YEAR END REPORT 2020

HOTEL MARKET IN POLAND

Hotel Professionals

Advisory + Management Services

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THE 4 R'S FOR THE COMING MONTHS

- ALEX KLOSZEWSKI

Every end of the year, for the past 20 years, in December, during the holidays I wrote my introduction to the Year End Report, where I presented the hotel sector market for the past year, and my forecast for the upcoming new year.

This was typically a relatively easy process, and one that I reviewed every year for the forecasting accuracy.

As you can imagine, this "2020 COVID Black Year" introduction, is not one I can do without difficulties. These past months have been devastating for the global hospitality, tourism, and travel industries. No other calamity in the past few decades comes close to the COVID-19 magnitude.

Below I present a few key points on the past year and for upcoming months:

- *COVID has influenced every life, every business, all industries, countries, and communities.*
- *European recession in H1 2020, Poland's GDP drop of ca. 2.7% YOY and further economic slowdown in 2021*
- *Airline industry: 50% less flights versus 2019, and not recuperating till 2022.*
- *The offices 40% occupied. No corporate travel aside from national, the MICE sector will not come back till Q3 2021. Will work from home ever become the New Norm?*
- *Further lockdowns in the EU during the winter months (as I write this introduction lockdowns are under way). Restaurants, pubs, clubs, water parks, gyms during the winter will effectively barely survive.*
- *Hotels next year will have challenges covering operational costs, and no hope for servicing their debts in most cases.*
- *The worst performers will be city center upscale hotels, while the quickest to recover will be the economy, budget, and resort hotels.*
- *Banks will have to become part of the solutions for our troubled industry. They cannot hope, that the effects of the pandemic will become history anytime soon. Good news is the European Central Bank is now willing to work with the banks to allow them to be more flexible on existing hotel loans.*
- *Most hotels in Poland in 2020 will not reach 40% of their 2019 revenues, and in 2021 the first 6 months are also going to be below 2019 H1 by 50%.*
- *As I mentioned in March, the Polish government will have to print money, till the COVID is defeated. Debt is not more important than people's lives' and economic wellbeing. None of the countries should be worried about additional debt, we are in a state of epidemic and we are fighting a war, even International Monetary Fund is of this opinion. The deficit is now expected to be proportional to the COVID economic negative influence.*
- *The recently approved EU Recovery Funds plan over 1.2 trillion Euros, if properly used, they will be of great help to the hotel sector in Poland.*
- *As I mentioned in March the hotel industry needs a Recovery Bond to save hotels from bankruptcy. My estimate is 7.000 Euros per room X 145.000 rooms gives circa 1 billion Euros. This can be in a Bond Recovery issue, guaranteed by the National Bank of Poland. Also, to be remembered, the troubled travel,*

tourism, MICE, restaurants, pubs, taxi's, tour operators depend on our sector and it is an additional 80% of the hospitality business.

- *We need to use this period of slow recovery to solidify our relationship with our customers, clients, and associates. These somber times will be remembered for years, and the way we treat the above will make them our strongest loyalists.*
- *The hotel business, as well as most other businesses are about people, it is practically impossible to reproduce the Magic of Being Together, hence the offices will be populated again, the hotels will also be busy with travelers, and airlines, although with reduced capacities, will also fly high.*
- *2020 hotels occupancies in Poland will finish at 36% versus 71% in 2019.*
- *The average EBITDA loss per hotel room in 2020 * circa. 4,500 Euros, i.e. a 100-room hotel with 3.5 stars will have a negative EBITDA of 450,000 Euros. The value of this loss is circa. 5.500.000 Euros.*

Hotel Professionals Forecast for 2021:

Annual Average Occupancy in Poland for all hotels	Ca. 43%
Annual Average Occupancy in Warsaw for all hotels	Ca. 44% (optimistic view)
RevPAR % change vs 2019	-35%

We deeply miss having human contact, at our offices, with our staff, with our clients, with our hotel guests. We need purpose every morning, taking a shower, dressing up to go somewhere to visit and see colleagues, and work side by side on projects, ideas, and collective sense of being physically there.

After a year of ZOOMs Teams, Webex and other, we are looking forward to 2021 and to being in the presence of others, which brings reality back to the fun of life. Digital and virtual reality helped us survive, but it will never replace the magic of being with people.

On a personal note, this year cannot end soon enough, as I write this introduction we have a few days for this to happen. The restrictions, the constant interruptions of business, particularly the hotels inability to maintain any kind of revenues streams, the loss of jobs, the constant pressure on our business and personal finances, the fear of getting infected, and above all the limitations of our freedom and our lack of life normality – we all hope that these insecurities and fears will soon belong to the past.

Going out to restaurants, coffee shops, shopping, family reunions, and hugging our loved ones is something we are looking forward to.

Having said the above, I have confidence all these negatives, will slowly be resolved due to the population inoculations.

Even in this very crazy year, over 3000 new hotel rooms in 34 hotels were opened in Poland.

Let us all remember, that "This too shall pass".

Let us be here in 2021, during these holidays. Together we will celebrate the road to recovery.

THE 4 R'S for the coming months:

RESET/6 months, REBUILD/6 months, REBOUND/6 months

= RECOVERY!*

** The road to recovery will possible after the „unfreezing" of the hotel sector.*

Alex Kloszewski MRICS
Managing Partner
Hotel Professionals &
Hotel Professionals Management Group

IMPACT OF COVID-19 ON THE HOTEL SECTOR IN POLAND

The first COVID-19 infection was confirmed by Polish authorities on March 4. On March 15 the Polish government closed Polish borders for all international flights and trains, imposing at the same the obligation of a 14-day quarantine for anyone entering Poland from abroad. By week ending March 21, the average occupancy change vs prior year was -91%.

On March 31, the restrictions went further to temporary closing down all hotels and accommodations establishments (with the exception of those re--purposed for the humanitarian effort and servicing guests on business delegations), effective April 2nd.

The Chamber of Commerce for the Polish Hotel Industry announced that based on a survey conducted in the 1st half of April, roughly 80% of hotel facilities were closed after the imposed restriction. The remaining 20% were hotel properties re-purposed for humanitarian purposes or servicing guests remaining on business delegations. Reported occupancies were however at a record low level (below 10%).

May 4th the government allowed for a gradual unfreezing of the hotel sector, starting from the announcing the possibility of reopening categorized accommodation establishments, followed by a gradual unfreezing of particular amenities integral to the hotel offer (F&B, spa & wellness, fitness centers) throughout all of May and in June: restoring of domestic flights, opening of Polish borders for European Union countries (lifting of quarantine requirement), restoring flights to EU countries, members states of European Free Trade Association, European Economic Area (exceptions: Great Britain, Northern Ireland, Portugal and Sweden).

According to Chamber of Commerce of the Polish Hotel Industry at the beginning of May only 10% of hotels opened amid the government's announcement of reopening of hotels in Poland and according to their estimates by the end of May ca. 20-30% of hotels were to be opened.

Based on STR Global's data as of July 19, 2020 less than 20% of hotels from STR's database remained closed in Poland.

After 2 months of a lockdown (April-May), we have observed 3 months of recovery (June – August).

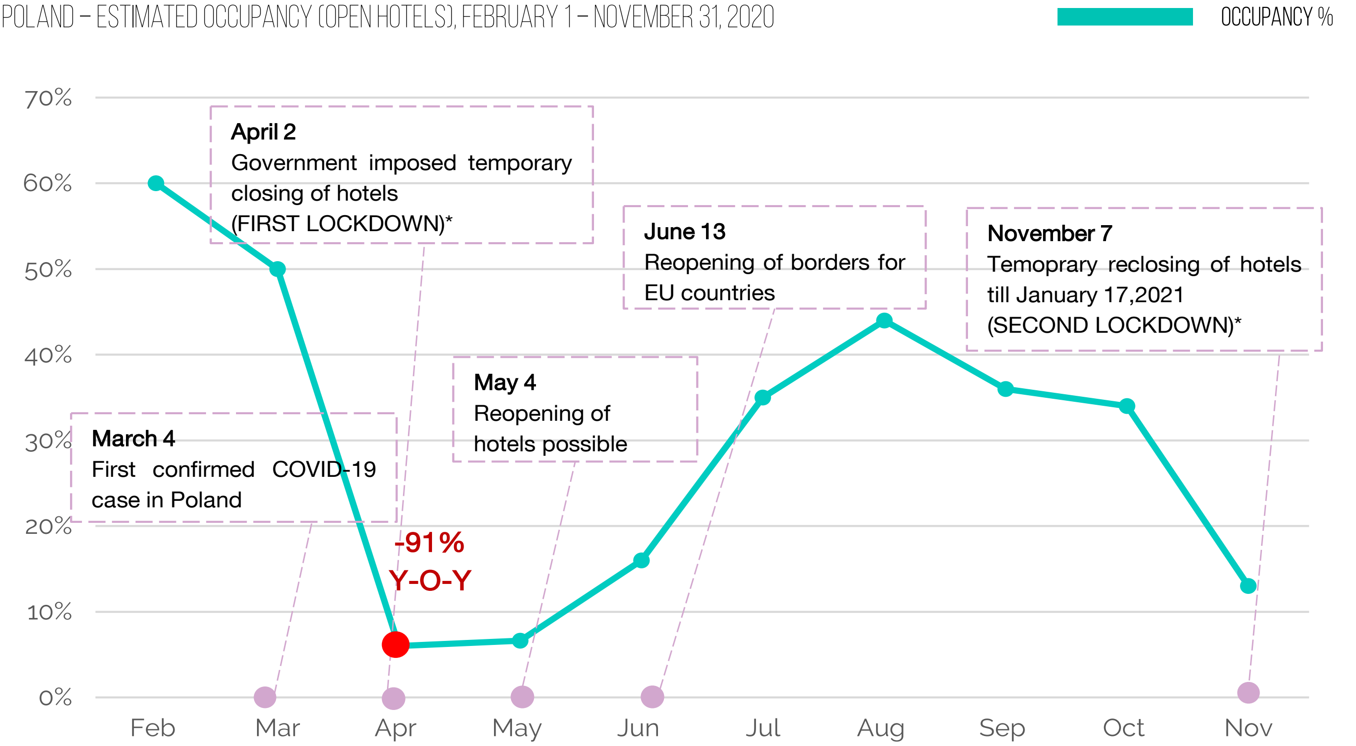
During July and August hotels particularly in resort locations had a boost in occupancy due to loosening of restrictions and an increase in national tourist traffic, whereas main cities also recorded occupancy growth month-over-month, particularly due to an uptick in occupancies during the weekends (attributed to city breaks).

In September and October the trend reversed and occupancy drops have been reported due to the second wave of COVID-19 and introducing of "yellow" and "red" zones resulting in the government reimposing of restrictions on individual sectors.
On November 4 the Polish government announced a second nearly full lockdown of the hotel sector. As of November 7, hotels were able to service only guests on business delegations (business travelers) as well as medical personnel.

In December the government prolonged and strengthened the restrictions for the hotel sector, effective till mid-January 2021.

OCCUPANCY IN POLAND AMID COVID-19 OUTBREAK

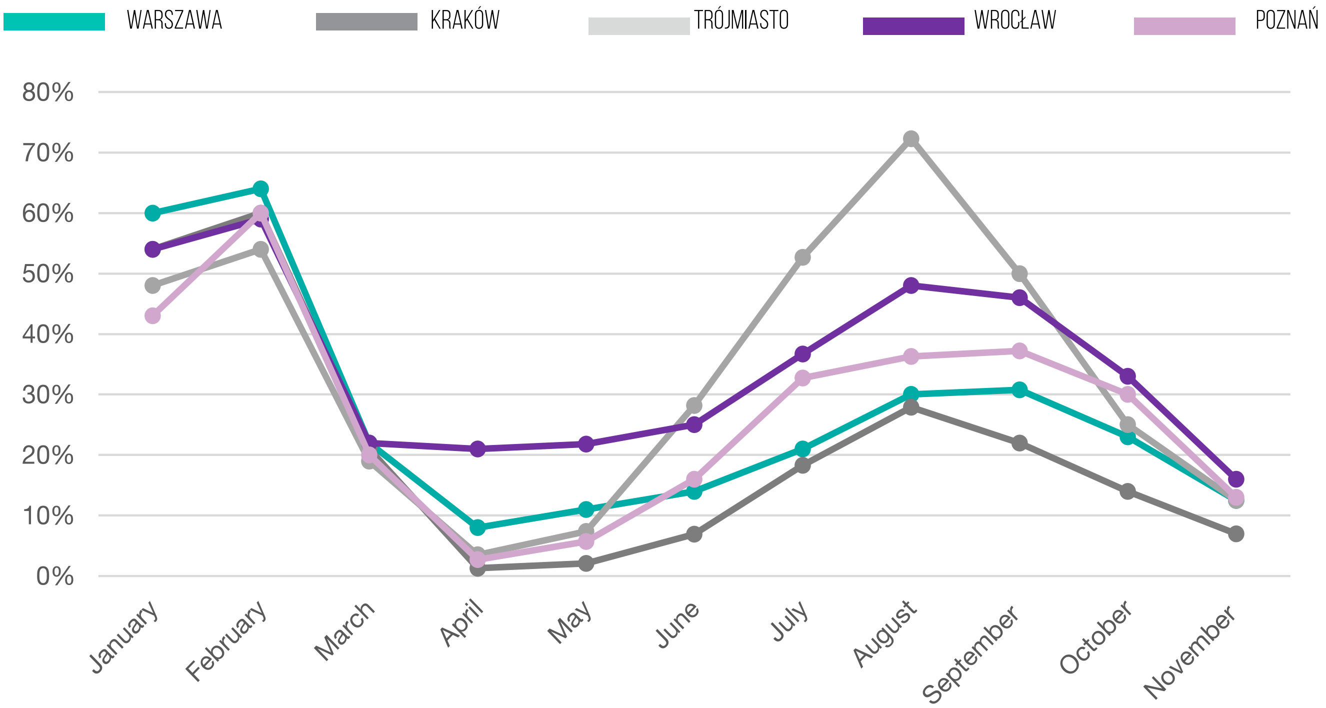
POLAND – ESTIMATED OCCUPANCY (OPEN HOTELS), FEBRUARY 1 – NOVEMBER 31, 2020



Source: Hotel Professionals Research Hub based on own data and STR Global
*Estimated occupancy for open hotels (excluding temporarily closed properties).
**Government imposed temporary closing of hotels and accommodation establishments became effective April 2 (exceptions included hotels re-purposed for humanitarian purposes or servicing guests on business delegations). On May 4 the restriction was lifted. On November 4 the government announced the reclosing of hotels and accommodation establishments (exceptions include hotels re-purposed for humanitarian purposes or servicing guests on business delegations), effective November 7. In December the government prolonged and strengthened the restrictions for the hotel sector, effective till mid-January 2021.

OCCUPANCY IN MAIN CITIES IN POLAND AMID COVID-19 OUTBREAK

AVERAGE OCCUPNCIES (OPEN REPORTING HOTELS), JANUARY - NOVEMBER 2020



Source: Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties

HOTEL OCCUPANCY RATES IN POLAND AFTER THE OUTBREAK OF COVID-19 PANDEMIC

1. In January and February main cities in Poland reported occupancies typical for winter months, with Warsaw taking a slight lead and Tricity making the lower end due to the more seasonal character of its market.

2. In March with first COVID-19 cases being reported and the state of epidemic introduced occupancies dropped by ca. 65% month-over-month reaching roughly 20% in all cities.

3. The government imposed temporary closing of hotels and accommodation establishments became effective April 2 (exceptions included hotels re-purposed for humanitarian purposes or servicing guests on business delegations). On May 4 the restriction was lifted. In hotels, which remained in operation occupancies reached record low levels – on average below 10%. Such results had no precedence in the post-war reality. The exception was Wrocław – which in April and May reported an average occupancy of ca. 20%. This was in part attributed to employees and associates of the LG company, who amid the pandemic outbreak had to remain in hotels while carrying out a major infrastructural project.

4. On the other hand, Kraków has experienced the greatest of declines being placed at the lowest end throughout the reaming part of the year. This was due to the business mix of guests typical for Kraków's market, which were mainly foreign tourists travelling for leisure and tourist purposes, as well as a mix of MICE guests.

