YEAR END REPORT 2021

HOTEL MARKET IN POLAND

Hotel Professionals

Advisory + Management Services

TABLE OF CONTENTS

IT'S COMPLICATED ...

- ALEX KLOSZEWSKI

This has been another complex year for the hospitality sector in Poland and most of the CEE.

I tried to redact this yearly introduction and forecast for 2022 at least 5 times in the past few weeks, every attempt I abandoned, due to the fluid and daily changing of the COVID 19 developments.

We have been producing the hotel market yearly reports for the past 15 years. The previous end year report (2020) was certainly challenging particularly with COVID 19. As everyone in this industry knows, we are presented with the same challenge when reflecting on 2021. The hotel and tourism industry has been battered the past 20 months, and what is most worrisome is we don't see a clear path and forecast towards normalcy for our sector, anytime soon.

My life in this industry started when I was seven years old, with my family's first trip abroad, and then a lifetime of travel, living in countries such as Poland, Argentina, USA, Aruba to finally come back to Poland in 2000. I started my first business in tourism when I was 19 in Practical Transportation Services, followed by Trans Mundi (charter operator), and in 1973 started my hotel career in the hospitality arena.

My professional career has been truly an amazing journey, I opened 22 hotels, managed hotels, developed hotels, and had regional assignments in Latin America and the Caribbean. With over 55 years in active duty, in various parts of the world, I witnessed our industry struggle several times. Some of these international challenges include 9/11, terrorism attacks in many parts of the world, wars, recessions, global financial crisis, SARS and Mers. Despite these globally impacted events, our industry always showed resilience, and recovered in relatively short periods.

Pre COVID, the global tourism arrivals grew circa 3.5 % yearly for 20 years, up to 2.3 billion travels, The 2020 and 2021 combined international arrivals dropped by 70%.

The pandemic has inevitably created a devastation in the world, affecting most businesses and industries. We have not witnessed such global dislocation in a century, and with this said, we are still globally living in the unknown of how this pandemic will continue to unfold. We are experiencing the most difficult era for the accommodation business, one that will still linger with the slow recovery, and transformation.

When I met with the representatives of the major hotel chains in Poland in early December, as I do every year, I questioned them about their 2021 trading and new hotel projects developments. Not to my surprise, they all presented the same answers - The number of new projects signed this year was lower than predicted. On a positive note, the hotels performance was better than 2020.

In 2021, hotels operated for only 6 months due to lockdowns and restrictions. Despite this, the summer and autumn season was much improved to last year. The RevPAR growth in Poland YoY was circa 34%. The hotel occupancies in our country with 6 months of trading this year ended at circa 48%. (Not a bad result for only half a year of operations)

The most concerning factor brought up by the chain representatives was the lack of bank financing for future investment. The financing institutions are waiting until they see a clear and sustainable sign that our sector is worthy of credit. This also confirms our *discussions with the banks this year, and even when they return to the traditional financing of hotels, the LTV (Loan to Project Cost), will be only 50 to 60 %.*

SOME POSITIVES 2021

In every negative, there are always positives to find during this challenging time. Some of the positives include the COVID 19 mRna vaccines, new medical and scientific methods in saving lives, and lastly, we as a society have had to learn and continue adapting on how to fight the pandemic worldwide. The hospitals, although still extremely stressed with occupied beds due to the new Omicron variant, have been dramatically more efficient in dealing with the pandemic. Many new medications and vaccines are coming to the global fight in the coming few weeks. Paxlovid and Novovax, should add to the arsenal in transitioning from a pandemic to an endemic.

These past two years have taught us how to adapt within the pandemic. Some of these changes within our industry includes, how to work from home, conducting our hotel operations with high degree sanitation for our guests and staff. The general managers learned how to reduce costs beyond limits to try to make a GOP at their properties. The Polish banks waited until this past July in getting back to the hotel current owners for serving their parked loans. Creative vacation packages for the summer season were enjoyed by the domestic family and leisure travelers. The overall, (some exceptions in city center properties) season occupancies and ADRs were better than Pre Covid.

THE DISRUPTORS

To state that the last two years has been difficult is an understatement. The known 'unknowns' such as restrictions, lockdowns, homeschooling, inflation, interruptions in distribution channels, geopolitical relations, medical development all make it difficult to prognose the future. Globally we all feel overwhelmed, fatigued, and trapped in the conundrum, however the hospitality platform is resilient and always comes back. People need to meet, travel, discover, feel life as worth living. Humans are social creatures, and this will never change. These are the knowns!

