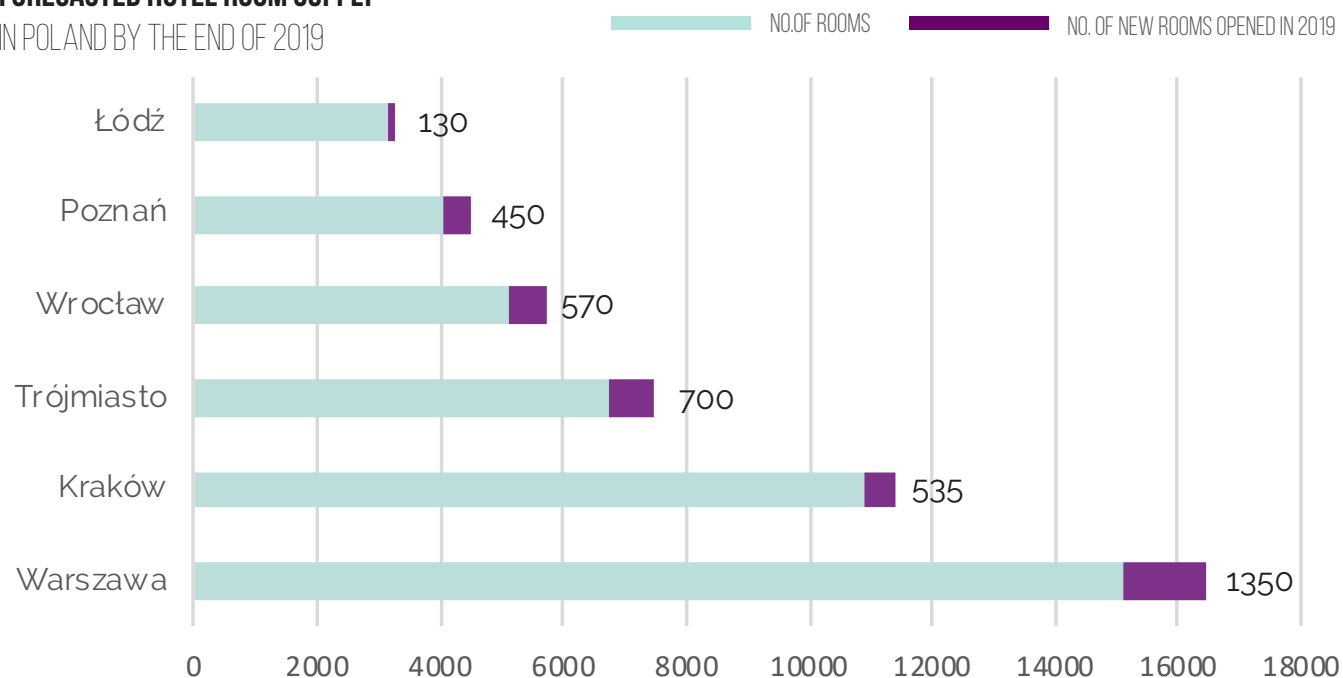
SUPPLY OF HOTEL ROOMS

IN SELECTED CITIES IN POLAND



FORECASTED HOTEL ROOM SUPPLY

IN POLAND BY THE END OF 2019



AVERAGE OCCUPANCY, ADR & REVPAR IN 2018

The hotel market in Poland as a whole, compared to results achieved in 2017, ended the year with a small increase. The increase in the RevPAR in comparison to 2017 was below 1% and was twice lower than the recorded inflation. While ADR rates increased by almost 2%, at the same time, the occupancy rate dropped by more than one percent. For Poland, the RevPAR index was on average around PLN 215 with the average occupancy level at 73%.

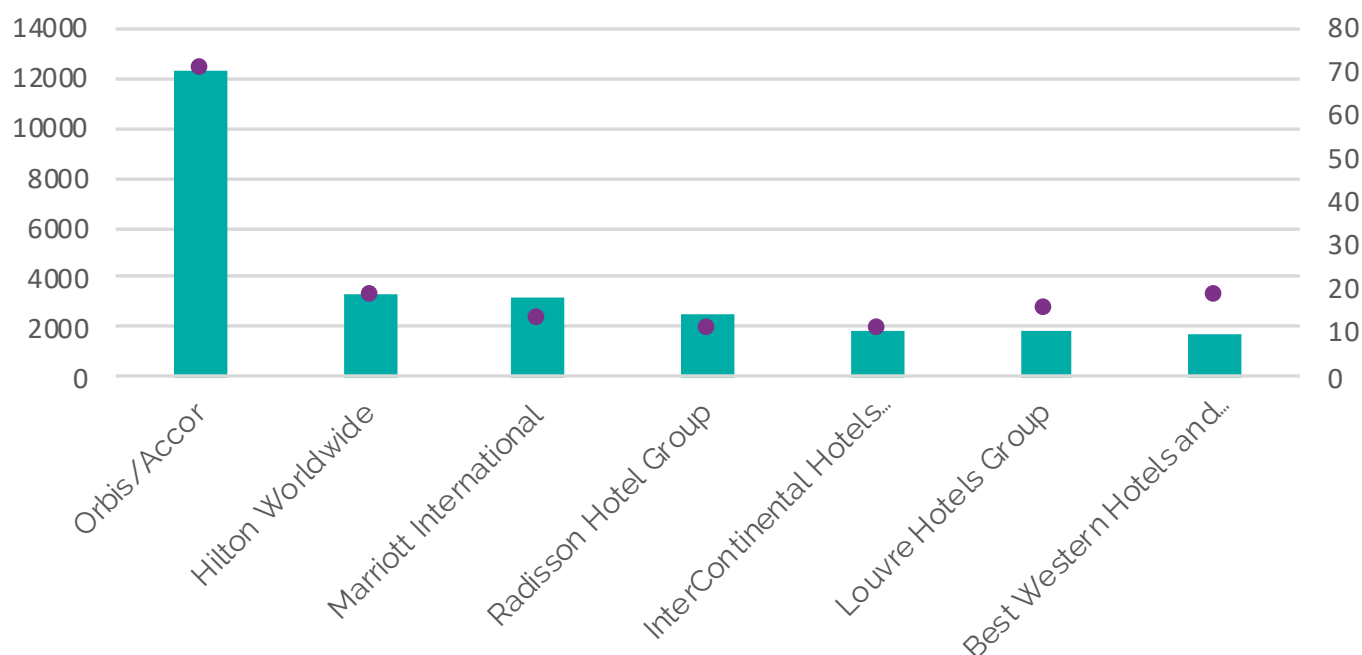
Comparing individual cities, the largest increase in the RevPAR index was recorded in Katowice and Poznań and it was double-digit; the largest declines on the other hand were visible in Szczecin and Warsaw. The declines in Warsaw can be mainly attributed to an almost 5% drop in the occupancy level. This is caused not only by the increase in the supply of hotel rooms, also by the lack of significant conferences and international events organized in the city.

GLOBAL HOTEL CHAINS IN POLAND

MAIN GLOBAL HOTEL CHAINS IN POLAND

HOTEL SUPPLY

NO. OF ROOMS NO. OF HOTELS



AccorHotels, which is the majority shareholder of the Orbis Group, remains the global hotel chain with the largest number of hotel rooms in Poland. In the global ranking, AccorHotels is the 6th largest hotel chain worldwide. There are 72 hotels with nearly 12.4 thousand rooms operating under AccorHotels brands in Poland. In 2018, three new Accor hotels entered the Polish market, all of which are located in the capital. One of the most interesting events of the past year is the opening of the long-awaited luxury hotel - Raffles Europejski Warsaw at Krakow Przedmieście. In December another ibis Styles hotel opened as a result of rebranding of the former Rest hotel in Mory near Warsaw. The fastest growing AccorHotels brand in Poland is ibis Styles. In 2018 AccorHotels announced the acquisition of the Mövenpick Hotels & Resorts chain.

Hilton Worldwide is the second largest global hotel chain in Poland with 19 hotels and ca. 3.3 thousand rooms in its portfolio. Hampton by Hilton remains the most popular brand of the Hilton chain. In the past year, three Hampton by Hilton hotels opened: in Warsaw, Gdańsk and Oświęcim. There are currently 10 Hampton hotels in Poland. Soon to open are hotels of the Hampton by Hilton brand in Poznań and Kalisz, under construction remain Hampton hotels in Łódź and Olsztyn,

while new Hamptons are planned in Swarzędz, Wrocław and Warsaw. New planned hotel openings under Hilton Worldwide brands announced in 2018 include: a Hilton hotel in Świnoujście, a Hilton Garden Inn hotel in Toruń, Radom and Pobierowo and a hotel under the new soft brand Curio Collection by Hilton in Kraków.

Marriott International maintains its 3rd position in terms of the number of hotel rooms. In 2018, the first in Central and Eastern Europe hotel under the Renaissance by Marriott brand made its debut in Warsaw, and the first Moxy hotel in Poland opened at the Katowice airport. At the beginning of 2019 the second Moxy hotel will open as part of the Centrum Praskie Koneser complex. Moxy hotels will also open in Poznań, Szczecin and 2 new hotels in Warsaw.

In 2019, we will see further debuts on the Polish hotel market. Metropolo by Golden Tulip (Louvre Hotels Group) and MGallery by Sofitel (AccorHotels) in Krakow, Four Points by Sheraton (Marriott International) and Motel One in Warsaw as well as the Radisson hotel in Gdansk - are examples of several new brands that will appear in the coming months in Poland.