5. June through August, with the loosening of restrictions and an increased mobility of national tourists, main cities recorded month-over month growth, which was in part attributed to city breaks. Occupancy growth was particularly visible for Tricity. Selected hotels in Tricity reported an average occupancy exceeding 70% in August – what was the highest occupancy reported among large cities in the entire CEE region. This result outlined the general global trend of resort locations benefiting from national leisure traffic picking up during the summer months.

6. In September only Warsaw and Poznań reported month-over-month growth, while in Wroclaw, Tricity and Kraków the growth trend had reversed. In case of Tricity the occupancy decline compared to August was quite sharp (ca. -30% m-o-m).

7. The second wave of COVID-19 and introducing of "yellow" and "red" zones resulting in the government reimposing of restrictions on individual sectors contributed to further declines.

8. On November 4 the Polish government announced a second nearly full lockdown of the hotel sector. As of November 7, hotels were able to service only guests on business delegations (business travelers) as well as medical personnel. In December the government prolonged and strengthened the restrictions for the hotel sector, effective till mid-January 2021.

9. The scale and severity of the COVID-19 crisis at this point is unpredictable and depends on the further spread of the virus, how quickly vaccines will be implemented, as well as on the government's freezing and unfreezing of the hotel sector and in the medium to long-term on the impact of the virus on the national and global economy.

TO SUM UP:

- Poland has been following a similar pattern of average occupancies for Europe in the period February – November.
- Overall, resort locations and regional cities in Europe have fared better than main cities, as well as in majority of European markets hotels from the lower segments (economy & midscale) have been more resilient, showing signs of quicker recovery to upscale and luxury hotels i.e. economy and midscale had lower occupancy declines.
- Across Europe serviced apartments (including short-term rentals and extended-stay) have also proven to be a more resilient sector as opposed to traditional hotels, owing to the longer stays model and larger size of apartments with home-like amenities including kitchenettes. We forecast that this trend will continue. In Poland, this sector is at the initial stage of development. At the moment, there are practically no globally branded extended--stay or serviced apartments in Poland, which gives investors the opportunity to enter this niche sector.
- First demand has been picked up by national leisure tourists and to a smaller extent by national business travel. MICE and international demand is on hold due to governmental restrictions, both national and global, these segments will also be the last to recover.
- New developments are on hold. Currently, there is almost no chance to obtain bank financing. Moreover, capital is looking for distressed assets. Banks will however return to considering hotel developments in the second half of 2021.
- The hotel market though greatly reliant on global economic and social conditions (external shocks) has proven to be a resilient sector in the face of past global economic, epidemic and social crises and the demand for travel has proven to recover dynamically each time.
- The demand for hotel services is present and once the restrictions are lifted the rebound is bound to come.

BELOW IS THE EXPECTED SEQUENCE OF DEMAND RECOVERY FOR THE HOTEL SECTOR IN POLAND

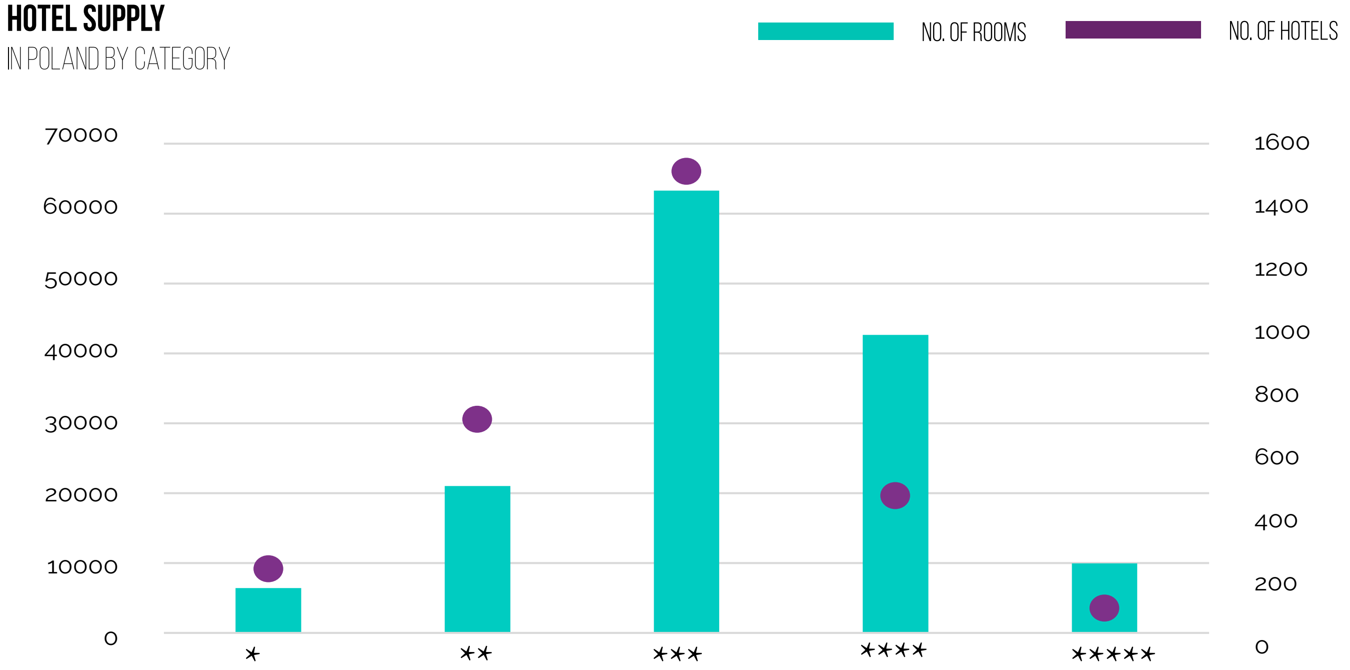
Expected sequence	Demand source	Condition	Proximity
1	Domestic Leisure	Open hotels	Regional travel (vehicle travel)
2	Foreign Leisure (from bordering countries)	Open borders	Regional travel (vehicle travel)
3	Domestic Business / Small MICE	Return to office / meetings up to 50-100 ppl possible	Domestic travel by car / air / train
4	Domestic MICE	Economic recovery	Domestic travel by car / air / train
5	International Leisure and Business	Virus spread is contained / vaccine implemented	International air travel
6	International MICE	Virus spread is contained + Economic recovery	International air travel

HOTEL MARKET IN POLAND 2020[1]

There are ca. 2 945 hotels in Poland offering over 143.3 thousand rooms. Ca. 44% of rooms represent the 3-star segment (economy segment). Rooms positioned in the 4-star category have the second largest share in the market (ca. 30%), followed by 2-star rooms. 5-star rooms constitute a small percentage of the total hotel room supply in Poland – ca. 7%.

HOTEL SUPPLY

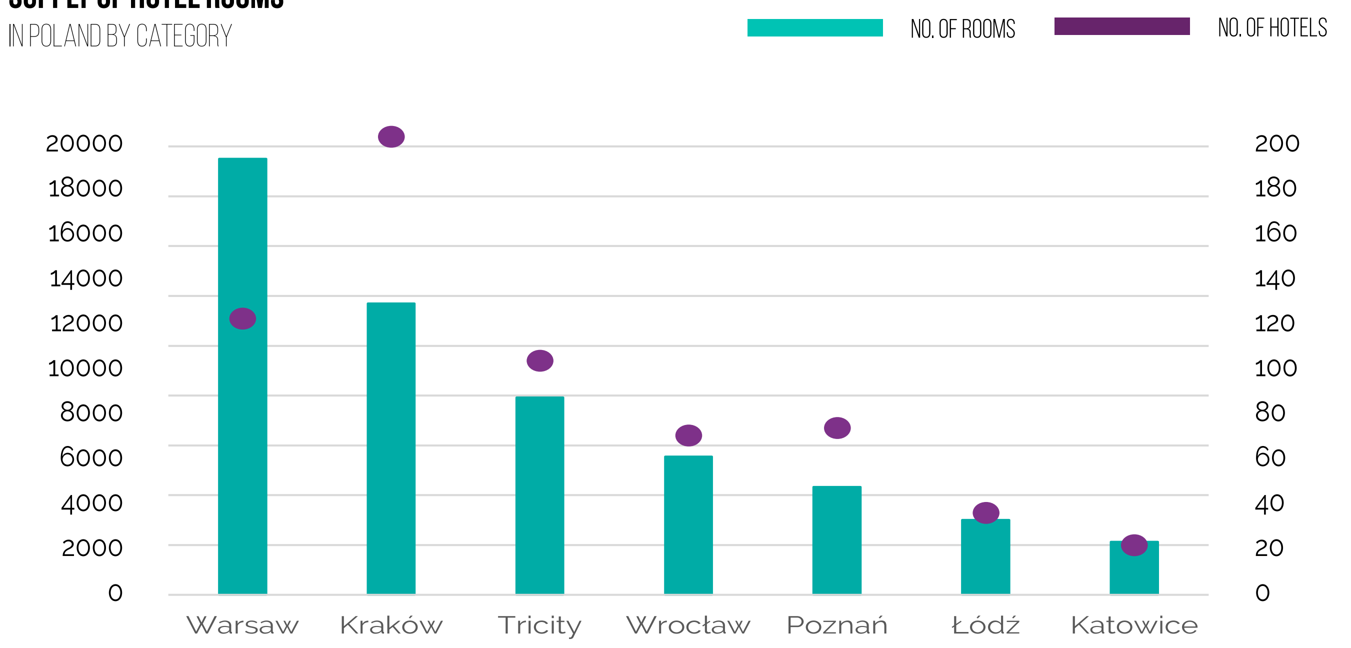
IN POLAND BY CATEGORY



Source: Hotel Professionals Research Hub

SUPPLY OF HOTEL ROOMS

IN POLAND BY CATEGORY



Source: Hotel Professionals Research Hub

1) The presented data pertaining to supply include full hotel inventory, including hotels which have been temporarily closed due to the Covid-19 pandemic.

New hotel openeings with a global, regional or national brand in 2020

Hotel	Category	Number of Rooms	Hotel Chain	City
Ibis Styles Bolesławiec	★★★	65	Accor Hotels	Bolesławiec
Ibis Styles Nowy Targ	★★★★	106	Accor Hotels	Nowy Targ
B&B Rzeszów Centrum	★★★★	64	B&B Hotels	Rzeszów
Radisson Blu Sopot	★★★★	219	Radisson Hotel Group	Sopot
Radisson Hotel Szklarska Poręba	★★★★	104	Radisson Hotel Group	Szklarska Poręba
Ibis Styles Tomaszów Lubelski	★★★	50	Accor Hotels	Tomaszów Lubelski
Best Western Plus Hotel Warszawa	uncategorized	100	BWH Hotel Group	Warszawa
Crowne Plaza Warsaw Hub	★★★★	212	InterContinental Hotels Group	Warszawa
Holiday Inn Express Warsaw Hub	★★★	218	InterContinental Hotels Group	Warszawa
Hampton By Hilton Reduta	★★★	167	Hilton Worldwide	Warszawa
Holiday Inn Express Mokotów	★★★	167	InterContinental Hotels Group	Warszawa
Mercure Warszawa Ursus Station	★★★	214	Accor Hotels	Warszawa
Nobu Warsaw Hotel (dawny Rialto 44 pokoi)	★★★★★	117	Nobu Hotels	Warszawa
Hilton Świnoujście Resort & SPA	★★★★★	173	Hilton Worldwide	Świnoujście
Arche Cukrownia Żnin – phase I	uncategorized	184	Grupa Arche	Żnin

Source: Hotel Professionals Research Hub

33% OF HOTEL ROOMS IN POLAND REPRESENT A GLOBAL, REGIONAL OR NATIONAL BRAND.

The Polish hotel market is dominated by rooms not affiliated with any hotel chain.

When looking at branding by category, the 5-star segment constitutes an exception as roughly 68% of hotel rooms in this segment represent a hotel brand. Hotel branding also plays a significant role in the 4-star segment as ca. 49% of rooms belong to a global, regional or Polish hotel chain.

In 2020 34 new hotels were added to the hotel market in Poland, offering roughly 3120 rooms, out of which close to 70% represent a global, regional or Polish hotel chain.

HISTORICAL OVERVIEW - PATRYCJA PAWLAK

In the period of pre-pandemic reality, the last 5 years can be described as a period of dynamic development and growth on the Polish hotel market. Despite the increasing number of rooms, in many markets, both urban and resort, the new supply was balanced the growing demand. During this period, in particular we saw a strengthening of domestic leisure tourism.

In 2019, Poland ended the year with a slight increase compared to 2018. The increase in RevPAR compared to 2018 was approximately 2%. The average rate grew by 2.5%, while the average occupancy remained at a very close level.

Looking at individual markets, the new supply was beginning to affect the results of hotels in Warsaw, where the average occupancy had a decreasing trend, however this was offset by increases in ADR. However, taking into account the number of rooms that were delivered to the market in a short time, these declines were relatively small, which proved that the capital's hotel market was still absorptive.

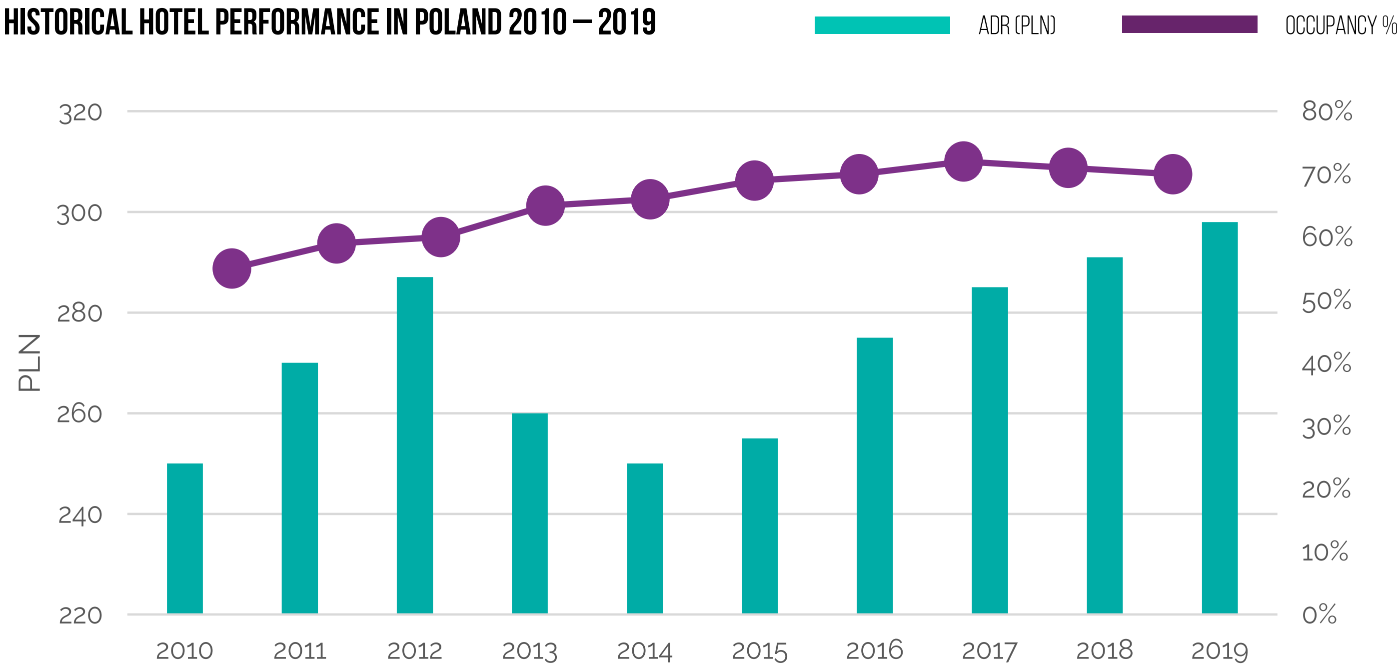
For other major markets, the demand factor was strong and 2020 seemed promising to be another very good year.

In last year's edition of the report, however, we mentioned some disruptors affecting the global reality, among which was the coronavirus, the appearance of which had only just been officially announced on the Asian continent. As it turned out, this particular destabilizer shaped the reality throughout the entire 2020.

Below we present data for the hotel market in the largest cities in Poland in 2020.