LOOKING INTO THE FUTURE

The Airline industry will experience 50% load factors versus 2019. The sector will come back with pre covid load factor middle of 2023. Domestic corporate travel and leisure will be the industry's segments workhorses 2022. International short haul demand will improve for corporate and leisure travelers. There will be more business/short leisure stays in most European countries. I believe there will still be some regional lockdowns or restrictions in the EU for Q1. The timid performers will be City Centers upscale hotels with large MICE venues, and public spaces. The quickest to recover will be the economy, budget, and resort hotels.

When it comes to future hotel investments, I predict that banks will come back to lending at a higher financing cost by midyear. The recently approved EU Recovery Funds plan will include over 672.5 billion Euros. If properly used, this will be of significant help and support to the hotel sector in Poland.

I mentioned this the previous year and feel the same today. We need to use the recovery period to solidify our relationship with our customers, clients, staff, and associates. These somber times will be remembered for years, and the way we treat these communities will make them our strongest foundation.

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 slowly recovering with travelers, and airlines will see traffic improve in the EU.

2022 (OUR BEST GUESS FORECAST)

Poland occupancy for all hotels will be ca. 54 %. We forecast 4,5 % to 5% ADR growth. Most cites in Poland will see the above sentiment. We believe that nature and vacation destination venues will surge in performance again.

2022, will be a much better year, and we believe the beginning of the recovery will be felt by all participants: owners, investors, banks, guests, staff, and our families.

MAY THE FORCE BE WITH US

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

THE HOTEL SECTOR IN THE AGE OF THE PANDEMIC

Year 2021 was without a doubt, a difficult one for the hotel market. The economy started within a state of „national quarantine", introduced on 28th December 2020. It was initially scheduled to last until 17th January but was eventually extended to 11th February. During this time, hotels were ordered to close entirely, with no possibility of accepting any guests. The practice of closing hotels initiated at the beginning of the pandemic in March 2020, but it was not yet as restrictive. In 2020, during the months of complete hotel closure from the end of March to the beginning of May and in the autumn - from 7th November - hotels could still accept business travelers as well as medical service staff. The complete closure of hotels from 28th December 2020 took a total of one and a half months. In addition, hoteliers found out about the restrictions imposed by the government at a very short notice.

The recurrent extension of restrictions introduced by the government to be for „a short time", disorganised the market and prevented rational planning of activities. The uncertainty and unpredictability of government decisions made it difficult to plan work and organise any events. After more than three months of a break in operations (counting from the introduction of restrictions throughout accepting only medical service staff and business guests in November 2020 and the complete closure from the end of December 2020 until almost mid-February), the opening of hotels under a strict sanitary regime for only two weeks in February was not optimistic news for the weakened market.
Additionally, combined winter holidays coincided with the "national quarantine" period. Some venues resumed operations despite the prospect of another closure, and unfortunately from 27th February restrictions were gradually reintroduced.

The first restrictions affected hotels located in the Warmian-Masurian Voivodeship; from 13th March the closure order was extended to Pomeranian Voivodeship, followed by hotels in Mazowieckie and Lubuskie Voivodeships on 15th March. The rest of Poland was affected by the restrictions on 20th March. The workers' hotels were excluded; employees travelling on business were also allowed. The facilities, depending on their location, were closed for another one and a half to two months.

Hotels did not open until 8th May, however with a maximum occupancy limit capped at 50%. From 26th June, the maximum guest limit was increased to 75% (excluding vaccinated persons, organized groups of children and young people under 12 years of age). This restriction lasted until the end of November. From 1st December, the maximum hotel occupancy limit (excluding vaccinated persons) was reduced to 50% again, and from 15th December, to 30%. Those restrictions remained in force until the end of the year.

The summer period of 2021, after months of closure, highlighted the public's need for leisure outdoor activities and travel. There was a noticeable trend of escaping the city towards nature. Leisure destinations and out-of-town facilities experienced unprecedented levels of tourists' influx despite the sanitation regime. Facilities in the seaside and mountain tourist resorts fared much better than hotels in big cities; their rebound was much faster e.g. the Tri-City hotel market turned out to be record-breaking not only on a national scale, but also in Europe. Starting in May, it had the highest occupancy rate recorded in Poland's large cities, which lasted throughout the summer months. Kraków, on the other hand, suffered the most due to a significant reduction in foreign tourism. City hotels with an extensive conference offer were in a deep crisis for the second year in a row. Investing in modern audio-video technology to expand the offer with hybrid events was helpful, but not sufficient. Due to the limitations and difficulties in organizing events and conferences the MICE sector is going to need more time to rebuild performance to match the pre-pandemic levels.
In terms of new initiatives, there are some notable mixed-use projects, combining various functions such as office, hotel, residential or retail. They are constantly appearing and are regularly announced. Their interpenetration of the functional diversity and the synergy of mutual benefits make this trend noticeably stronger.