Globally branded hotels opened in 2018				
Hotel	Category	No. of Hotel Rooms	Global Chain	City
ibis Styles Warszawa City	★★★★	220	AccorHotels	Warszawa
Hampton by Hilton Mokotów	★★★★	163	Hilton Worldwide	Warszawa
Renaissance by Marriott	★★★★★	225	Marriott International	Warszawa
Raffles Europejski Warsaw	★★★★★	101	AccorHotels	Warszawa
ibis Styles Warszawa Centrum	★★★★	179	AccorHotels	Warszawa
Ibis Styles Warszawa West (dawny hotel Rest)	★★★★	103	AccorHotels	Mory k. Warszawy
Hampton by Hilton Gdańsk Stare Miasto	★★★★	174	Hilton Worldwide	Gdańsk
Park Inn by Radisson Poznań	★★★★★	66	Radisson Hotel Group	Poznań
Park Inn by Radisson – rebranding: dawny Best Western Premier	★★★★★	168	Radisson Hotel Group	Katowice
Moxy Katowice Airport	★★★★	100	Marriott International	Pyrzowice k. Katowic
Hampton by Hilton Oświęcim	★★★★	120	Hilton Worldwide	Oświęcim
Best Western Premier Principe	★★★★★	27	Best Western Hotels and Resorts	Rzeszów

New planned hotel openings with a global brand in seaside, mountain resorts, Masurian Lake District				
Hotel	Category	No. of Hotel Rooms	Global Chain	City
Radisson Blu Hotel & Residences	★★★★★	158 rooms + 68 condo apartments	Radisson Hotel Group	Zakopane
Hilton Świnoujście Resort & Spa	★★★★★	167	Hilton Worldwide	Świnoujście
Radisson Blu Mountain Resort	★★★★★	80	Radisson Hotel Group	Szklarska Poręba
Hilton Garden Inn Kołobrzeg	★★★★★	128	Hilton Worldwide	Kołobrzeg
The Navy Świnoujście Best Western Premiere	★★★★★	273	Best Western Hotels and Resorts	Świnoujście
MGallery by Sofitel Jurata	★★★★★	200	AccorHotels	Jurata
Hilton Garden Inn Wałpusz	★★★★★	150	Hilton Worldwide	Wałpusz
Four Points by Sheraton Zakopane	★★★★★	97	Marriott International	Zakopane

WARSAW



There are 101 hotels in Warsaw, offering close to 15 300 hotel rooms. 3- and 4-star hotel rooms dominate, having a similar share in the market. They account for ca. 33% and ca. 32% of the total hotel room supply in Warsaw respectively. The 5-star segment ranks 3rd, offering ca. 3 400 hotel rooms, what accounts for 22% of the market share. In terms of hotel branding, 64% of hotel rooms in Warsaw represent a global hotel brand.

THE HOTEL MARKET GREW BY CA. 2000 HOTEL ROOMS & APARTMENTS



101
HOTELS



15 291
HOTEL ROOMS



73%
BRANDED HOTEL ROOMS



33%
HOTEL ROOMS



32%
HOTEL ROOMS

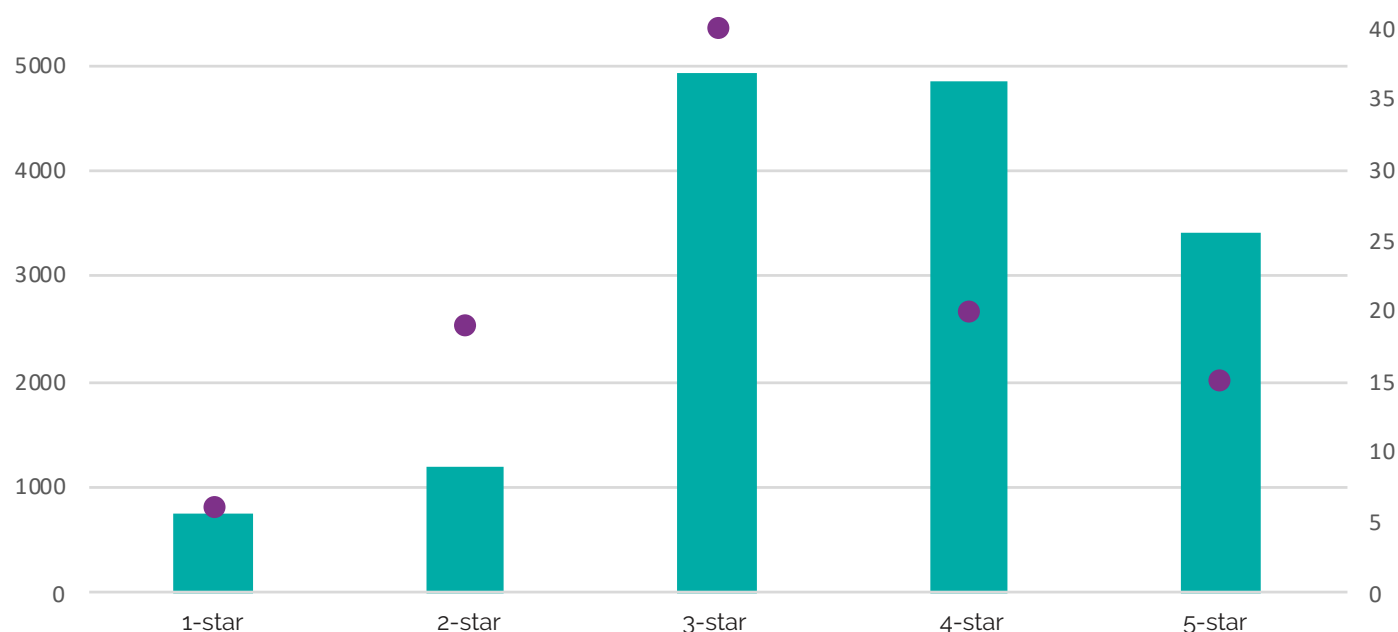


22%
HOTEL ROOMS

WARSAW

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



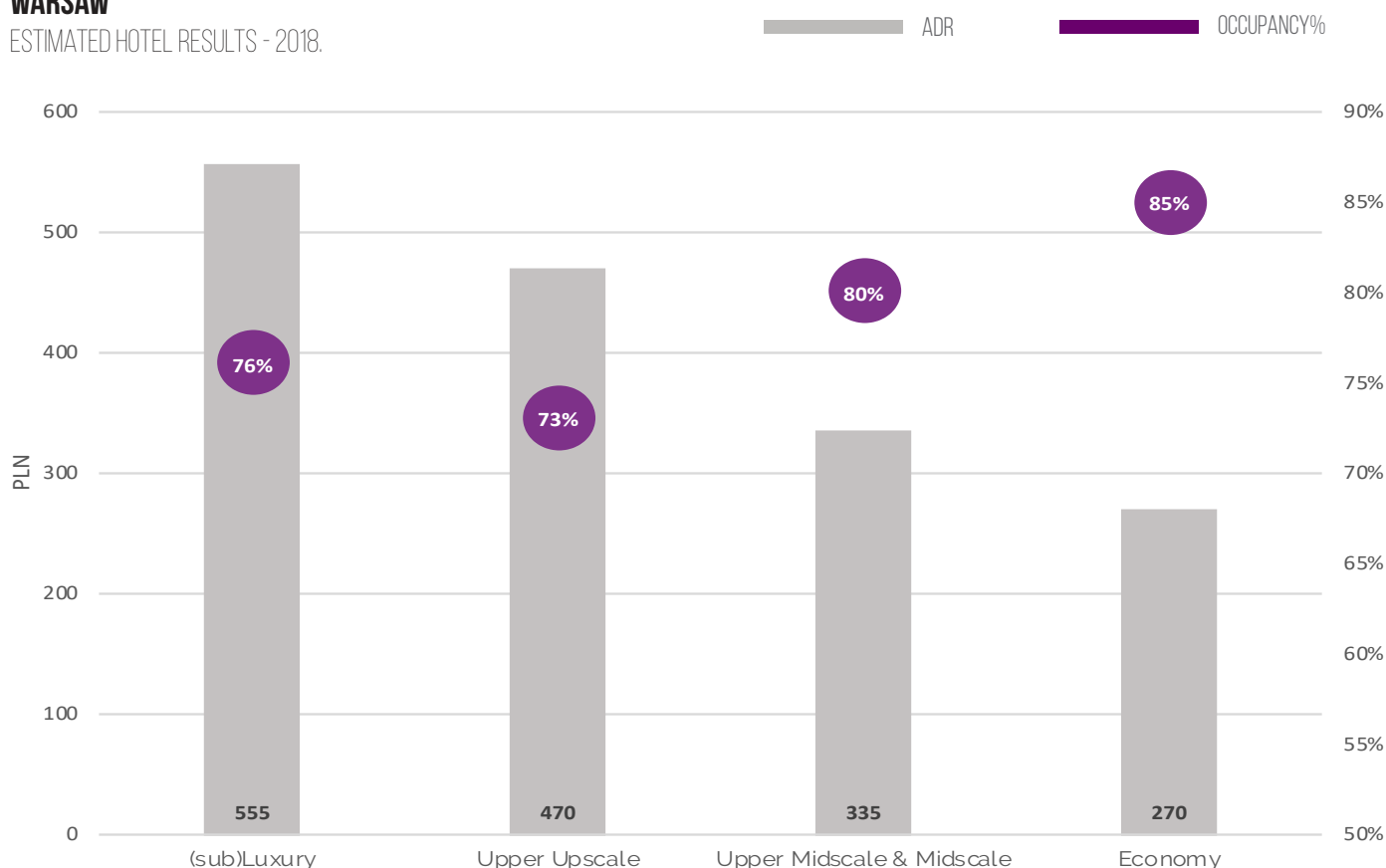
2018 HOTEL MARKET HIGHLIGHTS

- Warsaw's hotel market grew by ca. 2000 new hotel rooms & hotel apartments in 6 hotels and 4 aparthotels;
- New brands made their debuts: Renaissance by Marriott, Raffles Hotels & Resorts, ibis Styles;
- The first upscale airport hotel opened in April – Renaissance by Marriott;
- The first truly luxury by global standards hotel – Raffles Europejski Warsaw – greeted its first guests in June;
- After 8 years since renovation works commenced Hotel Warszawa began its operations;
- The 5-star segment gained ca. 470 rooms new rooms;
- HB Reavis announced signing of a hotel lease agreement for the debuting in Poland NYX brand of the Leonardo Hotels chain in Varso Place.

AVERAGE OCCUPANCY, ADR & REVPAR

WARSAW

ESTIMATED HOTEL RESULTS - 2018.