Patrycja Pawlak (Koszewska)
Research and Market Specialist

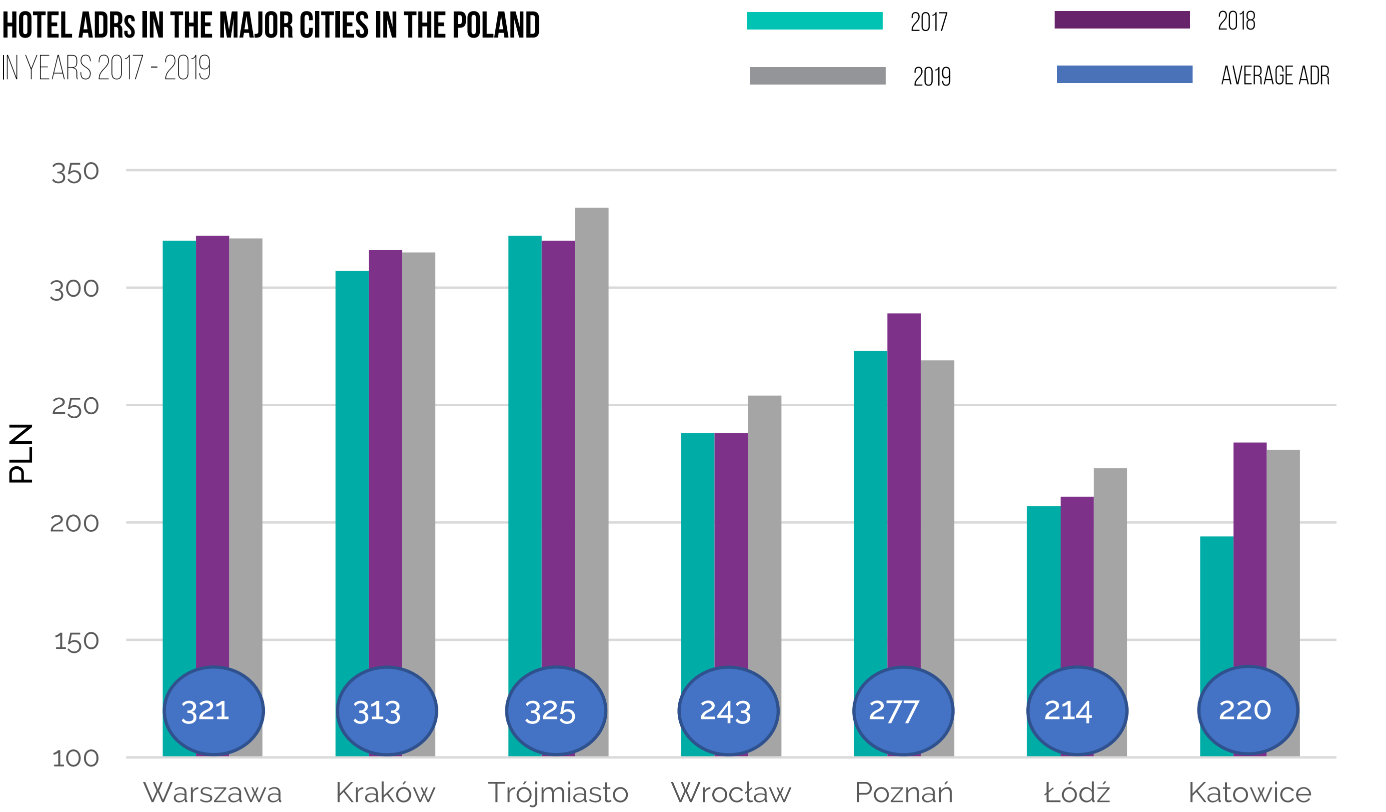
HISTORICAL HOTEL PERFORMANCE IN POLAND 2010 – 2019



Source:Hotel Professionals Research Hub based on own data and STR Global

HOTEL ADRs IN THE MAJOR CITIES IN THE POLAND

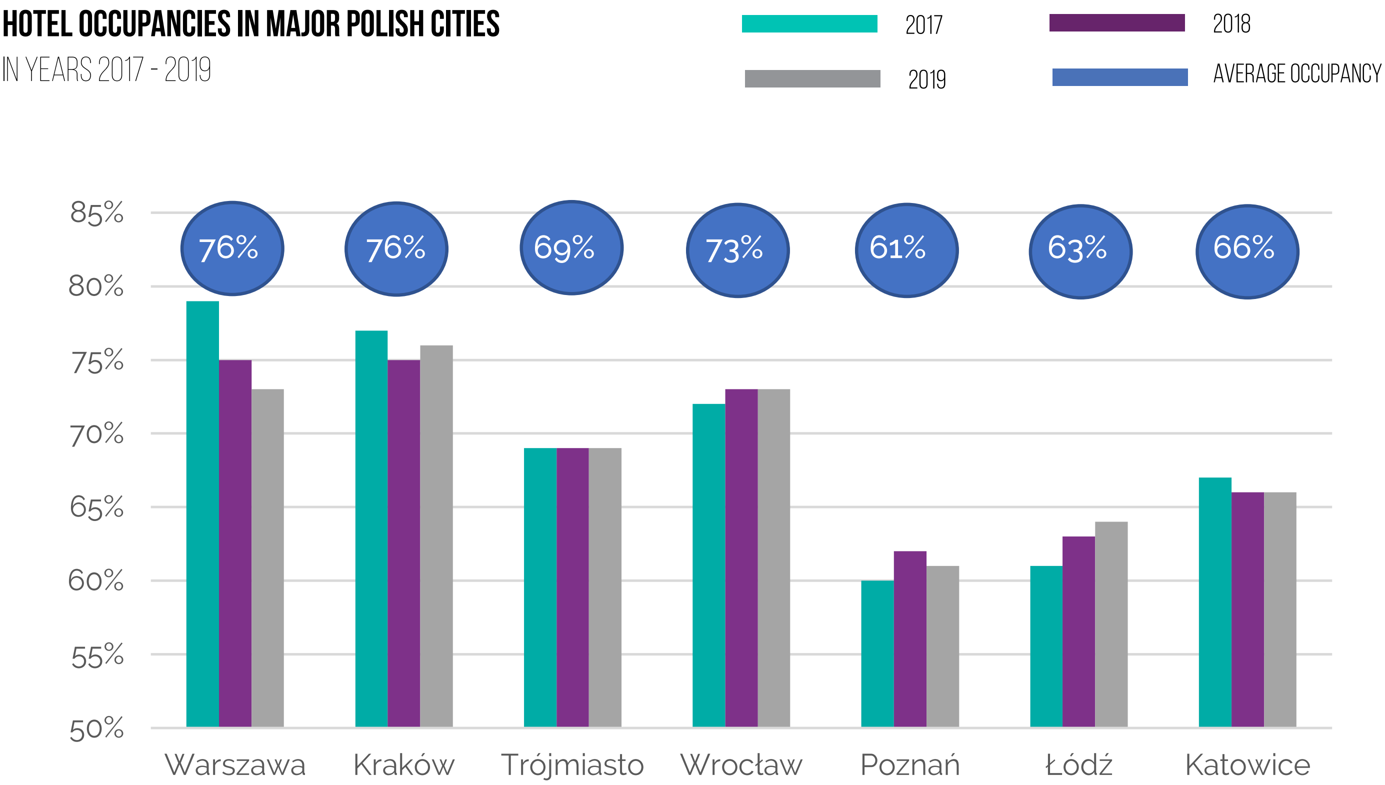
IN YEARS 2017 - 2019



Source:Hotel Professionals Research Hub based on own data and STR Global

HOTEL OCCUPANCIES IN MAJOR POLISH CITIES

IN YEARS 2017 - 2019



Source:Hotel Professionals Research Hub based on own data and STR Global

WARSAW

There are 111 hotels functioning in Warsaw, offering a total of ca. 17 500 hotel rooms. 3-star rooms dominate on the market, as they account for ca. 37%. of the total hotel room supply in Warsaw. The 4-star rooms segment constitutes roughly 1/3 of the room stock, while hotels positioned in the 5-star category rank 3rd offering ca. 3490 rooms. When it comes to hotel branding 77% of rooms in Warsaw operate under a national, regional or global brand.

IN 2020 THE HOTEL MARKET GREW BY CA. **1150** HOTEL ROOMS

111
HOTELS

OK. 17 500
HOTEL ROOMS

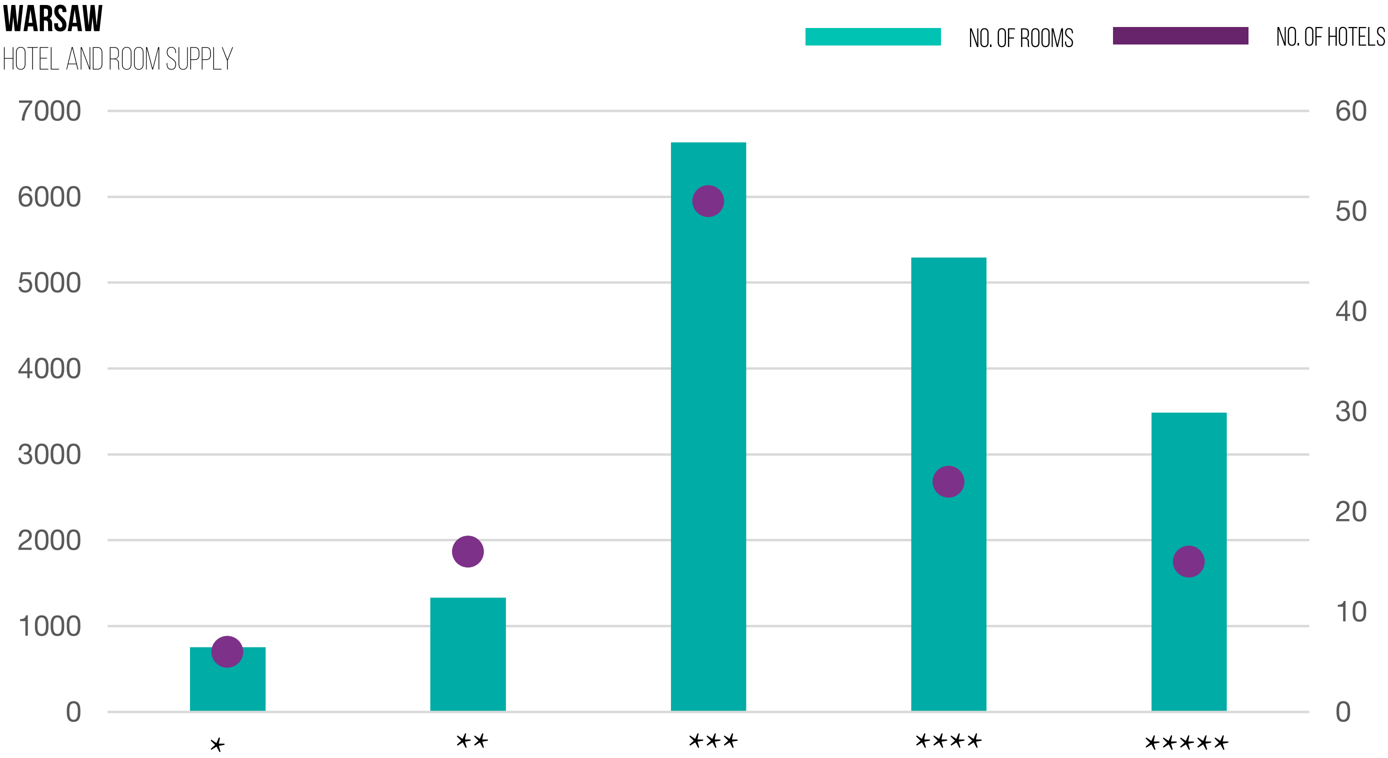
77%
BRANDED HOTEL ROOMS

37%
HOTEL ROOMS

30%
HOTEL ROOMS

20%
HOTEL ROOMS

WARSAW
HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub

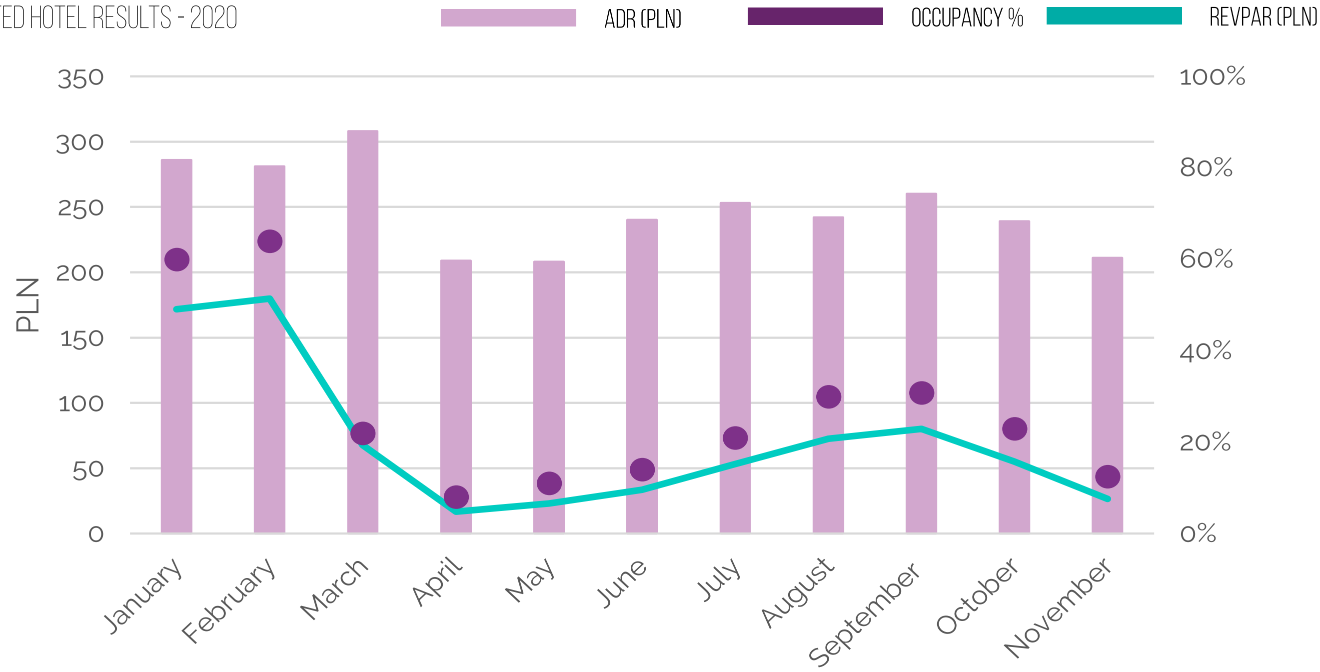
2020 HOTEL MARKET HIGHLIGHTS

- Ca. 1 150 new hotel rooms were delivered to the market in 7 hotels, what constitutes a ca. 7% growth in room supply year-over-year;
- New brands made their debut in the city: lifestyle upscale Nobu brand and Crowne Plaza part of the IHG chain, which are also the first representatives in Poland.
- In February 2020, the Best Western hotel chain announced plans to open a hotel under a new brand – Sadie by Best Western, which will open as a result of rebranding and enlargement of the Harenda hotel by Krakowskie Przedmieście.
- Polski Holding Nieruchomości and Polski Holding Hotelowy companies announced in December that through a special purpose company they will acquire the Regent hotel in Warsaw

AVERAGE OCCUPANCY, ADR & REVPAR

WARSAW

ESTIMATED HOTEL RESULTS - 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties (excl. temporarily closed hotels)

The lack of conferences, fairs, business meetings, as well as the very little international traffic, both business and leisure had a profound impact on Warsaw's hotel market in 2020.

Since the outbreak of the pandemic, Warsaw's hotels reported the highest occupancy in the months of August and September, which reached ca. 30%, while the highest ADR in Warsaw since March was achieved in September reaching PLN 260.

Comparing Warsaw's market to other major cities, in Q3 and Q4 Warsaw together with Kraków were the lowest performing markets in terms of occupancy.

Results measured for the whole market in 2019 placed Warsaw second in terms of the RevPAR index, among largest cities, giving way to Kraków, which ranked 1st. In 2019 hotels in the capital achieved an average occupancy of 73% with an ADR at 320 PLN. Looking at the RevPAR change year-over-year, Warsaw finished 2019 with a ca. 2% drop, which resulted from an almost 3% drop in occupancy and only a slight ADR growth.

As of the end of 2019 the influence of new rooms supply coming into the market was beginning to influence the average occupancy of hotels in Warsaw, which were decreasing, however at the same time we observed a slight growth trend in ADR, which compensated for the occupancy drops. Moreover, the number of room nights sold during the weekends was growing, which indicated that Warsaw has been becoming more attractive as a tourist destination for city breaks.

In 2019's report we anticipated that in 2020-2022 the occupancy levels for the whole market would continue to drop, and at the same time we would continue to observe slight ADR growth or the stabilization of the average rates.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 despite the very difficult situation on the market, a total of ca. 1 150 rooms were delivred in Warsaw in 7 hotels, what is a ca. 7% growth year-over-year. The growth is at a similar level to the result reported in 2019, which was also ca. +7% year-over-year, when ca. 1 050 new rooms came into the market. Brands which made their debut include, lifestyle Nobu brand in the former Rialto hotel by Wilcza street, as well as IHG's Crowne Plaza upscale brand as part of the dual brand property with Holiday Inn Express in The Warsaw Hub complex.
In Febrraury 2020 a new hostel under the a&o brand opened in Wola, offering 650 beds in 200 rooms.

New hotel openings in 2020

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Holiday Inn Express Mokotów	★★★	167	Mercure Warszawa Ursus Station	★★★ ★★★★	85 129
Best Western Plus Hotel Warszawa	uncategorized	100	Hampton By Hilton Reduta	★★★	167
Nobu Warsaw Hotel (enlargement & rebranding of former Rialto, 44 rooms)	★★★★★	73	Crowne Plaza Warsaw Hub & Holiday Inn Express Warsaw Hub	★★★★ ★★★	212 218
Total rooms			1151		

*a&o Hostel Warszawa Wola also opened in February 2020 offering 650 beds in 200 rooms

The NYX hotel part of the Varso Place complex was scheduled for opening in 2020, however due to the COVID-19 pandemic the hotel opening date has been moved to Q1 2021. Currently, due to the state of pandemic part of the hotel projects in the investment pipeline have been put on hold, selected opening dates have been postponed and part of the developments may not be realized at all.

In 2021 we can expect the Autograph Collection hotel under development in the Old Town to open, as well as the Stay inn by Frost hotel, as the development of both is at an advanced level. The Royal Tulip Apartments project is also under construction by Grzybowska street.

After three years of dynamic room growth, we can expect that in the coming years there will be a slowdown in the growth of supply and that selected projects in the pipeline, which are at the stage of obtaining buidling permits or financing, may not be implemented.

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
NYX (Varso Place)	★★★★	331	Arche Hotel Poloneza II phase	★★★	245
Autograph Collection	★★★★★	100	Royal Tulip Apartments	5-star standard	448
Campanile (rebranding & enlargement of Grot)	n/a	105	Stay inn by Frost	n/a	90
Tulip Residences Targowa	★★★	100	Staybridge Suites Warszawa Ursynów (investment on hold)	★★★★	190
Focus Hotel Premium	★★★★	238	Meininger	n/a	151
TRIBE Warsaw Bracka	n/a	113	Hotel Praski	n/a	118
Occidental, Barcelo Hotels & Resorts	n/a	150	Radisson Red	★★★★	230
Sadie Best Western (former hotel Harenda)	n/a	66	Holiday Inn Express Warsaw Jerozolimskie	★★★	156
Hampton by Hilton Warszawa Wschodnia	★★★	100	Holiday Inn Warsaw Mokotów	★★★★	370
Moxy Warszawa Centrum	★★★	263	Puro Warszawa Wola	n/a	300-350
AC by Marriott	★★★★	214	Moxy & Residence Inn Wilanowska	★★★ & ★★★★	312

Source: Hotel Professionals Research Hub

KRAKÓW

Kraków's hotel market offers 183 hotels, with ca. 11,670 hotel rooms in total. The majority of rooms is positioned in the 4-star segment - approx. 43% and 3-star approx. 35%. Rooms of the 5-star category amount to approx. 11% of total supply. Hotel rooms operating under a global, regional or national brand constitute ca. 49% of total hotel room supply in the city.

IN 2020 THE HOTEL MARKET GREW BY CA. **290** NEW HOTEL ROOMS

183
HOTELS

OK. 11 670
HOTEL ROOMS

49%
BRANDED HOTEL ROOMS

35%
HOTEL ROOMS

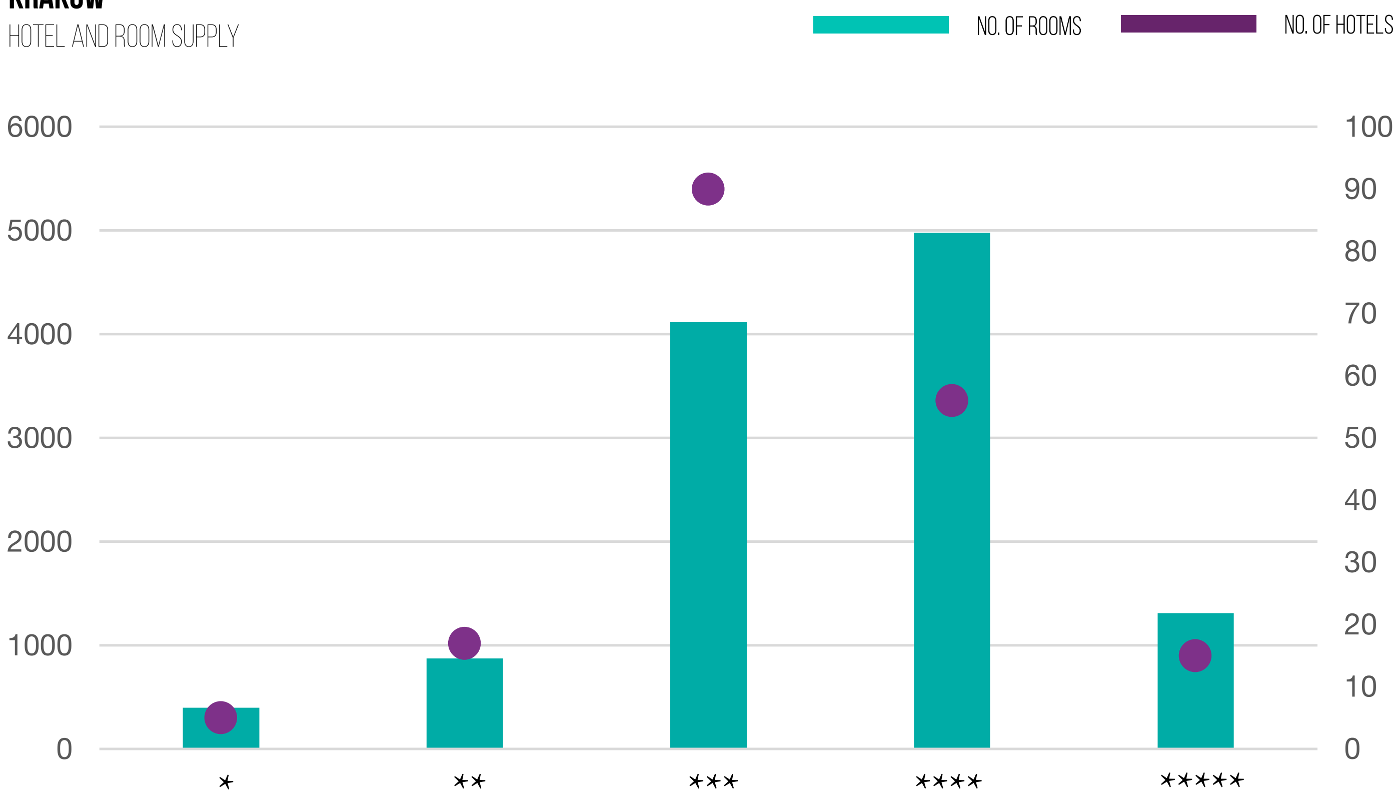
43%
HOTEL ROOMS

11%
HOTEL ROOMS

2020 HOTEL MARKET HIGHLIGHTS

- 8 new boutique hotel properties opened in Kraków with a total of 286 rooms.
- In October 2020 a new dual branded project was announced by Kraków's airport under the Greet and ibis Styles brands, which is to be developed based on a franchise agreement between Accor and the investor – Cracovia Airport Hotel company.
- In November 2020 Louvre Hotels Group announced concluding a letter of intent for operating a new hotel under the Golden Tulip brand, which is also planned by Kraków's airport.

KRAKÓW
HOTEL AND ROOM SUPPLY

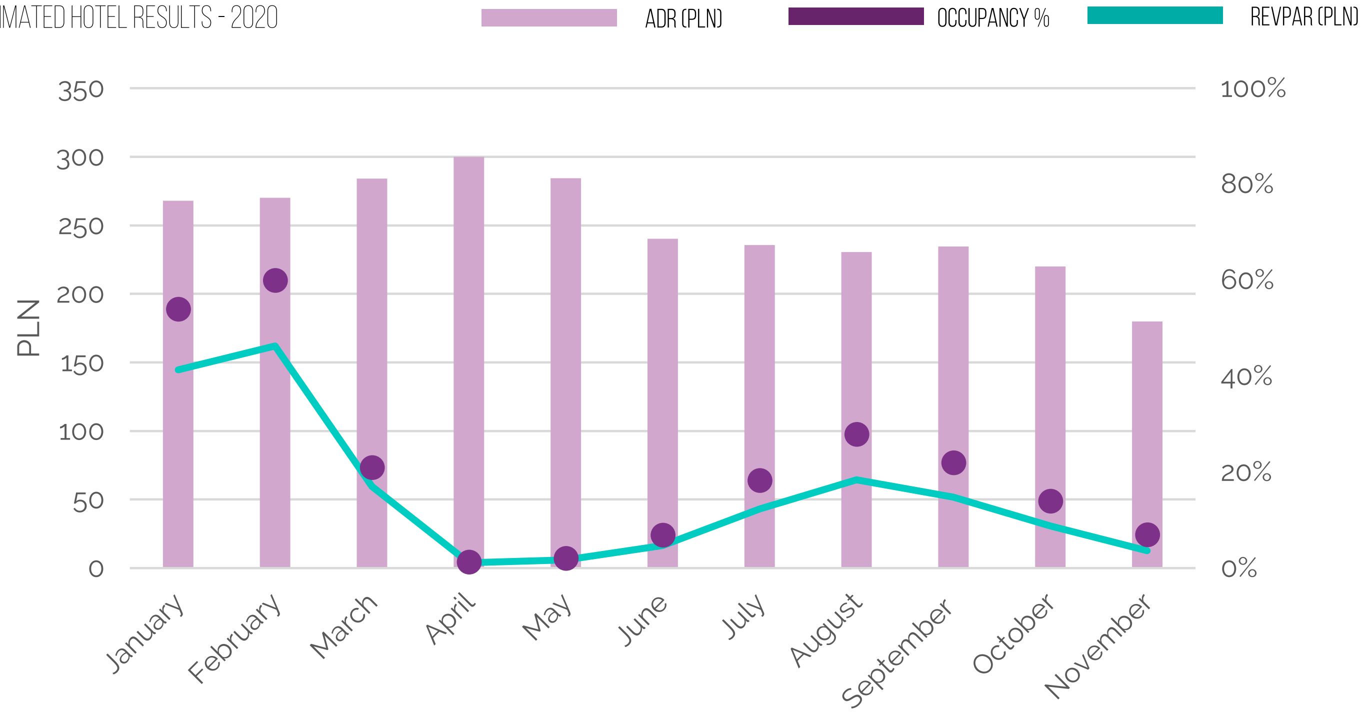


Source: Hotel Professionals Research Hub

AVERAGE OCCUPANCY, ADR & REVPAR

KRAKÓW

ESTIMATED HOTEL RESULTS - 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties

Kraków has been the hardest hit hotel market by the COVID-19 impacts among the largest cities in Poland. Kraków's market relies to a great extent on foreign tourists, which per annum account for over 50% of all guests accommodating in tourist accommodation establishments in the city. Since the outbreak of the pandemic the average monthly occupancy in Kraków has not exceeded 30%.

In April the average occupancy and RevPAR reported by a few open hotels was close to 0, while the highest RevPAR since February was reported in August, when it reached PLN 64 with an average occupancy of 28%. In 2019, Kraków was a leader in terms of the RevPAR index among all Polish cities. RevPAR reached ca. PLN 240 and was about PLN 6 higher than Warsaw's RevPAR. Year over year, the index increased by about 2%. The average occupancy rate of 76% with an ADR rate of PLN 315 allowed Kraków to outrun the capital city.

Pre-COVID, Kraków has been a strong hotel market, recording continuous year-over-year RevPAR growth in years 2010-2019.

Kraków is a market which attracts international leisure tourists throughout the entire year, with the high season being in the summer months. Demand for hotel services in recent years has also been strengthened by both national and foreign business, as well as MICE guests, thanks to which the seasonality in Kraków's market has been relatively low.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 8 small boutique hotels with a total of 286 rooms entered Kraków's market. In 2021 several hotels, which construction is at an advanced stage, are planned to be delivered, including AC by Marriott by Błonia, which will be one of the largest hotels in the city, as well as ibis Styles Mogilska and Mercure Kraków Fabryczna.

In 2021 two 5-star hotels are also scheduled for opening: first hotel under the Curio Collection by Hilton brand in Poland and debuting in Poland Autograph Collection by Marriott brand. Should all the above mentioned hotels open – in 2021 Kraków's room inventory may grow by 1000 new rooms. New hotels coming into the market are larger in size, the avergae number of rooms per hotel is 150-200.

Currently, due to the state of pandemic part of the hotel projects in the investment pipeline have been put on hold, selected opening dates have been or will be postponed and part of the developments may not be realized at all.

New hotel openings in 2020

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Art Suites	★★★★	17	H15 Palace Hotel	★★★★★	70
Avena by Artery	★★★★	47	Maximum	★★★	50
Garbary Boutique Hotel	★★★	15	The Bridge Suites Kraków	uncategorized	23
Centrum Hotelowo-Konferencyjne Krowodrza	★★★★	38	M29	★★★★	26
Total rooms			**286**		

Source: Hotel Professionals Research Hub

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel na ul. Lubicza	★★★★	61	Gertruda Boutique Hotel	n/a	n/a
Hyatt Place	★★★★	216	Holiday Inn Express Kraków Airport	★★★	158
AC by Marriott	★★★★	300	Hampton by Hilton Airport Hotel	★★★	173
Hotel Ferreus	★★★★★	70	Adagio Aparthotel	n/a	190
Radisson Red	★★★★	230	Hotel przy Błoniach	★★★★	263
Ibis Styles Mogilska	★★★	259	TRIBE Kraków Stare Miasto	★★★	170
Mercure Kraków Fabryczna City	★★★★	200	Moxy Kraków Airport	★★★	n/a
King Salomon Hotel	★★★★	117	Le Meridien – rebranding Hotelu Royal	★★★★★	120
Nobilium	★★★★	46	Hotel Arche Kraków	n/a	150
Autograph Collection by Marriott	★★★★★	125	Indigo Kraków Wawel Royal Castle	★★★★	76
Curio Collection by Hilton, Hotel Saski Kraków	★★★★★	113	Voco Kraków – Montelupi	n/a	44
Golden Tulip Balice Kraków	★★★★	116	Greet & ibis Styles Kraków Balice	n/a	161
Hampton by Hilton Kraków-Balice	★★★	173	-	-	-

Source: Hotel Professionals Research Hub

TRICITY

There are 94 hotels functioning in Tricity, offering a total of ca. 7 920 hotel rooms, of which just over 50% are affiliated with a global, regional or national brand. 3-star and 4-star have a similar share on the market, as they account for 40% and 39% of the total hotel room supply in Tricity respectively. Among the 3-star (economy & midscale) segment, globally branded rooms account for only 37% of the rooms supply in Tricity, providing an opportunity for global brands to enter this segment. Hotels positioned in the 5-star category rank 3rd offering ca. 990 rooms.