In 2018 Warsaw, compared to other capital cities of Central & Eastern Europe, recorded the highest decrease in the RevPAR index, which was 3%. We estimate that after four years of growth the trend will reverse, and we could expect further RevPAR declines in the near future.

Warsaw's hotels from the luxury¹ segment in 2018 reported worse results than in 2017. Unfortunately, we can observe a significant, almost 7% drop in occupancy, which was only slightly compensated by the increase in ADR by 1.5% year on year. The highest ADR achieved by a hotel in this category amounted to almost 260 Euro and this record belonged to the newly opened Raffles Europejski Warsaw Hotel. The average ADR result for hotels in our analyzed sub-luxury segment amounted to 130 Euro with an occupancy rate of 76%. Hotels from the upper upscale segment, which have large conference centers, also have a difficult year behind them. As in the sub-luxury segment, the average occupancy rate of these hotels fell by almost 6%, and the ADR rate was stagnant. As a result, the RevPAR index for this category recorded a more than 5% decline.

In 2018, upper midscale & midscale hotels recorded an increase in the ADR by less than 2%. In contrast to upper upscale hotel properties, these hotels have not recorded a decrease in the occupancy rate. Finally, just like last year, the occupancy level was around 80%. Thus, the whole category recorded growth in line with the inflation rate. For this category, the average ADR result was 78 EUR.

The economy segment can boast of the highest occupancy level, which in 2018 amounted to almost 85%. In this segment, a slight, 2% decrease in the RevPAR index was also recorded due to both the decrease in the occupancy rate and the decline in the average room rate.

The results measured for the entire hotel market with almost a 76% average occupancy and an average room rate of PLN 325 place Warsaw as the leader. This position can only be challenged by Kraków, which can boast of similar results.

¹ In our report the luxury segment includes hotels from the luxury segmentation (Raffles, Bristol) and chosen hotels from the upper-upscale category and is defined as sub-luxury.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2018 Warsaw ranked first in terms of the number of hotel rooms and apartments delivered to the hotel market. In total 10 hotels and apart-hotels opened increasing the hotel room supply by as much as 2000 new rooms and apartments. Some of the most long-awaited openings include three 5-star hotels: luxury hotel Raffles Europejski Warsaw, Renaissance by Marriott by the Warsaw Chopin Airport and Hotel Warszawa part of the Likus Hotele chain. In 2019 we can expect an additional at least ca. 1000 rooms to enter the market. In 2019 two new brands will make their debut in Poland: Motel One and Four Points by Sheraton and in Warsaw's Praga district the 2nd in Poland and 1st in Warsaw hotel of the Moxy brand will greet its first guests.

New hotel openings in 2018

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
ibis Styles Warszawa City	★★★	220	Arche Hotel Krakowska	★★★★★	344
Hampton by Hilton Mokotów	★★★	163	Renaissance by Marriott	★★★★★	225
Platinum Hotel & Residence Wilanów	★★★	165	Raffles Hotel Europejski	★★★★★	101
Arche Hotel Poloneza	★★★	150	Hotel Warszawa	★★★★★	146
ibis Styles Warszawa Centrum	★★★	179	Varsovia Apartamenty Kasprzaka	-	311

Planned hotel openings in 2019

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Moxy Warsaw Praga	★★★	141	Puro Warszawa Centrum	★★★★★	150
Vienna House Mokotów Warsaw	★★★★★	164	Motel One Warsaw Chopin	★★	333
Ibis Styles Warszawa Włochy	★★★	214	Four Points by Sheraton Warsaw Mokotów	★★★★★	192
Arche Hotel Geologiczna	n/a	70	-		

Planned hotel openings in 2020-2021

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Staybridge Suites Warsaw Ursynów	★★★★★	190	Moxy & Residence Inn	★★★★/★★★★★	Ca. 300
Holiday Inn Express Mokotów	★★★	167	Holiday Inn Warsaw Mokotów	★★★★★	370
NYX Hotel	★★★★★	331	Holiday Inn West Station	★★★★★	217
Crown Plaza Warsaw Hub	★★★★★	202	AC Hotels by Marriott	★★★★★	260
Holiday Inn Express Warsaw Hub	★★★	227	Focus Hotel Premium	★★★	238
Hotel Altus	★★★★★	110	Holiday Inn Mokotów	★★★★★	370
Ibis & Mercure Warszawa Bielany	n/a	185+137	Puro Wola	★★★★/★★★★★	Ca. 300

CRACOW



Kraków's hotel market offers close to 10 900 hotel rooms in 186 hotels. The majority of rooms are positioned in the 4-star and 3-star segments, which account for 41% and 36% of the market share respectively. 5-star hotel rooms constitute roughly 11% of the total room supply. Hotel rooms representing a global, regional or national hotel brand constitute ca. 49% of the total hotel room supply in Kraków.