IN 2020 THE HOTEL MARKET GREW BY **CA. 520** NEW HOTEL ROOMS

94
HOTELS

OK. 7 920
HOTEL ROOMS

53%
BRANDED HOTEL ROOMS

40%
HOTEL ROOMS

39%
HOTEL ROOMS

12%
HOTEL ROOMS

TRICITY
HOTEL AND ROOM SUPPLY

Source: Hotel Professionals Research Hub

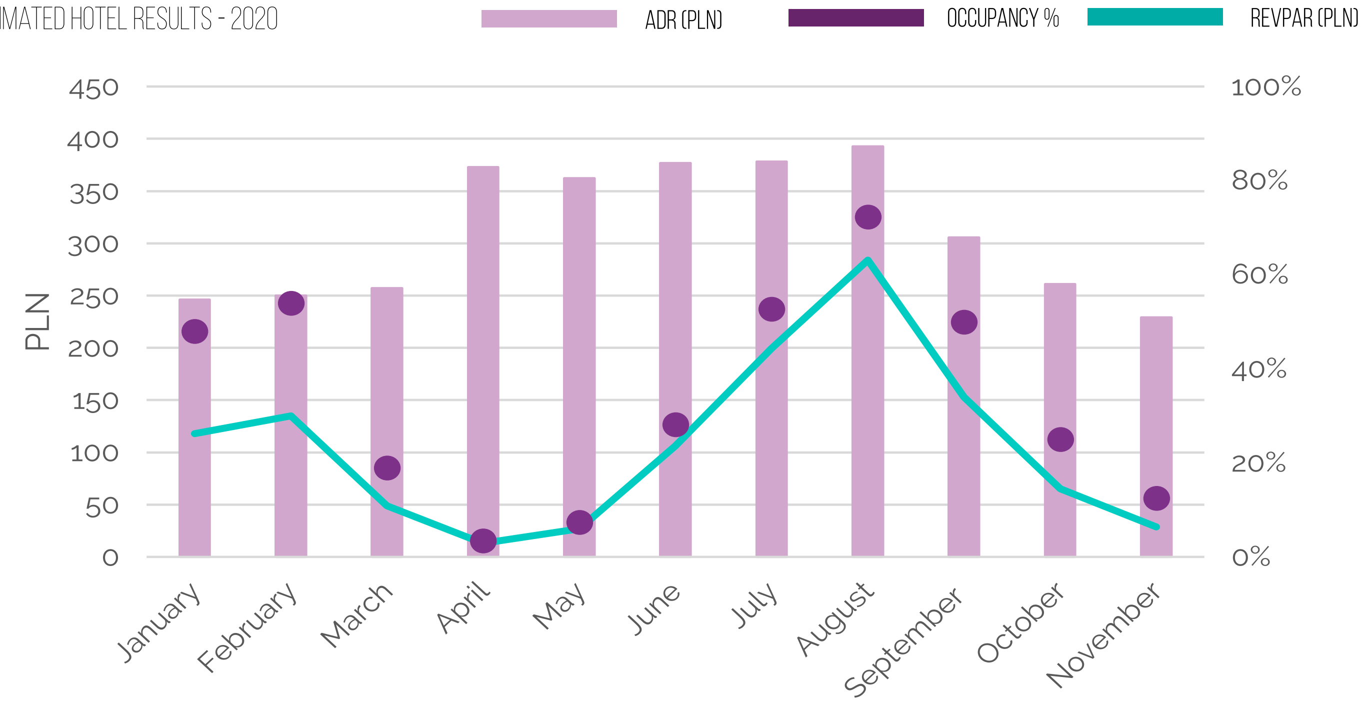
2020 HOTEL MARKET HIGHLIGHTS

- Close to 500 rooms in 4 hotels were delivered to Tricity's market, including one globally branded hotel under the Radisson Blu brand in Sopot, which was also the largest hotel opened in 2020 in Tricity.
- In October 2020 investor FB Antczak announced plans to develop a new hotel under the Holiday Inn Express brand by the Lech Wałęsa airport in Gdańsk with 156 rooms, which is to be delivered in 2022.

AVERAGE OCCUPANCY, ADR & REVPAR

TRICITY

ESTIMATED HOTEL RESULTS - 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties

Tricity as a market attracting mainly leisure tourists achieved the highest RevPAR index among largest Polish cities in 2020. This result is in line with the trend observed on the global level – namely seaside hotels attracting national leisure tourists have reported a quicker and higher rebound in months just after the lockdown compared to city based hotels.

In case of Tricity this was particularly visible during July and August. In August selected hotels in Tricity reported an average occupancy exceeding 70%, what was a record result in the COVID-19 reality among major cities in Poland, as well as in the entire CEE region. As such an average occupancy just above 70% with an average rate at ca. PLN 390 resulted in a RevPAR result close to PLN 285, what has been an encouraging result in the COVID-19 reality.

In 2019 the avergae occupancy in Tricity reached 69% with an ADR at ca. PLN 330 – such an average rate placed Tricity at first place among largest Polish cities in terms of the ADR. Such a high rate was achived mainly due to Sopot, which per annum achives one of the highest rates during the summer months among major Polish cities. Sopot's market is highly seasonal, which on the other hand is offset by lower seasonality in Gdańsk, which also attracts business tourists throughout the entire year.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020, Tricity's market recorded a relatively small increase in the supply of hotel rooms. 5 hotels opened, delivering close to 520 rooms to the market. It is worth noting that 2 hotels opened in Sopot – adding a total of ca. 330 rooms to a realitively small submarket, what translated into an increase by 1/5 of the rooms supply in Sopot.

In the Spring of 2021 a nationally branded hotel of the Arche Group chain is scheduled for opening in the place of the former Clinical Hospital of St. Mary in Dolne Miasto. According to Hotel Professionals' knowledge, the majority of projects in the planning phase have been put on hold, as a result the effective investment pipelinie in Tricity is currenlty small. It is difficult to determine which part of the pipeline will in fact be delivered.

New hotel openings in 2020

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel Grano	★★★★	136	Radisson Blu Sopot	★★★★	219
Hi Hotel	★★★	32	Sopotorium Medical Resort	★★★★	110
Gdynia Boutique	★★★	22	-	-	-
Total number of rooms			520		

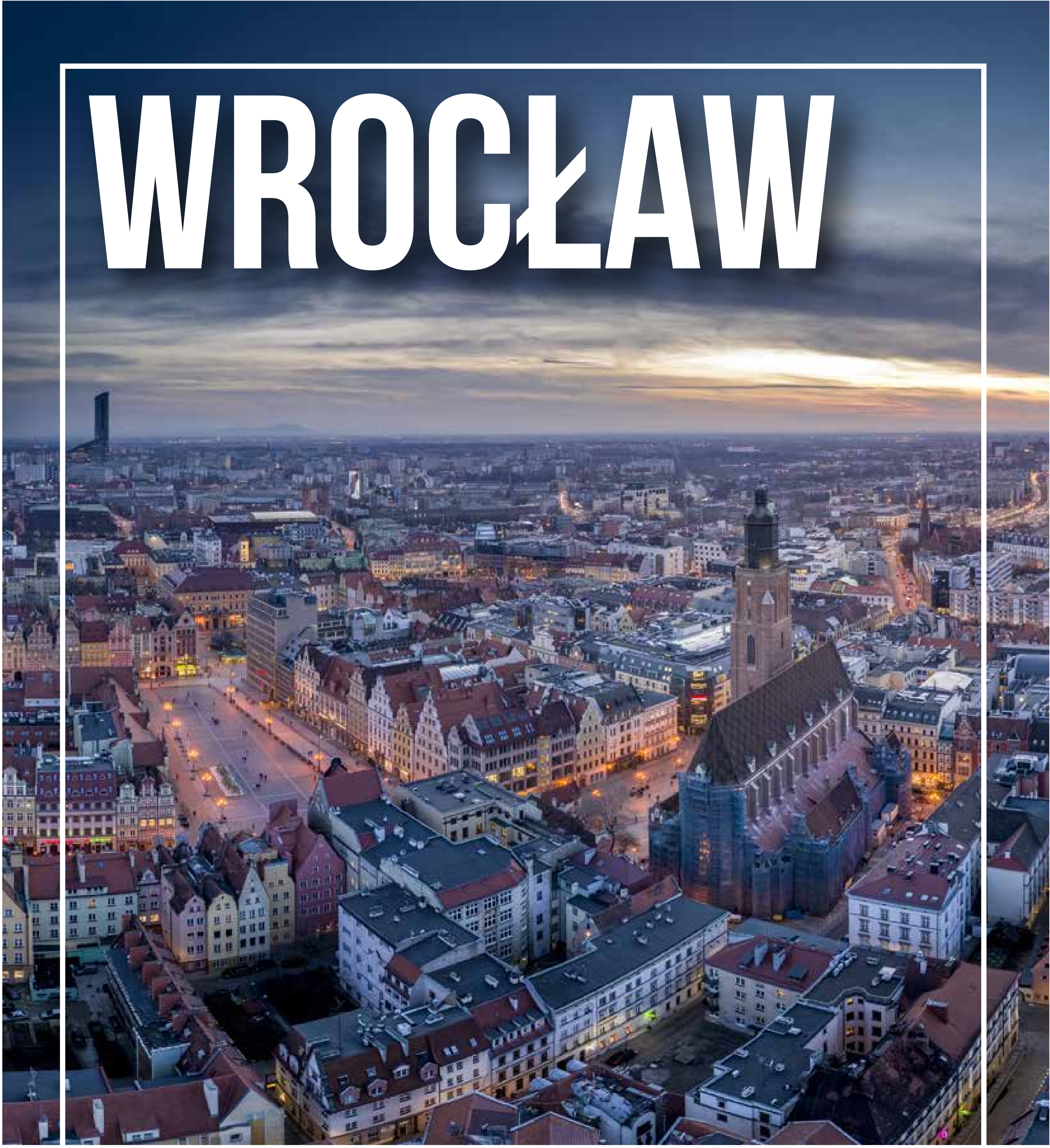
Source: Hotel Professionals Research Hub

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel by Śląska str. in Gdańsk	n/a	n/a	Holiday Inn Express Gdańsk Airport	★★★	156
Dwór Uphagena (Arche)	★★★★	240	Arche Hotel Airport (investment on hold)	★★★	n/a
Renaissance Gdańsk (investment on hold)	★★★★★	250	Crowne Plaza Sopot	★★★★	230
Hotel in former LOT headquarters in Gdańsk	★★★★	120 – 150	Holiday Inn Express Gdańsk Oliwa (investment on hold)	★★★	210
Hotel Diament Gdańsk (investment on hold)	★★★★	Ca. 150	Staybridge Suites Gdańsk Oliwa (investment on hold)	★★★★	136
Indigo Gdańsk Old Town (investment on hold)	★★★★	Ca. 67	-	-	-

Source: Hotel Professionals Research Hub

WROCŁAW



Wrocław's hotel market offers nearly 5 550 hotel rooms in 64 hotels. Approximately 60% of all existing hotel rooms are branded. 3-star rooms which constitute approximately 40% of the rooms supply dominated in the city. The second largest segment is 4-star, which accounts for roughly 32% of the rooms supply. The 5-star segment accounts for approx. 13% of total hotel room supply in Wroclaw.

IN 2020 THE HOTEL MARKET GREW BY **40** NEW HOTEL ROOMS

64
HOTELS

OK. 5 550
HOTEL ROOMS

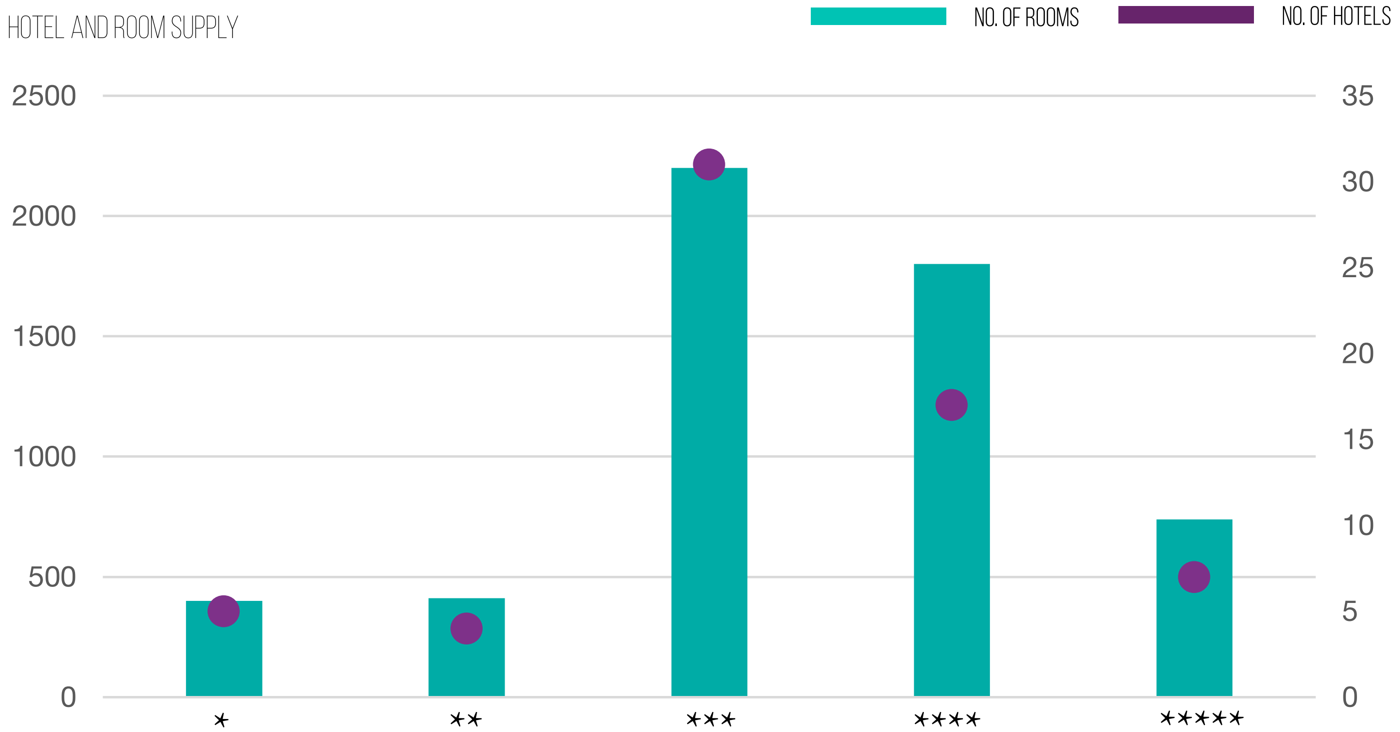
60%
BRANDED HOTEL ROOMS

40%
HOTEL ROOMS

32%
HOTEL ROOMS

13%
HOTEL ROOMS

WROCŁAW
HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub

2020 HOTEL MARKET HIGHLIGHTS

- The Sofitel Wrocław Old Town hotel was closed. In Q3 2020, the management board of the Orbis groupannounced a decision not to extend the lease contract and not to reopen the hotel, which was temporarily closed due to the pandemic. The hotel was operating on Wrocław's market since 2001 and offered 205 5-star rooms.