THE HOTEL MARKET GREW BY CA. **430** NEW HOTEL ROOMS



168
HOTELS



10 888
HOTEL ROOMS



49%
BRANDED HOTEL ROOMS



36%
HOTEL ROOMS



41%
HOTEL ROOMS

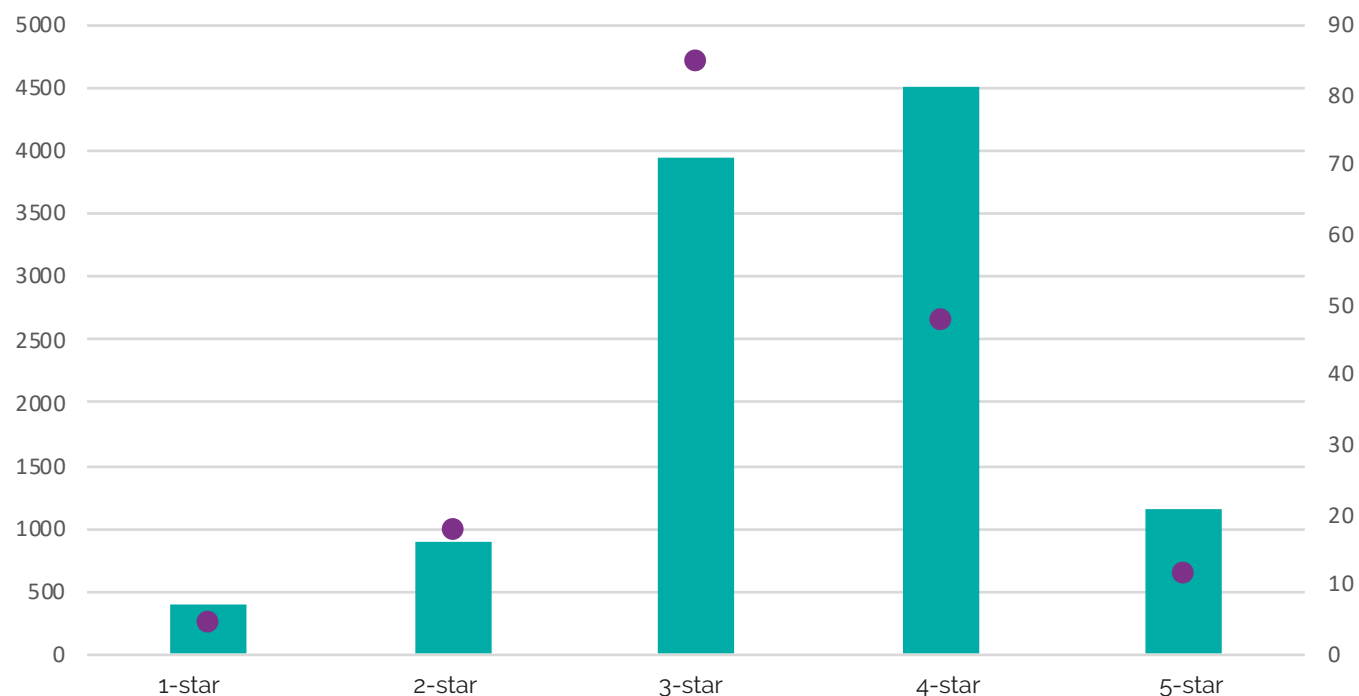


11%
HOTEL ROOMS

CRACOW

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



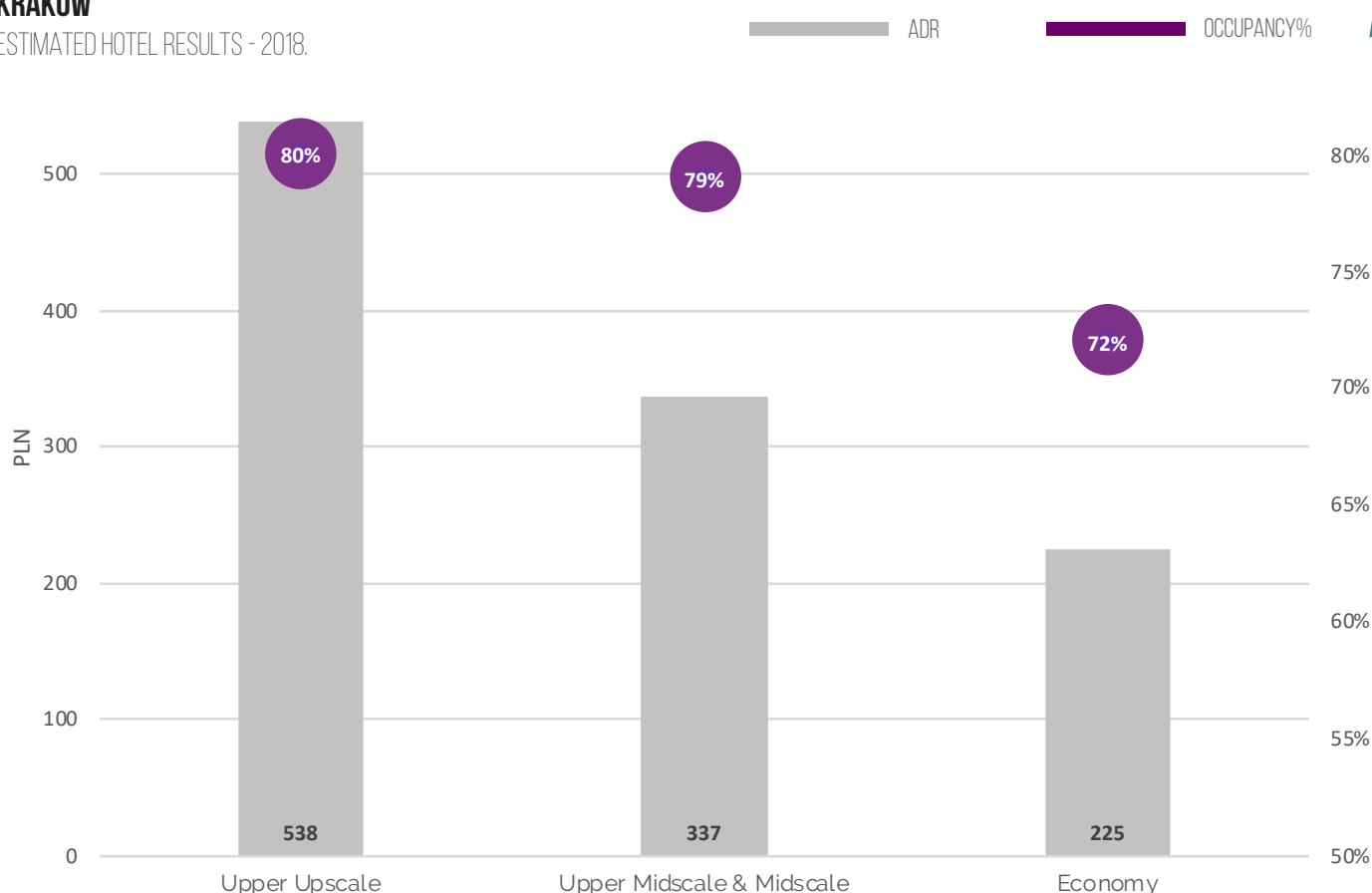
2018 HOTEL MARKET HIGHLIGHTS

- In April the 6th hotel of the B&B hotel chain in Poland opened – B&B Kraków Centrum with 130 rooms;
- The Union Investment fund purchased the 152-room Park Inn by Radisson Kraków hotel;
- The 2nd Puro hotel in Kraków opened in July – Puro Kraków Kazimierz with 225 rooms;
- Debuting hotel brands of global hotel chains announced their entry into Kraków's market: Curio Collection by Hilton and 2 AccorHotels brands – MGallery by Sofitel and Adagio Aparthotels;
- Louvre Hotels Group, owned by Jing Jang International concluded a management contract for the 1st hotel in Poland and Europe under the Chinese Metropolo brand, which will open in Q1 2019.

AVERAGE OCCUPANCY, ADR & REVPAR

KRAKÓW

ESTIMATED HOTEL RESULTS - 2018.



Kraków, just after Warsaw, is the best hotel market in terms of results. Both of these cities achieve similar results and one can say that they occupy the first place on the podium of the hotel market ex aequo. With an average occupancy rate of 76% and an ADR rate of 323 PLN, Kraków is catching up with the capital and is becoming the most important parallel market in Poland.

Kraków's upper upscale hotels achieved the RevPAR rate of approximately PLN 430, which was similar to the result in 2017. Similarly, to Warsaw, such results were caused by a decrease in occupancy, but an increase in ADR was able to offset this decrease.

The reverse situation can be observed in the category of 4-star hotels. Here both the occupancy rate and the average room rate were higher than in 2017. For the whole category, a 5% increase in the RevPAR index was recorded. The increase in the ADR rate had the biggest impact on this result. In comparison to the same period of 2017, the room rate increased by almost 4% and reached PLN 335.

Unfortunately, 2018 was the most difficult year for hotels in the economy segment. The entire segment recorded a nearly 5% drop in RevPAR due to a drastic, almost 10% drop in occupancy. Despite the increase in the ADR rate, the RevPAR index was nominally over PLN 10 worse than the previous year.

To sum up, Kraków's hotel market, unlike Warsaw, still records revenue increases that are above the inflation rate. Additionally, due to difficulties in obtaining attractive land estates for hotel developments, we do not expect a surge in the supply of hotel rooms in Kraków. Such a situation may contribute to the fact in 2019 Kraków will overtake Warsaw in the achieved results and will be the number one hotel market in Poland.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2018 Kraków once again ranked 2nd among the largest cities in Poland in terms of the number of hotel rooms delivered to the market. In total 4 hotels greeted their first guests adding 430 new hotel rooms to the market.

The biggest hotel opening in 2018 was Puro Kraków Kazimierz with 228 rooms. Hotel openings planned for 2019 include the 1st in Poland and Europe hotel under the Chinese brand Metropolo by Golden Tulip and the 1st in Poland hotel representing the MGallery by Sofitel brand part of the AccorHotels chain. In 2019 the Kraków's market is expected to grow by over 500 new rooms.

New hotel openings in 2018

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
B&B Kraków Centrum	★★	130	Puro Kraków Kazimierz	★★★★	228
Lavender	★★★	37	Plaza Boutique Hotel	★★★★	32

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel przy ul. Lubicza	★★★★	61	Radisson Red	★★★★	230
Metropolo by Golden Tulip	★★★★	220	Adagio Aparthotel	n/a	190
Bachleda Luxury Hotel Kraków McGallery by Sofitel	★★★★	64	Ibis Styles Kraków Santorini	★★★	120
Hotel Ferreus	★★★★★	70	Holiday Inn Express Kraków Airport	★★★★	158
Autograph Collection by Marriott	★★★★★	125	Saski Kraków Curio Collection by Hilton	★★★★★	115
Best Western Kraków Airport	★★★	151			

TRICITY



There are 86 hotels functioning in Tricity offering in total ca. 6 770 hotel rooms, of which more than half represent a global, regional or national brand. 3-star hotel rooms dominate (ca. 46% of rooms represent this segment). In terms of brand prevalence close to 50% of 3-star hotel rooms belong to a hotel chain. 4-star rooms are the second largest segment accounting for 29% of the room supply in Tricity. The 5-star segment constitutes ca. 13% of the market share.