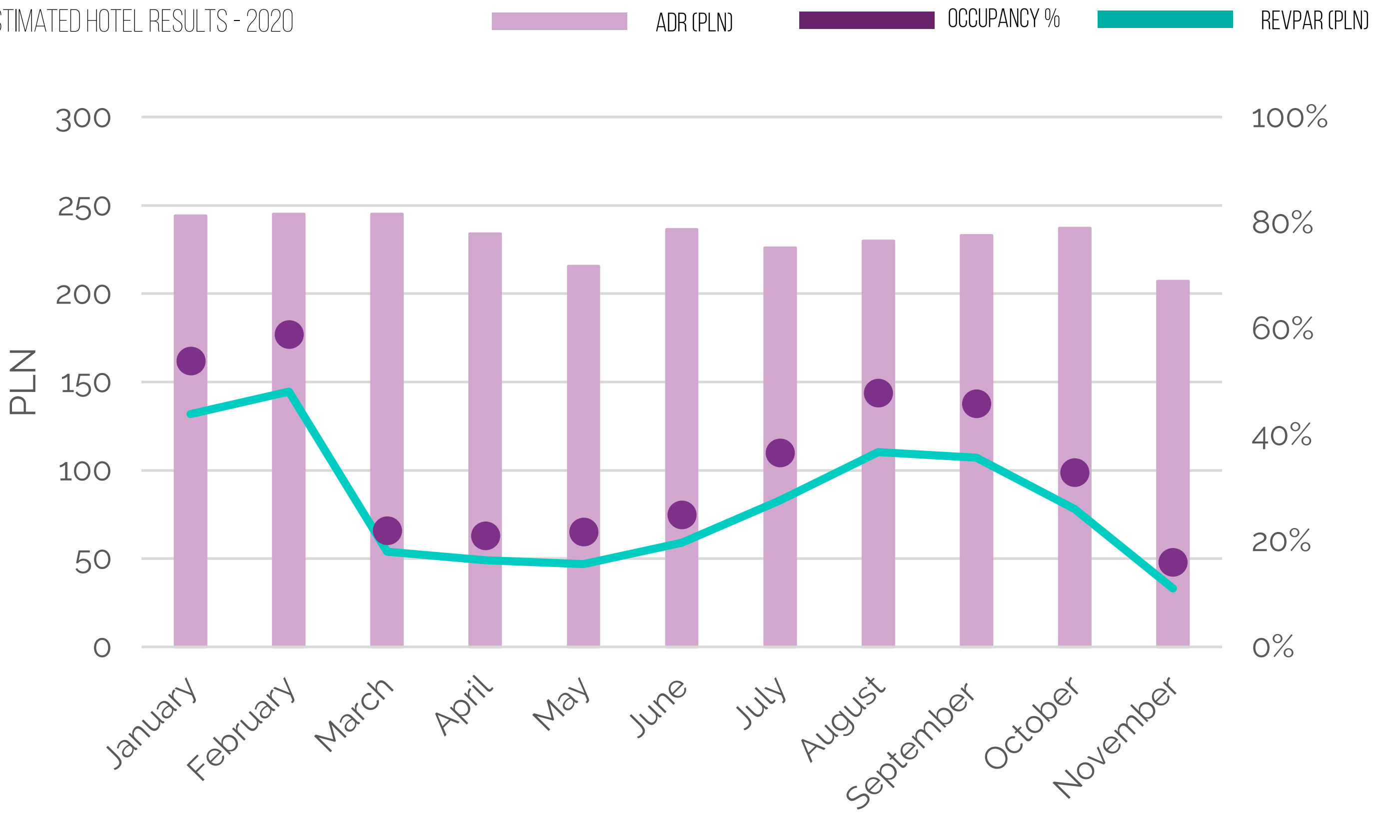
- Polski Holding Hotelowy announced that in July 2020, the 2-star Wieniawa hotel will undergo a thorough modernization and will join the Marriott International chain taking on the Four Points brand. PHH and Marriott conclude a letter of intent in Q3 2020.

- One new hotel property opened with 40 rooms – the Old Town Haston Wrocław by 1 Nankiera street.

AVERAGE OCCUPANCY, ADR & REVPAR

WROCŁAW

ESTIMATED HOTEL RESULTS - 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties

Wrocław turned out to be the leading market after the outbreak of the pandemic in terms of the average monthly occupancy in April and May. Wrocław was the only market to record an average occupancy above 20%, while in other major cities the average occupancy oscillated below 10%. Such a result was achieved in part due to the LG concern, whose employees stayed in Wrocław's hotels due to an ongoing infrastructural project carried out in the city.

In the months from June to September, Wrocław was the second leading city, only Tricity's market recorded a higher occupancy rate in the summer months. In October, Wrocław again recorded the highest occupancy rate among Poland's major cities.

The best month for Wrocław since the outbreak of the pandemic was August, when the average occupancy reached almost 50%, and an ADR of ca. PLN 230 resulted in a RevPAR result of PLN 110.

In 2019, for the entire market, the average annual occupancy rate was around 73%, and the average rate per day was around PLN 255.

In years 2010-2016, the average rates recorded by Wrocław's hotels were among the lowest among the largest cities, however in years 2017-2019 the rates began to increase. In 2019, the ADR rate increased by 5% y/y, reaching the level of PLN 255, which contributed to RevPAR growth at the level of approx. 8% y/y. Moreover, in the years 2014-2019 Wrocław recorded a systematic increase in the RevPAR index, which was particularly visible in 2016, when Wrocław held the title of the European Capital of Culture. The average occupancy in Wrocław in years 2017-2019 was just above 70%.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 one new hotel property opened with 40 rooms. In 2021 a hotel of the Arche Group with 120 rooms by Wrocław's airport is planned for opening, as well as Q Hotel in Bielany Wrocławskie and Aparthotel Studio Plac Dominikański just across from the DoubleTree by Hilton hotel. The renovation of the Grand hotel, which began in 2017 is still underway. The construction works are to be completed by the end of 2021 and the modernized hotel will offer 172 rooms. Part of the projects in the planning and conceptual phase have been put on hold due to the current situation connected with the pandemic.

New hotel openings and closures in 2020

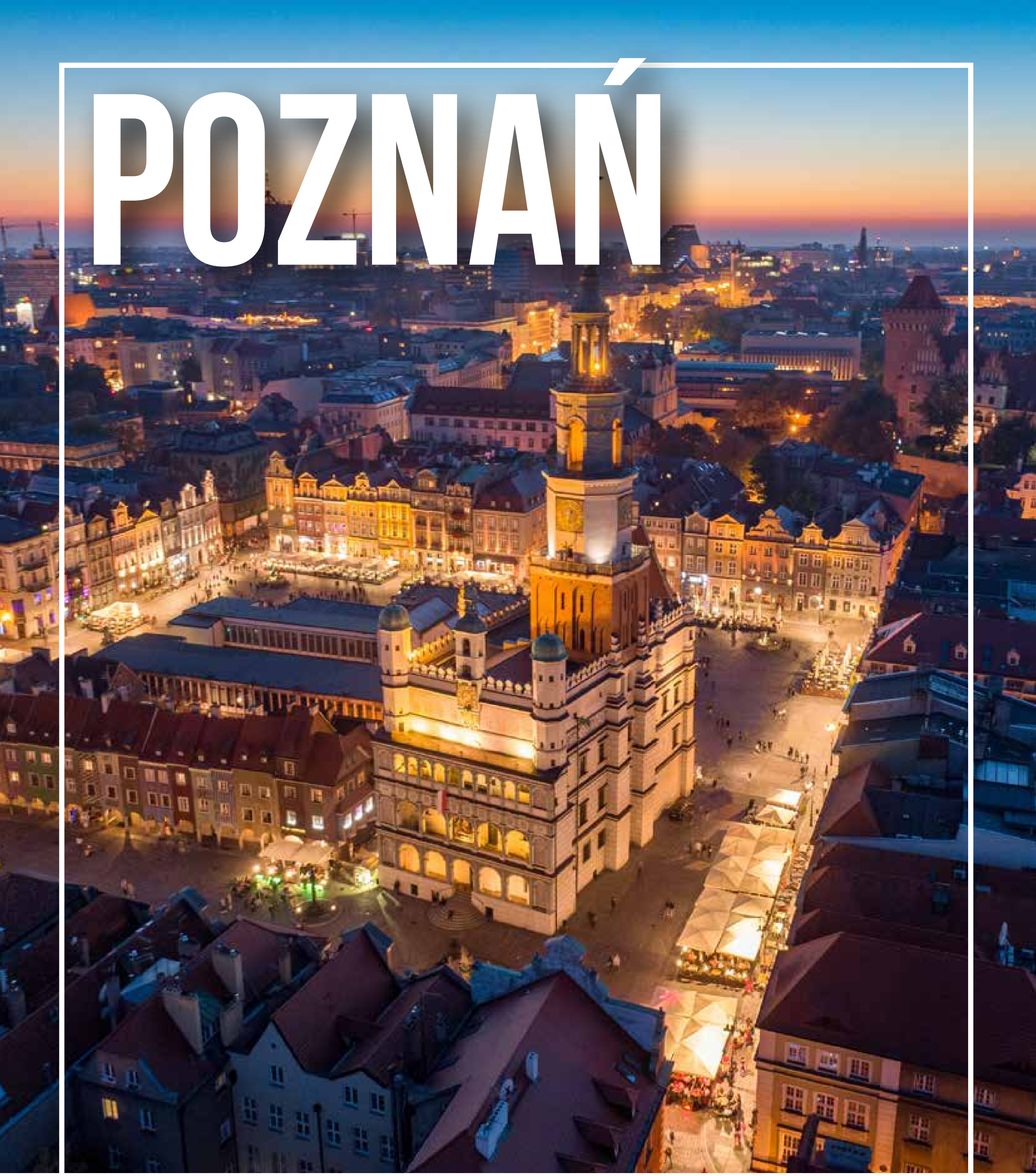
Hotel	Category	No. of Hotel Rooms
Old Town Haston Wrocław	★★★★*	40
Hotel closure – Sofitel Wrocław Old Town	★★★★★	205
Total Rooms	**+ 40** **- 205**	

Source: Hotel Professionals Research Hub

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Holiday Inn Express Wrocław South	★★★	142	Aparthotel Studio Plac Dominikański	n/a	138
Hampton by Hilton Airport	★★★	100	Puro Hotel (investment on hold)	★★★★	337
Four Points by Sheraton Wrocław – rebrandning of Wieniawa Hotel	★★★★	143	Altus Palace (investment on hold)	★★★★★	81
Grand Hotel	★★★★	172	Hotel Lothus – enlargement (investment on hold)	★★★★	105
Q Hotel Bielany Wrocławskie	★★★★	209	Indigo Wrocław Old Town (investment on hold)	★★★★	92
Arche Hotel Wrocław, Rdestowa str.	★★★	120	Blue Sky Hotel (investment on hold)	★★★★	107
Arche Klasztor	n/a	83	-	-	-

POZNAŃ



The supply of hotels in Poznań amounts to 67 hotel properties with a total of 4 330 rooms, among which 59% operate under a global, regional or national brand. 3-star rooms dominate as they make up ca. 43% of the total supply in the city, of which 30% are globally branded. The second largest segment is 4-star, where 53% of rooms belong to a global hotel chain. There are only 2 hotels in the 5-star standard, offering a total of 270 rooms.

IN 2020 THERE WERE NO NEW HOTEL OPENINGS

67
HOTELS

OK. 4 330
HOTEL ROOMS

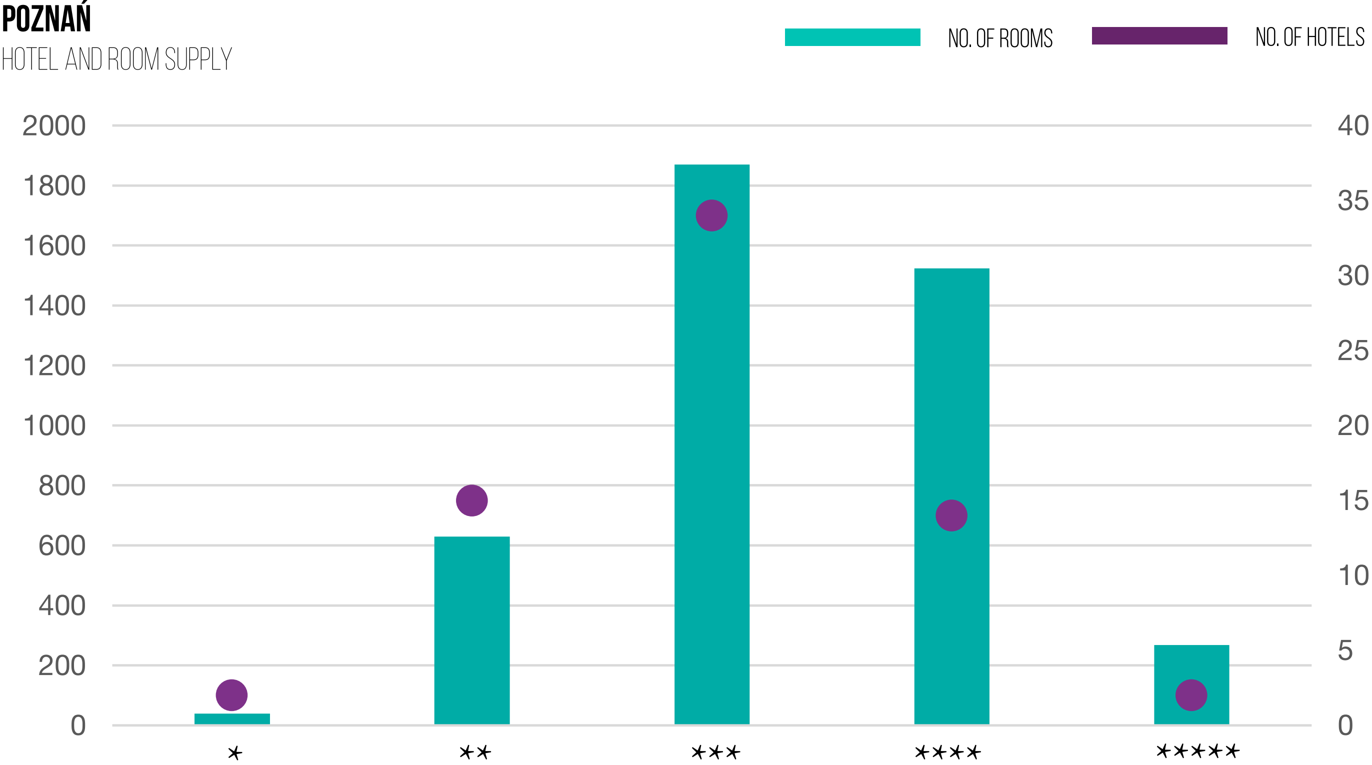
59%
BRANDED HOTEL ROOMS

43%
HOTEL ROOMS

35%
HOTEL ROOMS

6%
HOTEL ROOMS

POZNAŃ
HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub
*The presented data include full hotel inventory, including hotels which have been temporarily closed due to the Covid-19 pandemic.

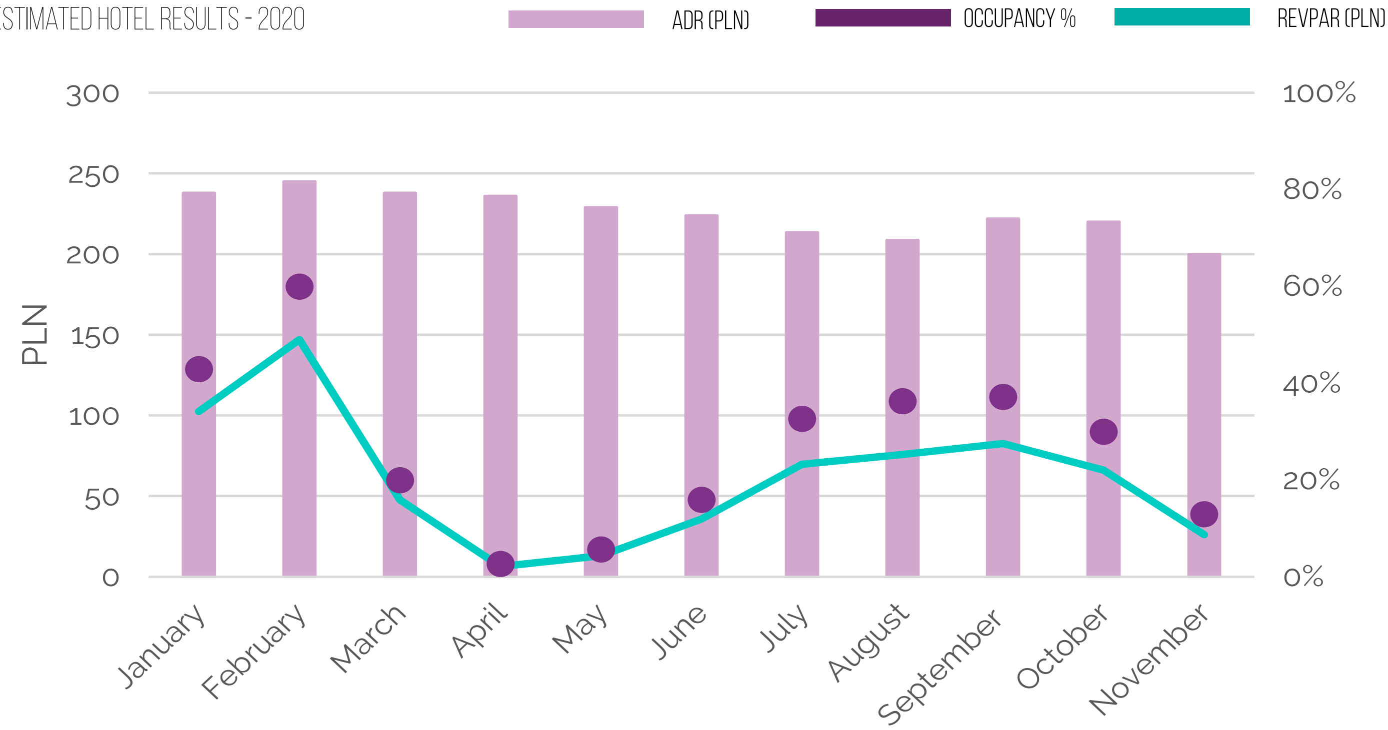
2020 HOTEL MARKET HIGHLIGHTS

- In Q2 2020 the Blow UP Hall 5050 hotel located within the Stary Browar complex was permanently closed. The hotel opened in 2009 and offered 22 5-star rooms
- There were no hotel openings in 2020.
- In July 2020 Polski Holding Hotelowy announced that the 3-star Ikar hotel will undergo a major modernization and will join the Marriott International chain taking on the Four Points by Sheraton brand. PHH and Marriott International concluded a letter of intent. Works are planned to commence in Q2 2021 and should be completed not earlier than Q3 2023.