THE HOTEL MARKET GREW BY CA. 350 NEW HOTEL ROOMS



86
HOTELS



6 770
HOTEL ROOMS



52%
BRANDED HOTEL ROOMS



46%
HOTEL ROOMS



29%
HOTEL ROOMS

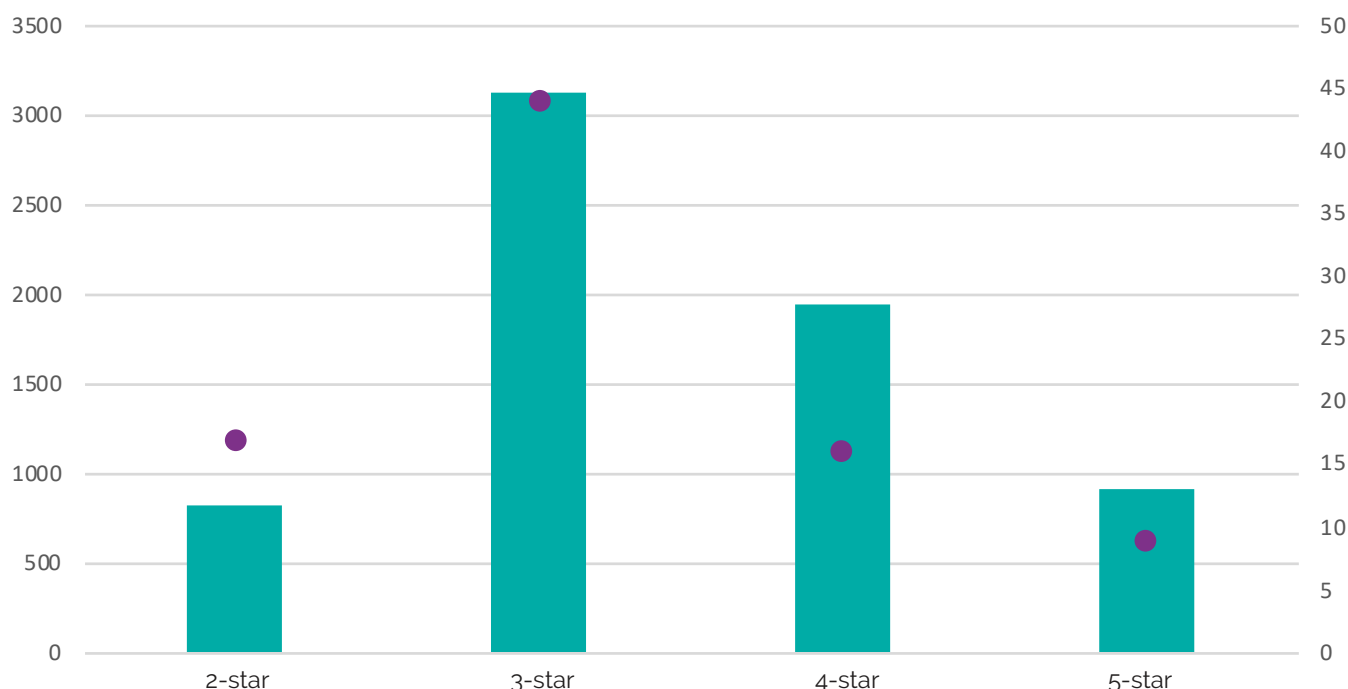


13%
HOTEL ROOMS

TRICITY

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



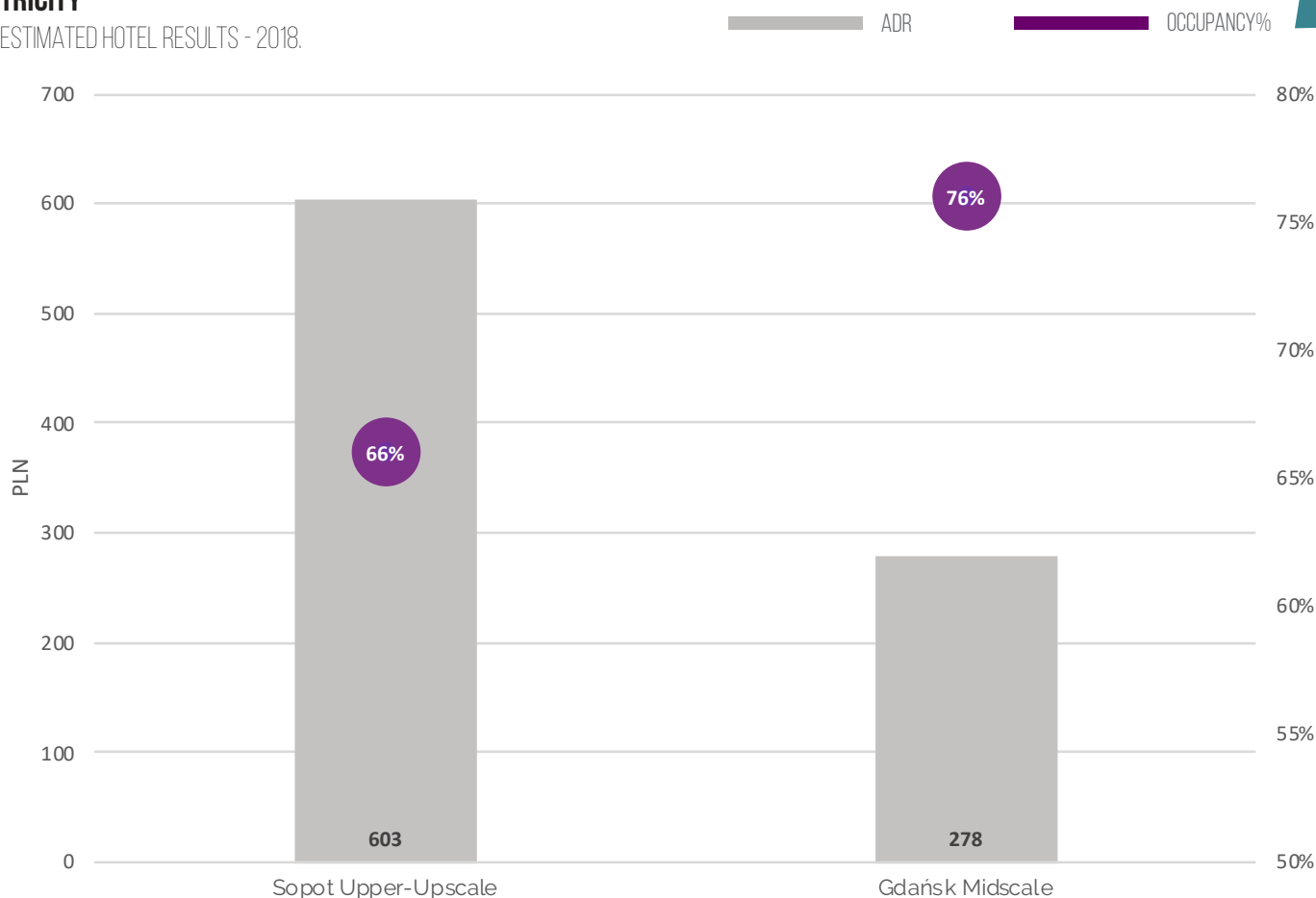
2018 HOTEL MARKET HIGHLIGHTS

- Tricity's hotel market grew by ca. 350 new rooms as a result of 4 hotel openings, while an additional 2,5 thousand rooms remain in the projected pipeline;
- In Gdańsk's Old Town the 3rd Hampton by Hilton hotel in Tricity opened and 2nd hotel of the IBB Hotel Collection chain;
- IHG concluded a franchise agreement with Marvipol as a result of which a dual branded hotel under the Holiday Inn Express and Staybridge Suites brands will open in Gdańsk;
- IHG announced signing a franchise agreement for a Crowne Plaza hotel in Sopot;
- The investor of the Deo Plaza complex on the Granary Island announced opening the first in Europe hotel of the Radisson brand which will be managed by Radisson Hospitality and will greet first guests in 2019

AVERAGE OCCUPANCY, ADR & REVPAR

TRICITY

ESTIMATED HOTEL RESULTS - 2018.



For the entire Tricity hotel market, 2018 meant stagnation. We note a slight price drop and a slight increase in occupancy. However, compared to 2017, when a 2% RevPAR drop was recorded, this was much better situation. Tricity nonetheless still has the highest average ADR level among all regional cities. It owes it primarily to very high rates in the summer season and in Sopot. The average occupancy rate in Tricity was slightly below 72% and was similar to the previous year.

The occupancy level in Sopot's 5-star branded hotels was 65%, which was a worse result than in 2017, but offset by a large increase in the ADR rate. The average ADR reached the level of PLN 600. Such a price level for a room basically means a record on the Polish market in

the upper-upscale category and thus improves the results recorded for the entire Tricity.

Analyzing results for hotels located in Gdańsk from the midscale segment, we note that the daily rate amounted to almost PLN 280 with a 75% occupancy. Despite significant competition in this segment, a nearly 7% increase in RevPAR was recorded. In Tricity, the increase in room supply is offset by a simultaneous increase in demand and thanks to which this market still has not experienced a decline in revenues.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In total 4 hotels opened in 2018 adding an additional ca. 350 rooms to Tricity's hotel market. In Gdańsk's Old Town the city's 3rd Hampton by Hilton hotel opened as well as a hotel part of regional hotel chain IBB Hotel Collection. Two remaining hotels opened in Sopot: hotel of a national hotel chain under the Focus brand and hotel Testa, which is not affiliated with any hotel group. The greatest increase of hotel inventory is however forecasted for years 2019-2021. Regions of most intense investment activity remain the Granary Island and the Old Town in Gdańsk. In the upcoming three years over a dozen hotels, apart and condohotels are planned to open in Tricity, which will deliver ca. 2.5 thousand new rooms and apartments to the market.

New hotel openings in 2018

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hampton by Hilton Gdańsk Stare Miasto	★★★	174	Focus Premium Sopot	★★★★★	70
IBB Długi Targ	★★★	89	Hotel Testa	★★★★★	15

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
ibis Budget Gdańsk	★★	76	Hotel Diament	★★★★★	150
Radisson Hotel & Suites Gdańsk (Deo Plaza)	★★★★★	150	Grano Residence	★★★★★	136
Holiday Inn Gdańsk City Center	★★★★★	236	Crowne Plaza Sopot	★★★★★	230
Radisson Blu Sopot	★★★★★	230	Holiday Inn Express Gdańsk Oliwa	★★★	210
Dwór Uphagena (Arche)	★★	240	Staybridge Suites Gdańsk Oliwa	★★★★★	136
ibis budget + aparthotel Nowy Spichlerz	★★★★★	n/a	Grand Hotel Gdańsk (hotel + condo)	★★★★★	340
Hotel Gdynia (al. Zwycięstwa)	★★★	80	Indigo Gdańsk Old Town	★★★★★	67



Wrocław's hotel market offers over 5 100 hotel rooms in 59 hotels. 66% of hotel rooms in the city represent a hotel brand. The market is dominated by 3-star hotel rooms as they account for ca. 40% of the market share. Hotel rooms positioned in the 4-star segment represent ca. 30% of the total supply. 5-star rooms make up 15% of the hotel room inventory in the city.