AVERAGE OCCUPANCY, ADR & REVPAR

POZNAŃ

ESTIMATED HOTEL RESULTS - 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancies for open hotels, mainly branded hotel properties

In months June - September, Poznań was third in terms of the average occupancy among major Polish cities, reporting results higher than Warsaw and Kraków. Since February, Poznań recorded the highest occupancy in September, when it was close to 40%. In Q3 Poznań was often selected as a destination chosen for city-breaks for couples and families travelling for leisure purposes.

The hotel market in Poznań as a whole has been struggling with low results in recent years, making efforts to improve them. In recent years, Poznań had an average annual occupancy of approx. 60-62% per annum, which was one of the lowest results among the largest cities. In 2018-2019, Poznań's market recorded a significant increase in the supply of hotel rooms - 7 hotels with a total of 600 rooms opened, as well as after several years of renovation and rebranding of the former Novotel hotel (480 rooms), the two-brand Novotel and ibis Centrum (516 rooms in total) was delivered to the market.

Summing up the new supply - this market grew by 1/3. In 2018, Poznań ended the year with a 10% increase in the RevPAR index, while in 2019, the trend reversed and the market recorded an approx. 8% decrease in RevPAR.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 there was no hotel opening in Poznań. On the other hand, Poznań's hotel market reported a decrease in the number of rooms, which was due to the permanent closure of Blow Up Hall 5050 hotel, which operated since 2009 and offererd 22 rooms in the 5-star standard. At the finishing stage is a small boutique hotel – the Authors Boutique Hotel. The remianing projects in the pipeline are at the planning phase and part of them may postponed, put on hold or may not be realized.

New hotel openings / closures in 2020

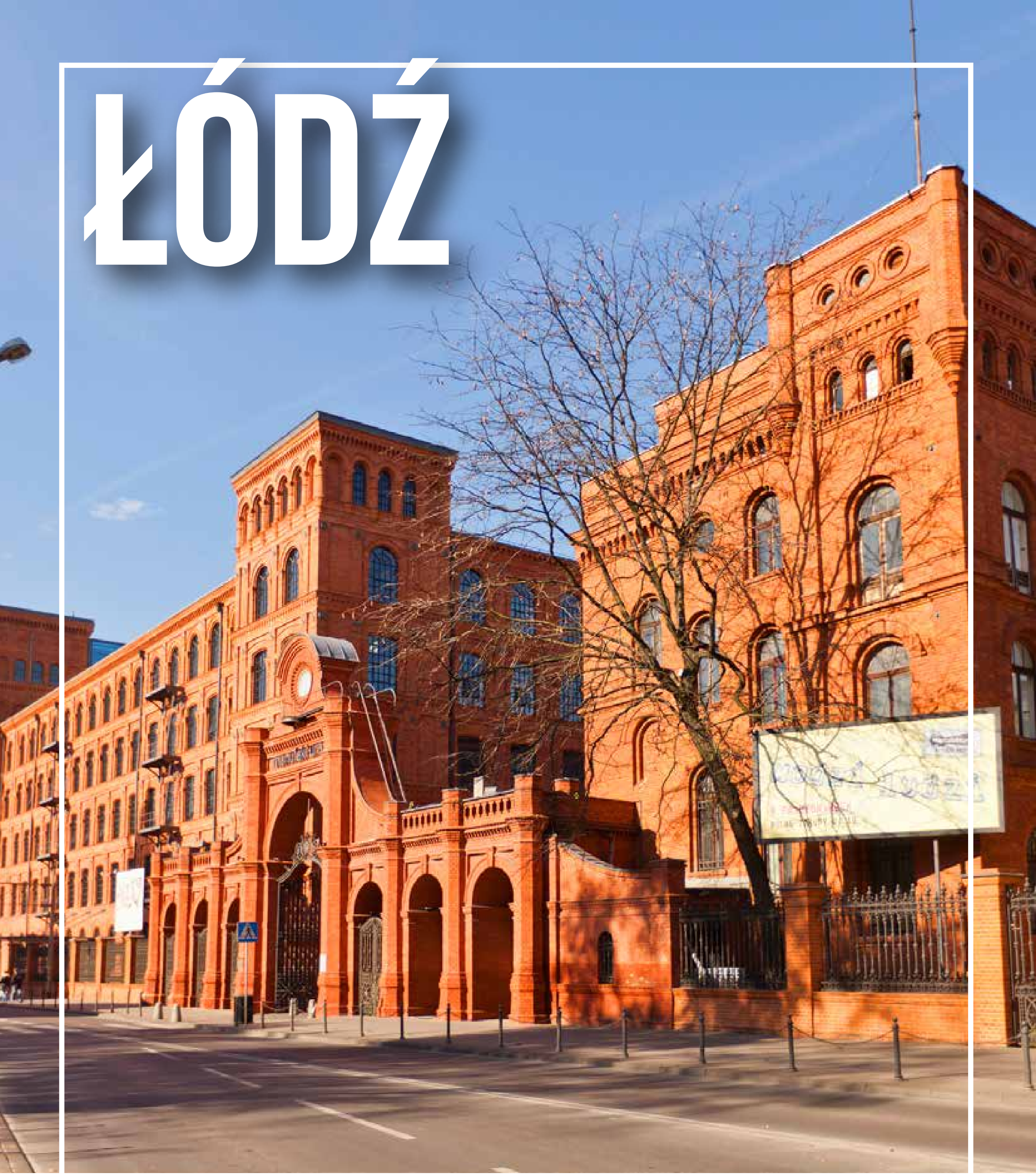
Hotel	Category	No. of Hotel Rooms
Hotel permanantly closed – Blow Up Hall 5050	★★★★★	22
Total rooms	**- 22**	

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Sure Hotel by Best Western Poznań	n/a	40	Four Points by Sheraton – rebranding & modernization of Ikar	★★★★	Ca. 144
Holiday Inn Express Poznań Airport	★★★	111	Hotel Occidental, Barcelo Group	★★★★	n/a
Authors Boutique Hotel	n/a	20	AC Hotel by Marriott	★★★★	150
Edison Park Hotel , BW Premier Collection	★★★★	63	Andersia Silver – globally branded hotel (investment on hold)	★★★★	217

Source: Hotel Professionals Research Hub

ŁÓDŹ



There are 33 hotels operating in Łódź. Among ca. 3 010 hotel rooms, 58% belong to a hotel chain. There are no hotels in the 5-star category. The 4-star segment dominates and accounts for roughly 41% of the total hotel room supply in Łódź, while the 3-star rooms segment accounts for 34% of the room inventory in the city.

IN 2020 THERE WERE NO NEW HOTEL OPENINGS

33
HOTELS

OK. 3 010
HOTEL ROOMS

58%
BRANDED HOTEL ROOMS

34%
HOTEL ROOMS

41%
HOTEL ROOMS

0%
HOTEL ROOMS

ŁÓDŹ
HOTEL AND ROOM SUPPLY

Source: Hotel Professionals Research Hub

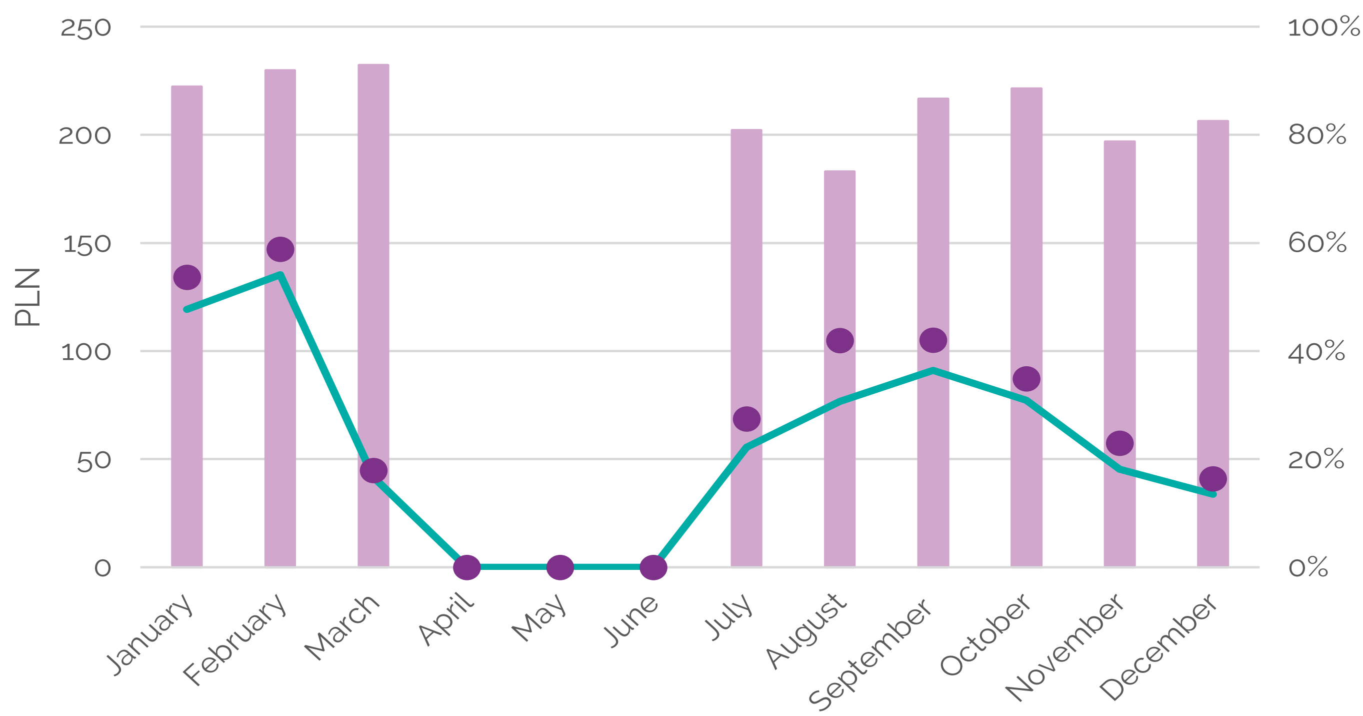
2020 HOTEL MARKET HIGHLIGHTS

- No hotel opened in Łódź in 2020, however two hotels were closed: 2-star Piast hotel with 83 rooms and 3-star Światowit hotel with 149 rooms. At the beginning of 2019 the Polonia hotel, which opened in 1913 was sold to an investor, who began a thorough modernization and upgrading process of the hotel. However after the outbreak of the pandemic the investor decided to convert the property to a residential building, while the Światowit hotel which opened in 1977 r. was leased to the Sami Swoi z Bełchatowa company, which will convert the hotel to an accommodation property for workers.
- Representatives of Polski Holding Hotelowy and BWH Hotel Group signed a letter of intent for introducing the new Aiden by Best Western brand to Łódź – the Reymont hotel will undergo a rebranding process and will operate as a Aiden by Best Western hotel.
- The opening of the Hampton by Hilton Łódź City Center hotel within the Hi Piotrkowska complex scheduled for 2020 was postponed.

AVERAGE OCCUPANCY, ADR & REVPAR

ŁÓDŹ

SELECTED 3- & 4-STAR HOTELS I KPIS IN 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*No data available for April, May and June
*Occupancies for open hotels, mainly branded hotel properties

Selected hotels from the 3- and 4-star segments in Łódź recorded the highest occupancy since February in August and September, when it reached just above 40%, while the highest RevPAR was achieved in September – ca. PLN 90, with an average rate just below PLN 220.

The development of the hotel market in Łódź is to a great extent connected with the development of the BPO sector in the city. In 2019 the city ended the year with an increase of the RevPAR index at the level of ca. 8% year-over-year. This change was mainly attributed to the growth of the ADR, while the average occupancy remained at a similar level to 2018. In years 2017-2019 the average annual occupancy in Łódź was at ca. 62-63% per annum, while the ADR was growing and in 2019 it reached PLN 220.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 no hotel opened in Łódź, however two hotels closed: Piast and Światowit. Under construction is Hotel Pietryna by 40 Piotrkowska street and its opening planned for Q1 2021. Near commpletion is the Hampton by Hilton Łódź City Center hotel, part of the Hi Piotkowska complex - the opening was scheduled for 2020, however it has been postponed. Renovation and modernization works are still underway at the Grand hotel. Arche Group announced that initial construction works of a mixed-use facility by Włókniarzy/Mickiewicza street, which includes the palnned Arche Hotel Kaliska are to comence in Q2 2021.

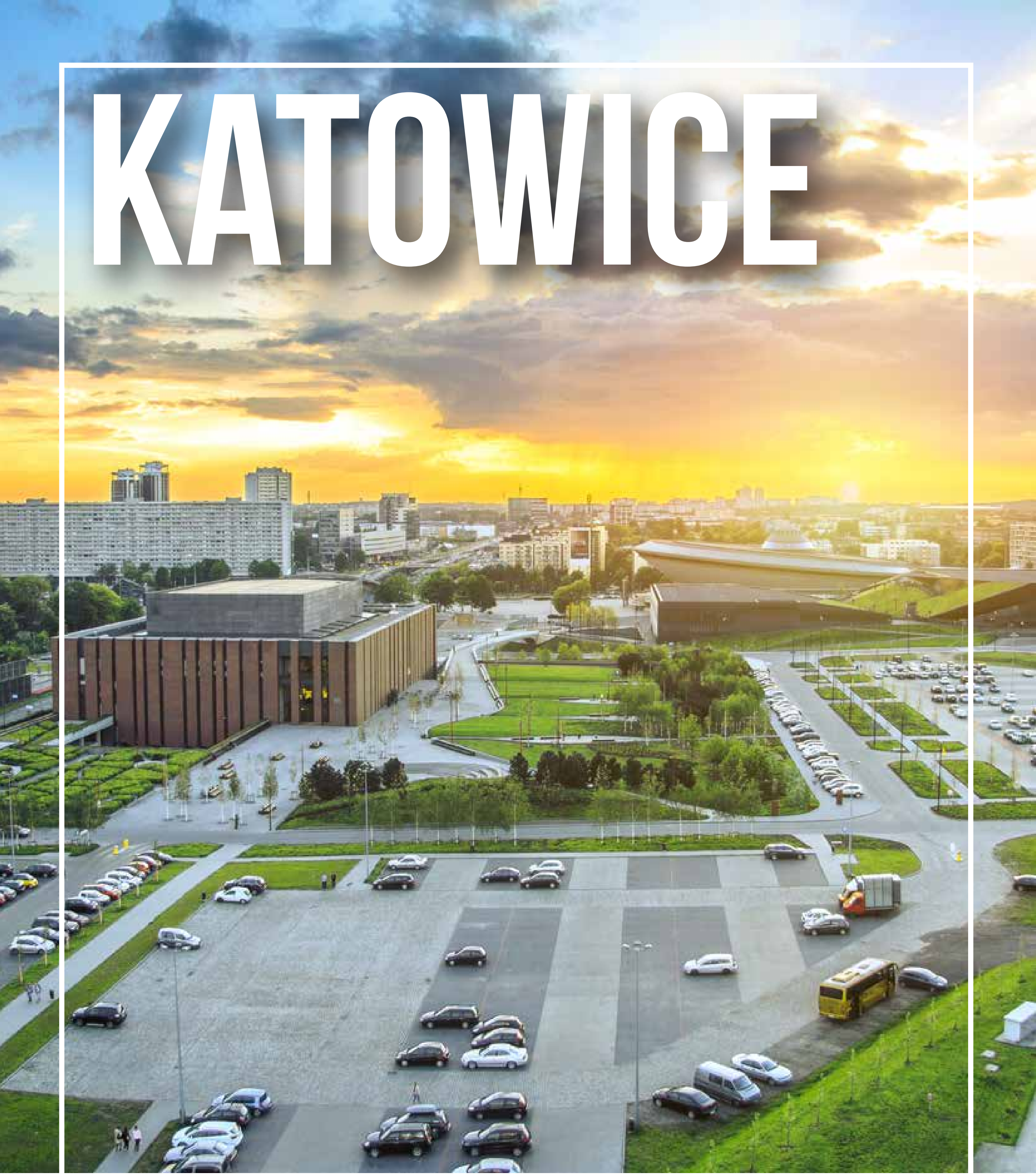
Hotel closures in 2020

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel Polonia	★★	83	Hotel Światowit	★★★	149

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel Pietryna	★★★	61	Center Hotel by Piotrkowska str. (investment on hold)	★★★★	156
Hampton by Hilton Łódź City Center	★★★★	149	Grand Hotel	★★★★★	200
Hotel in former synagoge by Pomorska str.	★★★	129	Arche Hotel Kaliska	n/a	248
Aiden by Best Western Reymont – rebranding of Reymont Hotel	★★★	72	-	-	-

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 20 hotels offering approx. 2 130 rooms. 2-star hotel rooms are the second largest segment – they constitute ca. 19% of the market share. 3-star hotel rooms account for roughly 17% of the room supply. Branded hotels constitute roughly 76% of all rooms in the city.

IN 2020 THERE WERE NO NEW HOTEL OPENINGS

20
HOTELS

OK. 2 130
HOTEL ROOMS

76%
BRANDED HOTEL ROOMS

17%
HOTEL ROOMS

53%
HOTEL ROOMS

5%
HOTEL ROOMS

KATOWICE
HOTEL AND ROOM SUPPLY

Source: Hotel Professionals Research Hub

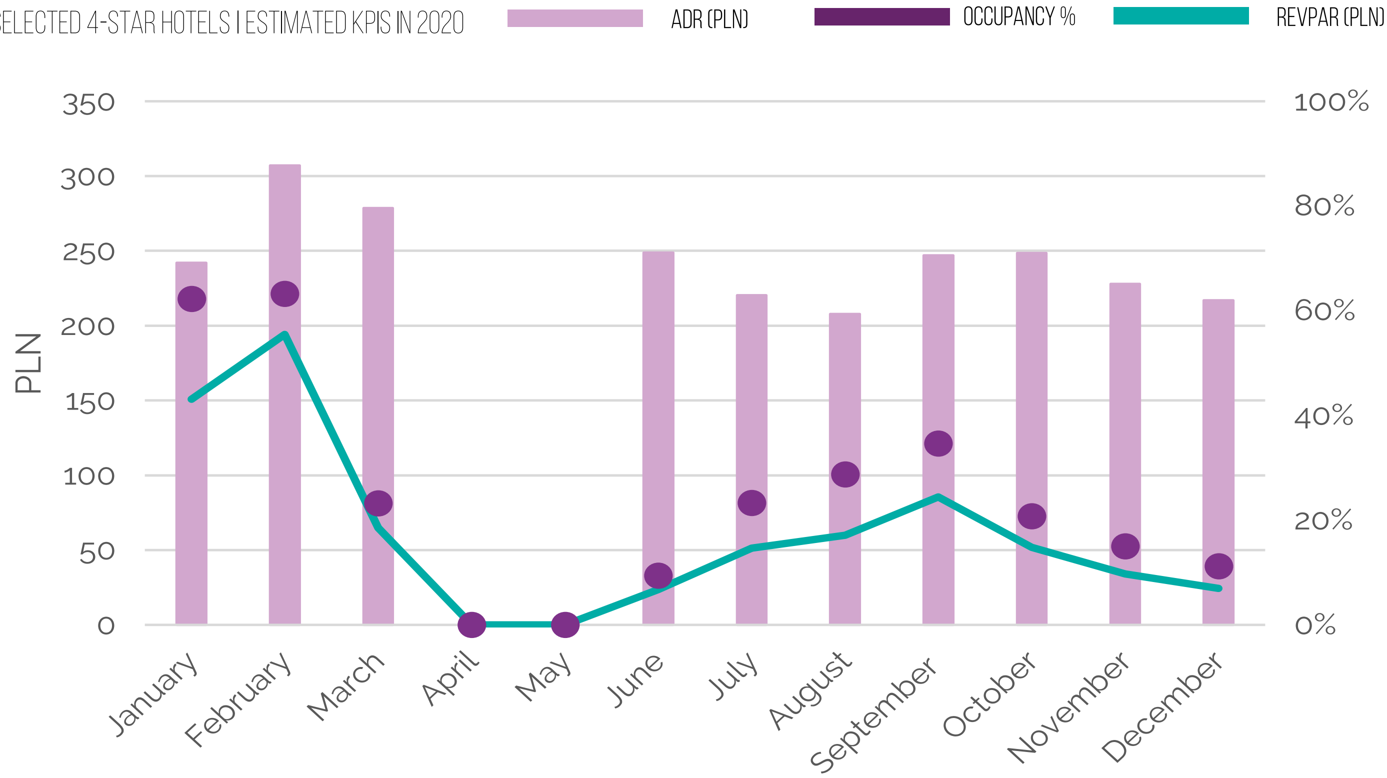
2020 HOTEL MARKET HIGHLIGHTS

- No hotel opened in 2020.
- At the beginning of 2020 it was announced that a 3-star Moxy branded hotel will be developed as part of the Nova Silesia complex.
- In February 2020 Vienna House announced that the first in Poland hotel under the new "hybrid" brand R.evo will open in Katowice.
- In October 2020 Polski Holding Hotelowy and the InterContinental Hotels Group chain concluded a franchise agreement for the voco brand – after undergoing a thorough modernization and upgrading the existing Katowice hotel (with 2- and 3-star rooms) will be rebranded to voco Katowice.

AVERAGE OCCUPANCY, ADR & REVPAR

KATOWICE

SELECTED 4-STAR HOTELS I ESTIMATED KPIS IN 2020



Source:Hotel Professionals Research Hub based on own data and STR Global
*No data available for April, May
*Occupancies for open hotels, mainly branded hotel properties

Katowice, as a whole had a very tough 2020 due the MICE and business character of Katowice's hotel market. Selected 4-star hotels ended the year with an average RevPAR of 65 PLN, with an ADR of 252 PLN and occupancy rate of 26%.

In recent years Katowice compared to other major city markets was among the lower performing markets in terms of the achieved ADR. A positive trend was however a recorded ADR growth since 2017, which resulted in RevPAR growth r/r, while the average annual occupancy remained at a similar level of 66-67%.

Katowice has been a market with slow demand growth and high dynamics of ADR growth, which confirms the business nature of this destination with a slowly growing segment of individual tourism.

In recent years the hotel market in Katowice has benefited from the development of the MICE sector in the city. Thanks to new MICE infrastructure developed, the city was able to obtain both international conferences, such as COP24, the World Conference on Doping in Sport or the cyclical European Economic Congress, as well as smaller business events and cultural events. In 2022 Katowice will host the 11th edition of the World Urban Forum. The 2020 edition held in February in Abu Zabi was attended by 13 thous. participants, 450 panelists from 168 countries and 133 exhibitors.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2020 there were no new hotels delivered to the market. Construction works at the modernized and enlarged Diament Plaza hotel are nearing completion and its opening is planned for 2021. Under development is also the Mercure Katowice City Center hotel with 268 rooms, as well as a hotel property under a new brand – R.evo (Vienna House). Both properties are planned to open in 2021. Three hotel investments have been officialy put on hold, while the investor of the Moxy hotel project is waiting for a buidling permit to be issued.

Planned hotel openings in 2021-2023

Hotel	Category	No. of Hotel Rooms	Hotel	Category	No. of Hotel Rooms
Hotel Diament Plaza Katowice - enlargement	★★★★	135	Moxy (Nova Silesia)	★★★	144
Mercure Katowice City Center	★★★★	268	Hotel Qubus (investment on hold)	★★★★	97
Puro Katowice (investment on hold)	★★★★	246	Kyriad + Premiere Classe (investment on hold)	★★★/★	204
voco Katowice – modernization & rebradning of Katowice Hotel	★★★★★	n/a	R.evo Katowice	★★★★	203

Source: Hotel Professionals Research Hub

WHY IS CONDO CONTINUOUSLY SUCCESSFUL? – JACEK TOKARSKI

CONDO, APART HOTEL, APARTMENTS FOR SHORT-TERM RENTALS – WHAT ARE THEY EXACTLY?

In Poland, we do not have legal regulations or even clear definitions of these terms, and the condo model, which has been operating for many years, e.g. in the USA, has not been adopted in Poland on similar principles. The following brief explanation is based on the market standards and terms used customarily in domestic condo investment offers.

A typical "condo" model is the fixed-rent model, in which the operator is the leasee of all premises that have been purchased by many independent investors. We also have a condo hotel with variable rent (dependent on revenues) and many mixed variants, which are better or worse, but fortunately more and more honestly informing about the risk. An apart hotel should also be considered as a typical condo model.

An apart hotel is usually a property that formally serves a residential function, more often in an apart hotel the developer / operator allows the buyer to reside the apartment or optionally included the apartment in the reservation system. Apartments for short-term rentals function very similarly, but often they do not even offer basic amenities and common areas found in hotels (Airbnb model).

WHY IS THE CONDO MODEL DOING WELL (AND INCREASINGLY BETTER)?

- **SMALL CHOICE OF ALTERNATIVE FORMS OF INVESTMENT**

  Individual investors do not have a large choice of forms of investing in real estate, especially when they do not have the time or the will to deal with it on a daily basis. There are still no REITs established, which give the possibility of investing even small amounts in apartments for rent. FIZs are too big a vehicle for small and family investors. In addition, the liquidation of the Open Pension Fund and, as a result, the almost collapse of the stock exchange reduced the possibilities of this form of investment, and for dessert recently the final blow given to limited partnerships, formally still possible, but no longer profitable.

- **CONDO/APART HOTEL IS AN ORGANIZED BUSINESS IN WHICH OWNERS DO NOT HAVE TO WORRY ABOUT THE LEASEE, MAINTAINING THE APARTMENT, SECURITY, REPAIRING DEFECTS ETC.**

  In the long term, the best properties are those entirely focused on inclusion in the reservation system without the owner being able to reside it - a typical investment vehicle secured by real estate. In such a system, the leasee should provide not only hotel management, including rental and guest service, but also take care of the property and rooms. Of course, it should not be assumed that the ranges of costs of renovation and maintenance are regulated by "general provisions". Such important issues should be regulated in the lease contract. Regarding renovations and disputes about who is responsible for what, this is one of the main causes of conflicts between room owners and operators (leasees).

FIXED RENT OR TURNOVER RENT? OR MAYBE A MIX?

In market practice, there are many models of operator settlements with owners of condo rooms. Fixed rent is slowly becoming the dominant model due to the buyers' interest in this type of offer and the owners' lack of interest in the way the hotel is managed. This variant is to a large part unfavorable for the owner of the condo, because in a situation where the property has good *or excellent earnings, the condo owner will not benefit from it in the form of a profit share. Moreover, in a deep crisis, such as the current C19 pandemic, the owner will not receive the full rent, and in many cases will not receive it at all - operators have renegotiated contracts with condo unit owners and during the period of the hotel's closing due to C19 do not pay the fixed rent. 2020 has shown that the assumed rates of return may not be achieved. Thus, the terms 'guaranteed return on investment' are no longer used. Like any investment, the condo is also subject to risk. The fixed rent not adjusted to the operational capabilities of the property may not be paid, even in "normal" times. Therefore, the buyer of condo units should pay attention to the standard and location of the facility and the amount of the fixed rent, which in most cases is the product of the selling price and the specific rate of return.*

Fixed rent also has many advantages, mainly the simplicity of settlements. An example is the lack of distinction between better or worse apartments/rooms by the hotel operator. Yes, the rent may depend on the purchase price, and this depends on the location of the room or apartment, but the willingness of hotel guests to choose one or another room does not affect the amount of rent in a given period.

Lease agreements with operators of the properties are in most cases long-term (15-20 years) and the hotel market is subject to economic fluctuations just like any other market. Owners of condo units with a lease based on fixed rent do not benefit from occupancy and ADR increases in the given property. Therefore, a frequently used mechanism for calculating the rent is the so-called 'turnover rent'. The owner receives a certain percentage of the revenues from the sale of hotel rooms/apartments. A well-calculated and verifiable turnover rent is a motivating solution for the operator, who also has to earn, and thus tries to optimally manage operating costs.

On the other hand, in the event of an economic downturn, it is the operator of the property that takes the risk of paying the fixed rent to the owner and makes up for any possible rent surcharge with a profit in periods of higher occupancy and higher rates of hotel services.

The combination of the advantages of the two models (variable and fixed rents) is a hybrid model with an agreed, low fixed rent and turnover rent. Such a model is a market standard in shopping centers and in the case of hotel leases by international hotel chains. There are different structures for turnover rents in the market. Often, operators offer a very high share of the revenue from the sale of rooms - up to 80%. However, it should be remembered that in this case the owner of the condo has to cover a number of operating costs and at the end of the day, with optimal cost management by the operator, the effective rent for the owner is approx. 25-30% of the rental revenue of the condo unit. Therefore, in our opinion, a simple model based on low fixed rent and turnover rent, assuming that the operator incurs all operating costs, may be a good solution for all sides of the condo market.

Regardless of the model chosen, condo properties usually pay rents (the exception is the pandemic period, when they cannot receive guests at all), while there are a number of investments where too high calculated rents cause delays and problems with paying such rents. There are also at least a few examples of bankruptcy. On the other hand, the ownership right is such a strong security that in such situations the facility is usually run by another operator or even by a community of owners. This requires commitment, but does not result in a permanent loss impossible to make up for.

A significant part of the profit, especially for long-term investors, is still the increase in the value of condo rooms. Considering the distance that separates us from the values in the "old EU" countries, as well as in relation to the long-term growth in tourism in our country, real estate in good locations should significantly increase in value for many years to come. This applies to both real estate located in typical resort towns and cities.

CONDO AND HOTEL CHAINS, A BETTER OPTION OR ONLY ADDITIONAL COSTS?

- *Hotel chain standards require a specific quality of finishing and building technical standards. The increased cost of development pays off in the long term with higher durability and being a competitive player on the market for an extended period of time.*
- *A typical investment offer without the possibility of residence, but with additional benefits for the buyer.*
- *We cannot hang our grandmother's portrait - rooms according to the chain's and operator's requirements without the option of individual finishing and individual touches.*

Jacek Tokarski MRICS
Partner | Chief Operating Officer
Hotel Professionals

HP & HPMG 2020 NEWS HIGHLIGHTS

JANUARY
MOXY WARSAW PRAGA

Moxy Warsaw Praga managed by Hotel Professionals Management Group received 4 awards: "New Hotel of the Year" (10th Annual Eurobuild Awards), "Best 3-star hotel" and "Most innovative hotel of the year" (Profit Hotel Awards, "Hotel Idea of the Year" (Hotel z Pomysłem)

JANUARY
HOLIDAY INN EXPRESS WROCŁAW

Hotel Professionals Management Group concludes an agreement for the management of a 3-star hotel under the Holiday Inn Express brand under development in Wrocław

FEBRUARY
NEGOTIATION

Hotel Professionals advises investor in negotiating business conditions of franchise agreement with the Accor Group leading to a successful acquisition of an economy brand in Poznań

MAY
FINANCING UPSCALE APARTHOTEL FACILITY IN MIELNO

Hotel Professionals represents investor in obtaining financing for an existing upscale aparthotel facility in Mielno

JULY
OPENING OF THE SUNTAGO VILLAGE BY HPMG

Hotel Professionals Management Group as the development coordinator and management company, following the completion of the pre-opening period leads to a successful opening of the Suntago Village complex part of Park of Poland

JULY
NEGOTIATION

Hotel Professionals advises Marvipol Development in negotiating business terms of a franchise agreement with the Accor Group for the Movenpick hotel in Kołobrzeg leading to a successful contract completion

DECEMBER
OPENING CROWN PLAZA AND HIEX IN WARSAW HUB

Hotel Professionals Management Group completed providing asset management services for the dual-branded hotel – Crowne Plaza and Holiday Inn Express Warsaw Hub to Ghelamco Poland, which opening took place in December 2020.

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