IN 2018 **1** HOTEL OPENED WITH **85** HOTEL ROOMS



59
HOTELS



5 143
HOTEL ROOMS



66%
BRANDED HOTEL ROOMS



40%
HOTEL ROOMS



30%
HOTEL ROOMS

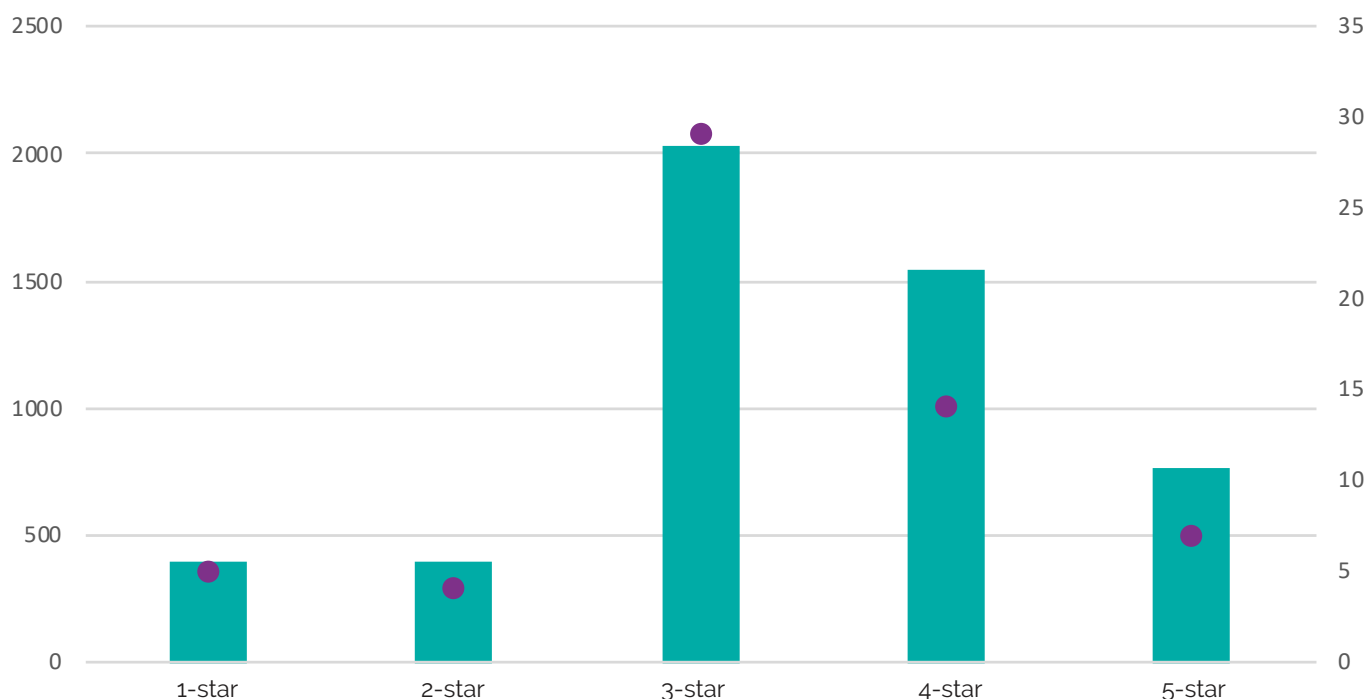


15%
HOTEL ROOMS

WROCLAW

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



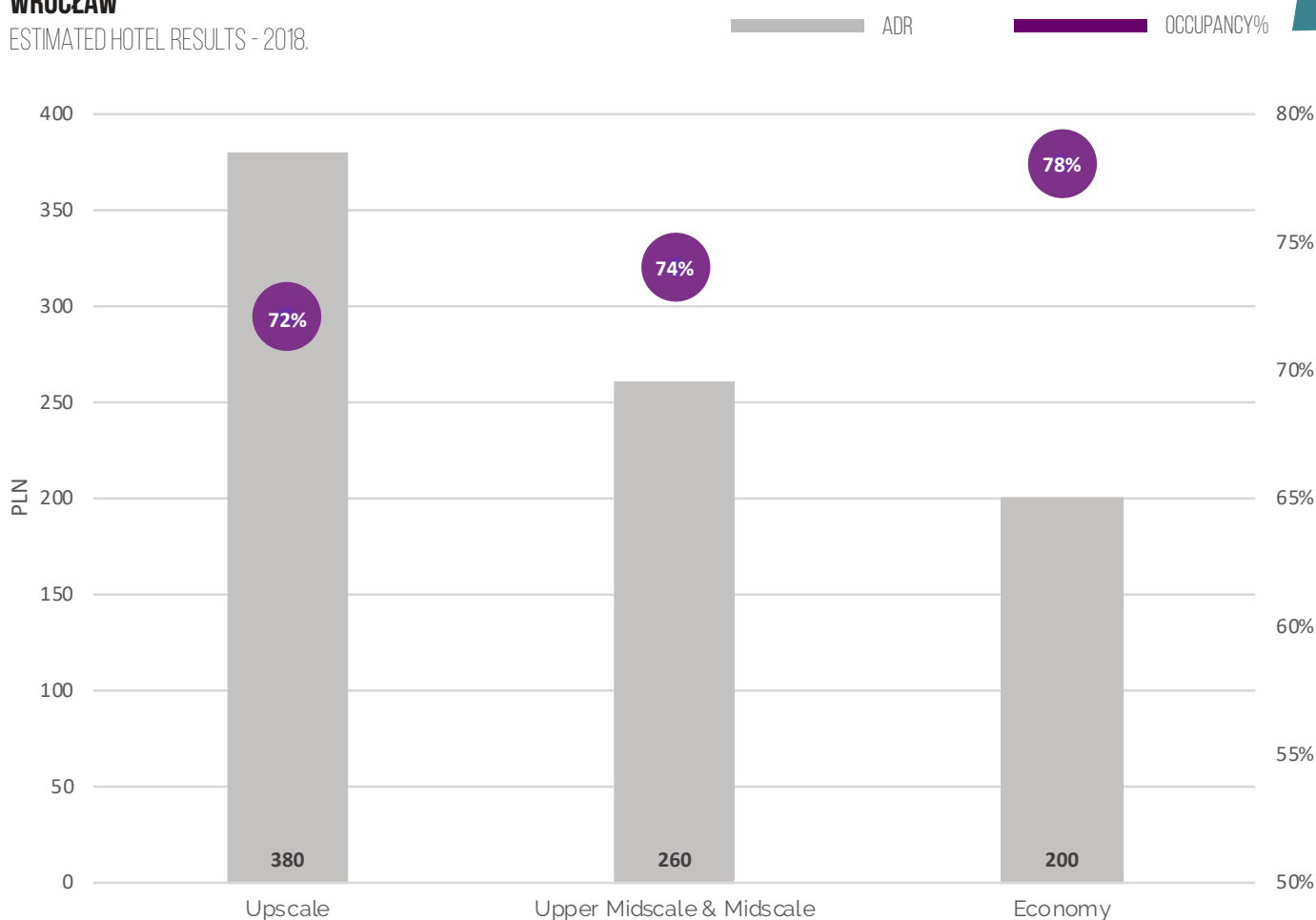
2018 HOTEL MARKET HIGHLIGHTS

- Q Hotels chain announced plans to open a 209-room hotel with ample conference space in Wrocław's Bielany Wrocławskie district;
- IHG announced plans to open a boutique hotel of the Indigo brand in Wrocław;
- Torus company issued a building permit for the reconstruction of a historic building at 15 Wierzbowa Street, which is to open as a 5-star Altus Palace hotel;
- Plans to develop two hotels by Wrocław's airport were announced;
- The Rafin Developer company issued a building permit for the reconstruction of the historic Lothus Hotel by Wita Stwosza Street.

AVERAGE OCCUPANCY, ADR & REVPAR

WROCLAW

ESTIMATED HOTEL RESULTS - 2018.



Wrocław in 2018 recorded a slight decrease in occupancy and, therefore, the RevPAR index decreased by 1% compared to 2017. For the entire market, depending on the segment, the occupancy varied between 72-78% and the ADR varied between PLN 200 for the economy segment hotels and PLN 380 for the upscale properties.

Comparing selected hotels from the upscale, midscale and economy segments, we note that the biggest decreases were in upper mid-scale and midscale hotels. In this category, the decline in the RevPAR index was over 6%. Finally, the ADR rate dropped by approximately 4% year-on-year and amounted to just over PLN 260.

Hotels from the upscale category, compared to

4-star hotel properties, have performed much better. In this segment, the daily rate was over PLN 380, which translated into RevPAR at the level of PLN 275. Still, this segment recorded a stagnation in revenues.

3-star hotels could boast of the highest occupancy, which was higher by almost 1.5% than the occupancy recorded in 2017. This did not however compensate for the overall decline in revenues in this segment due to the largest drop in daily rates by nearly 4%. Finally, they ended the year with a rate of ca. PLN 200.

For the entire hotel market, the room rate was at the level of over PLN 240 with an occupancy of just above 72%.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

Due the rescheduling of opening dates, only one hotel opened in Wrocław in 2018 - 4-star Grand City with 85 rooms. Hotel openings planned for 2019 include: Best Western Premier Wrocław City sold in the condo formula, the Traffic hotel, the DB condohotel, globally branded MGallery by Sofitel and the BlueSky Hotel (also a condohotel) . In total, there are at least 14 hotel investments under construction and planned in Wrocław. Over the next three years, if all open, they will enrich Wrocław's market with approximately 1,500 new hotel rooms, which means that by 2022 the hotel room supply will increase by nearly 1/3.

New hotel openings in 2018

Hotel	Category	No. of Hotel Rooms
Grand City Hotel	★★★★	85

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Best Western Premier Wrocław City	★★★★	64	Hampton by Hilton Airport Hotel	★★★	100
Traffic	★★	36	Rozbudowa hotelu Lothus	★★★★	105
DB Hotel	★★★★	141	Hotel Arche w dawnym szpitalu	n/a	Ca. 80
The Bridge Hotel Wrocław MGallery by Sofitel	★★★★★	184	Grand Hotel	n/a	Ca. 172
Hotel przy ul. Nankiera 1	★★★★	40	Indigo Wrocław Stare Miasto	★★★★	92
Arche Airport Hotel	★★★	120	Altus Palace	★★★★★	91
Blue Sky Hotel	★★★★	107	Q Hotel Bielany Wrocławskie	★★★★	209

POZNAŃ



There are approximately 3,900 hotel rooms located in 64 hotels in Poznań. 57% of hotel rooms operate under a global, regional or national hotel brand. Hotel rooms positioned in the 4-star segment constitute approx. 42% of all hotel rooms in the city, of which 58% represent a global brand. Among the second largest group, which are 3-star hotel rooms, only 10% of hotel rooms belong to a global hotel chain.

THE HOTEL MARKET GREW BY CA. **270** NEW HOTEL ROOMS



64
HOTELS



3 900
HOTEL ROOMS



57%
BRANDED HOTEL ROOMS



37%
HOTEL ROOMS



42%
HOTEL ROOMS

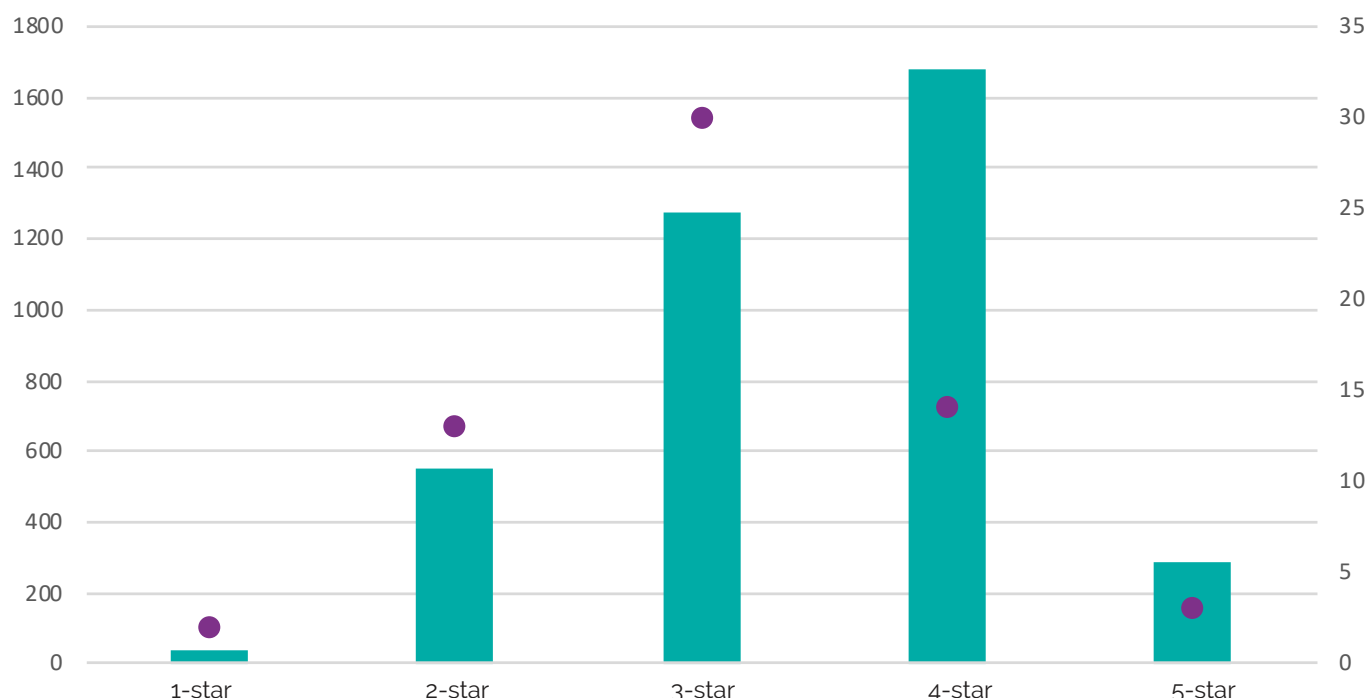


7%
HOTEL ROOMS

POZNAŃ

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



2018 HOTEL MARKET HIGHLIGHTS

- 4-star Novotel Poznań Centrum with 326 rooms opened as a result of a thorough modernization
- The Altus Poznań hotel which opened in one of the mid-rise buildings of the Domy Towarowe Alfa complex greeted its first guests in May
- Park Inn by Radisson Poznań opened in July as the 3rd hotel of this brand in Poland
- The cornerstone for Moxy Poznań-Ławica hotel was officially laid
- Focus Hotel Poznań began its operations at the beginning of October as the 10th hotel of the Focus chain in Poland
- Among Poland's largest cities, Poznań recorded the highest, over 10% RevPAR growth year-on-year

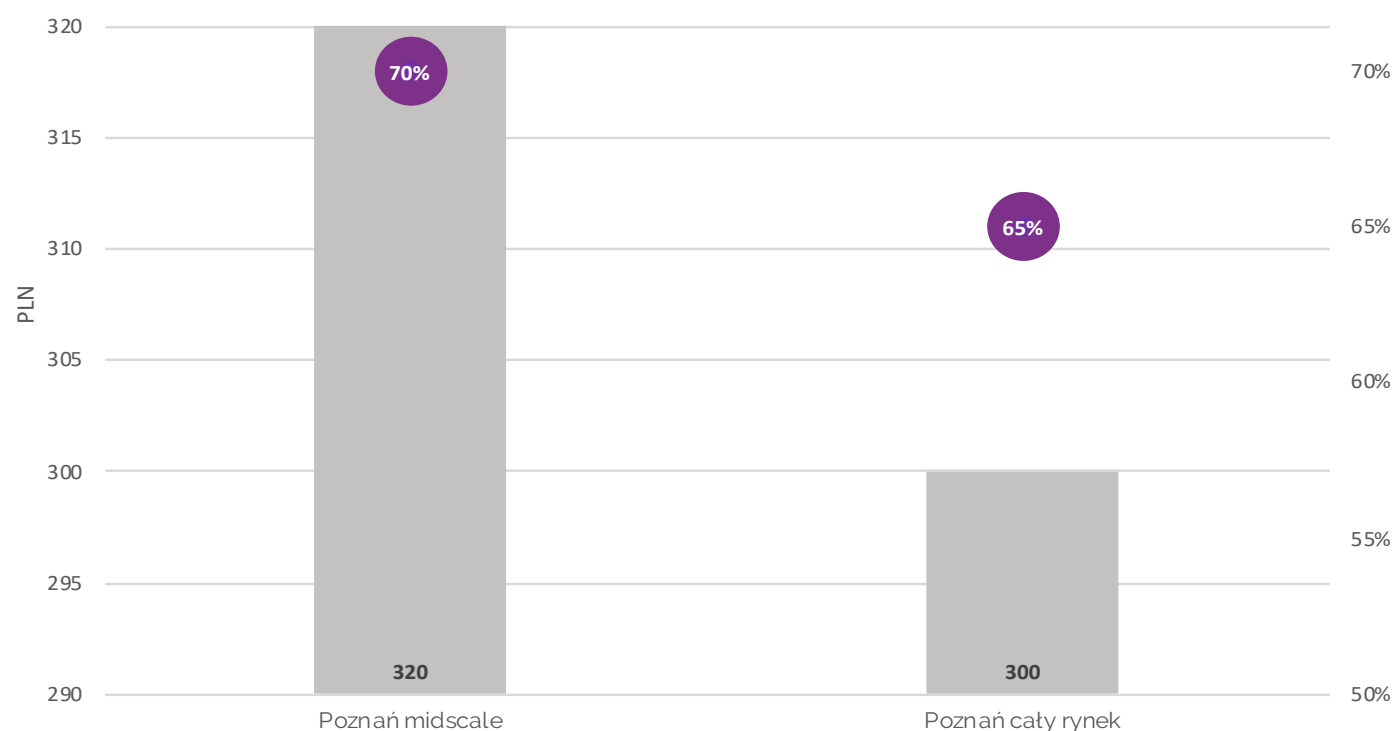


AVERAGE OCCUPANCY, ADR & REVPAR

POZNAŃ

ESTIMATED HOTEL RESULTS - 2018.

ADR OCCUPANCY%



After 2017's declines, the trend reversed in 2018 and the hotel market in Poznań recorded the highest, almost a 12% increase in the RevPAR rate. It can be said that the increase in occupancy and the increase in the daily rate contributed to this growth equally.

Finally, for the whole market, Poznań ended the year with a nearly 65% occupancy at a rate of PLN 300. Compared to the average results for this market, 4-star hotels achieved significantly better results. Their occupancy exceeds 70%, which at a high rate per day translates into a RevPAR rate of almost PLN 225.



HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2018 three new hotels opened in Poznań, enriching the market with approx. 270 hotel rooms. Novotel Poznań Centrum with 326 rooms in the 4-star standard also greeted its first guests after completing a thorough modernization, while the ibis Poznań Centrum hotel, which will occupy the first 6 floors of the dual branded building, will open at the beginning of 2019. In 2019, Hampton by Hilton Poznań Old Town, Moxy Poznań - Ławica and Sure Hotel by Best Western are planned for opening - a total of approximately 470 new hotel rooms will enter Poznań's market.

New hotel openings in 2018

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel Altus	★★★	109	Focus Hotel Poznań	★★★	92
Novotel Poznań Centrum (efekt modernizacji)	★★★★	326	Park Inn by Radisson Poznań	★★★★	66

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
ibis Poznań Centrum (efekt modernizacji hotelu Novotel)	★★★	190	Sure Hotel by Best Western	n/a	40
Hampton by Hilton Poznań Stare Miasto	★★	117	Holiday Inn Express Poznań Airport	★★★	111
Moxy Poznań - Ławica	★★★	120	Curio A Collection by Hilton	★★★★	100
Edison Park Hotel, BW Premier Collection	★★★★	63			

ŁÓDŹ



There are 34 hotels operating in Łódź. Among ca. 3 160 hotel rooms, close to 50% belong to a hotel chain. There are no hotels in the 5-star category, while the supply of hotel rooms representing the 3- and 4-star segments is at a similar level. 3- and 4-star rooms account for roughly 35% and 36% of the total hotel room supply in Łódź respectively.

IN 2018 THERE WERE NO HOTEL OPENINGS



34
HOTELS



3 160
HOTEL ROOMS



49,7%
BRANDED HOTEL ROOMS



36%
HOTEL ROOMS



35%
HOTEL ROOMS

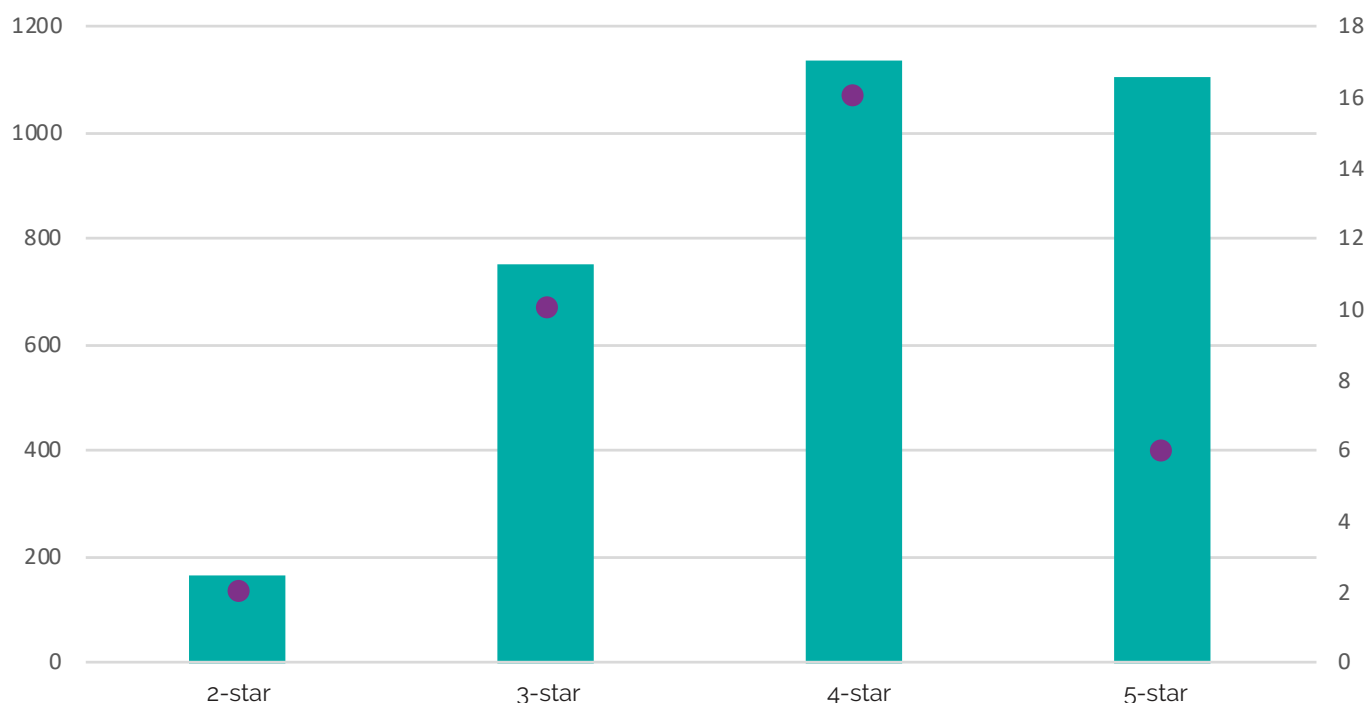


0%
HOTEL ROOMS

ŁÓDŹ

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



2018 HOTEL MARKET HIGHLIGHTS

- After a yearlong break, construction works of the Hampton by Hilton hotel at Piotrkowska Street were resumed;
- In September, the DoubleTree by Hilton Łódź hotel celebrated its 5th anniversary and the hotel management company announced plans to build a second hotel in the city;
- Ghelamco Poland announced plans to build a 3-star globally branded hotel as part of a new complex on a plot between the Fabryczna Railway Station and EC1.

AVERAGE OCCUPANCY, ADR & REVPAR

In terms of dynamics of revenue growth, Łódź ranked third in Poland. The RevPAR index of hotels increased by almost 5% year-on-year. Similarly, to Poznań, the increase in revenues was achieved both thanks to the occupancy rate and the increase in the daily room rate. For all categories, the average occupancy was 63% and it was the poorest result in Poland. Unfortunately, the average daily rate of PLN 205 placed this city in last among the analyzed markets.

In case of hotels from the economy segment, the RevPAR level was the only one which dropped below PLN 100. The occupancy rate for this segment increased by over 4% year-on-year and on average amounted to almost 67%. For upper-midscale hotels with a daily rate of over PLN 290, the RevPAR was almost PLN 190 and was over 3% higher than a year ago. The development of the hotel market in this city depends mainly on the further expansion of the BPO sector.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2018 no hotel opened in Łódź. First guests were welcomed by Arche Residence Łódź with 223 rental apartments for short- and long-term stays sold in the condo formula. At the beginning of 2019 the Puro Łódź Centrum hotel at Ogrodowa St. will begin operating. The Hampton by Hilton hotel at Piotrkowska St. remains under construction and the completion of construction works is scheduled for the first quarter of 2020. At Piotrkowska St. a 4-star hotel is also planned, which will open as a result of the reconstruction and extension of an existing office building. In the former rheumatology clinic at Manufaktura a hotel is being built, which will offer 67 hotel rooms.

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms
Puro Łódź Centrum	★★★★	130
Hotel w dawnej syngodze przy ul. Pomorskiej	★★★	129
Hampton by Hilton	n/a	149
Hotel przy Manufakturze ul. Ogrodowej 21	n/a	67
Center Hotel przy ul. Piotrkowskiej	★★★★	156
Hotel pod szyldem globalnej marki (Nowe Centrum Łodzi – Ghelamco Poland)	★★★★★	ok. 1666

KATOWICE



The hotel market in Katowice is dominated by 4-star hotel rooms as ca. 53% of rooms in the city represent this segment. In total there are 22 hotels offering over 2 200 rooms. 2-star hotel rooms are the second largest segment – they constitute ca. 22% of the market share. 3-star hotel rooms account for roughly 14.5% of the room supply. The least represented are the 5-star and 1-star segments. Branded rooms constitute roughly 86% of all rooms in the city.

IN 2018 **1** HOTEL OPENED NEAR KATOWICE MOXY KATOWICE AIRPORT



22
HOTELS



2 216
HOTEL ROOMS



86%
BRANDED HOTEL ROOMS



22%
HOTEL ROOMS



14,5%
HOTEL ROOMS

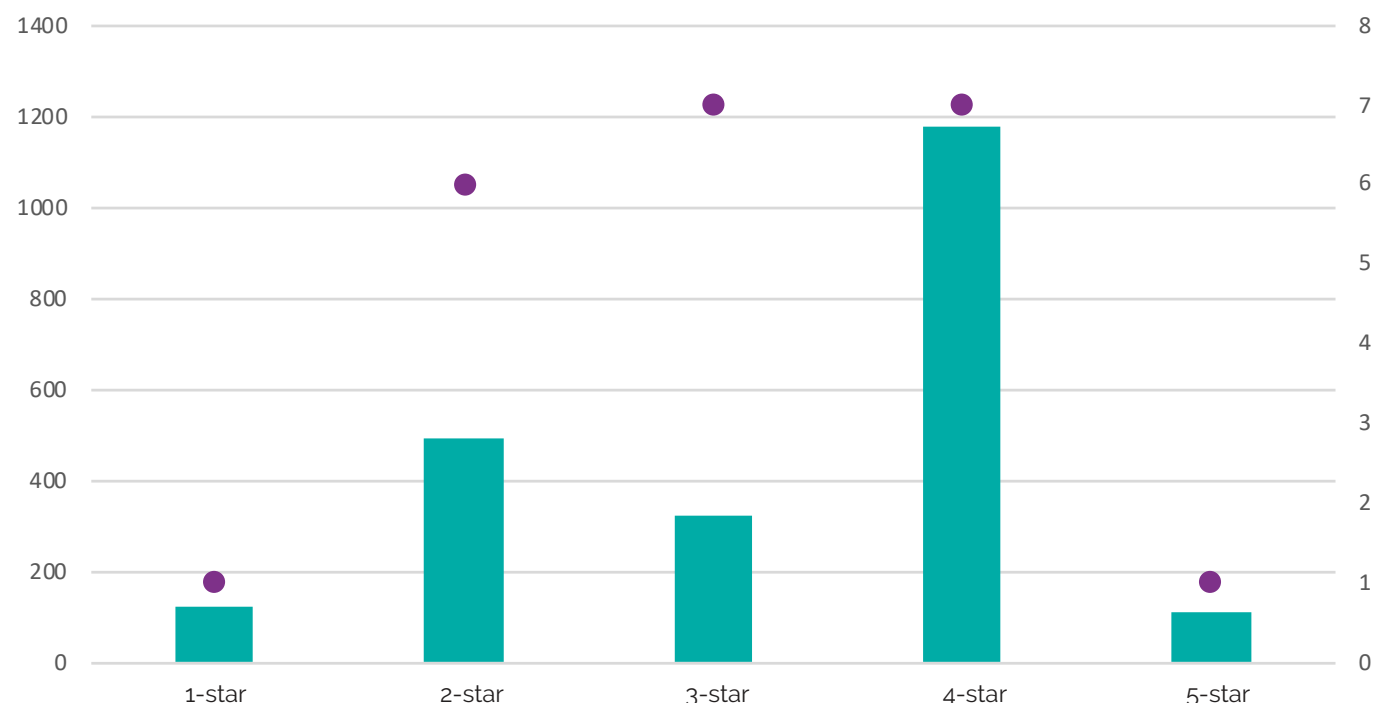


53%
HOTEL ROOMS

KATOWICE

HOTEL AND ROOM SUPPLY

NO.OF ROOMS NO.OF HOTELS



2018 HOTEL MARKET HIGHLIGHTS

- The first Moxy hotel in Poland and Central & Eastern Europe opened next to the Katowice-Pyrzowice airport;
- UBM Development AG announced plans to open a Mercure Katowice City Center hotel with 268 rooms at Myśliwska St.;
- In March, the former Best Western Premier hotel, officially began operating under the Park Inn by Radisson brand as a result of rebranding;
- Katowice hosted the COP24 Climate Summit.
- Louvre Hotels Group announced plans to open the first combo hotel in Poland under the Kyriad and Premiere Classe brands;

AVERAGE OCCUPANCY, ADR & REVPAR

Katowice can boast of an almost 20% increase in the RevPAR index achieved mainly due to an increase in daily rates. This year for Katowice is special. Hosting of the COP24 climate summit in Katowice, provided hotels with the opportunity to raise room rates. Summing up in 2018, 4-star hotels reported a decrease in the occupancy rate of almost 3%, which was compensated by the increase in the daily rate. In this category, the daily rate reached the level of almost PLN 270 at 68% occupancy. For all categories, the average daily rate was around PLN 230 with an occupancy rate of almost 65%.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2018 the Moxy Katowice Airport hotel, distanced by ca. 30 km from Katowice's city center opened. It is the first in Poland and Central & Eastern Europe hotel under the Moxy brand. In 2018, the extension of the 4-star Diament Hotel began, which after the completion of works will offer approximately 150 hotel rooms (currently it offers 45 rooms). Construction work is to be completed in the fourth quarter of 2019. In 2020 the newly announced 268-room Mercure Katowice City Center hotel is scheduled for opening and in the following year the combo hotel under the Kyriad and Premiere Classe brands will greet its first guests.

New hotel openings in 2019

Hotel	Category	No. of Hotel Rooms
Moxy Katowice Airport	★★★	100
Park Inn by Radisson (rebranding: dawny Best Western Premiere)	★★★★	168

Planned hotel openings in 2019-2021

Hotel	Category	No. of Hotel Rooms
Hotel Diament Plaza Katowice - rozbudowa	★★★★	ok. 150
Mercure Katowice City Center	★★★★	268
Kyriad + Premiere Classe	★★★★/★	204
Hotel przy ul. Sokolskiej	n/a	n/a
Puro	★★★★/★★★★	n/a

DISCLAIMER

This report has been prepared for the information of our clients and relevant third parties.

It may not be published, reproduced or quoted as a whole or in part nor may it be used as a basis for any contract, agreement or other document without our prior consent.

As is customary with market studies and forecast projections our findings should be regarded as valid for a limited period and should be subject to examination at regular intervals.



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