To summarize 2021 in the hotel industry - January, most of February, March and all of April were months in which hotels were either completely closed or could only accommodate business guests and medical services staff. The summer months saw a bounce back for hotels located in the seaside regions, occupied almost entirely by domestic tourists. The mountain regions also performed very well. The autumn, despite its natural seasonality and the threat of the 4th wave of COVID-19, also brought some high results. The city hotels of Warsaw and Krakow slowly started to recover in September. The sanitary regime has stayed with us until now and is likely to remain in force for a long time to come.

The following hotel report covers the situation in the hotel market in Poland's largest cities, and the performance data are based mainly on the results of categorized chain hotels.

HOTEL LIMITS IN POLAND

IN THE PERIOD FROM NOVEMBER 2020 TO DECEMBER 2021

YEAR	MONTH	DAY	PHASE
2020	November		No restrictions
		7	hotels and other officially categorised accommodation may only accept business and medical service guests
	December		
		28	hotels closed entirely (also for any business travel)
2021	January	17	
	February	12	hotels allowed to accept guests in a strict sanitary regime
		27	hotels closure in Warmian-Masurian Voivodship
	March	13	hotels closure in Pomeranian Voivodship
		15	hotels closure in Lubuskie and Mazowieckie Voivodships
		20	hotels closure in Poland (with exception of workers' hotels and business travel)
	April		
	May	8	hotels opening a maximum of 50% occupancy limit
	June	26	a maximum of 75% occupancy limit
	July-November		
	December	1	a maximum of 50% occupancy limit
		15	a maximum of 30% occupancy limit

Source:Hotel Professionals based on information from www.gov.pl

RESTRICTIONS VS HOTEL OCCUPANCY IN POLAND IN 2021

1. In January, the restrictions introduced at the end of 2020 were still in force and due to so-called“national quarantine” the government imposed the complete closure of hotels. They were originally planned to last until 17th January; however, they were extended until 11th February. It was not possible to accept business travelers during this time, though medical services had contracts in place with some establishments to accommodate their staff. This meant the hotels which operated at the time achieved occupancy rates of around 10%.

2. From 12th February, hotels were allowed to accept guests under a strict sanitary regime for approximately two weeks. Due to the uncertainty caused by the COVID-19 situation and in anticipation of another closure, only very few hotels chose to resume operations after a month and a half of complete closure. The average occupancy rate in hotels opened in February was around 19% in Tricity, Wrocław and Poznań, ca. 17% in Warsaw and around 12% in Krakow. However, medical services continued to be accepted at selected establishments.

3. The re-introduced closure of hotels started by voivodeship. From 27th February, the closure order applied to hotels in Warmian-Masurian Voivodeship. On 13th March, hotels in Pomeranian Voivodeship were closed; two days later, the restrictions affected hotels in Mazovian and Lubuskie Voivodeships. Starting 20th March, the closure order applied to the whole country.

4. Hotel closures in Poland (apart from workers' hotels and those accommodating business travel), lasted from 20th March to 7th May inclusive. In April, the average occupancy rate of open hotels was between 10-14%; in Krakow, that rate was only 5%.

5. The opening of the hotels with the allowed maximum occupancy of 50% between 8th May and 25th June brought some relief; people gradually started to use hotel services. The average occupancy rate in May oscillated between 22% and 26% in most major cities, except for Krakow, which recorded an occupancy rate of only 13%.

6. The warm month of June and the increased maximum hotel occupancy limit (from 26th June) to 75% (excluding vaccinated guests, who were not limited), resulted in almost double the occupancy rate compared to the previous month. In Tricity, the main destination for domestic tourism, the average occupancy rate in June was highest in the country (among the large cities), at 48%. Occupancy levels above 40% were also recorded in Poznań and Wrocław. Warsaw and Kraków recorded lower occupancy levels - 35% and only 26% respectively.

7. From July to August, the trend of high occupancy in the resort cities was even more noticeable. The highest occupancy rate, reaching a record of 85% was recorded in Tricity. The occupancy rate also reached 78% in Wrocław. Occupancy rates in city hotels in Krakow and Warsaw were the lowest in the country at the time. In August Kraków recorded an occupancy rate close to 60%; it did not exceed 50% in the other months.

8. Beginning in September, occupancy rates fluctuated around 60-70% across Poland, except for Kraków. It was highest in Tricity at 72%, while in October nationwide occupancy reached approximately 60%. In September and October Warsaw hotels began to create an impact. The average occupancy rate in Warsaw was 58% in September and 59% in October.

9. November saw several percent drops in hotel occupancy rates in most of the cities mentioned earlier. Kraków was the only place to maintain occupancy levels similar level to October (47%), but this was still the lowest compared to other large cities. In Tricity, the month-on-month drop of the occupancy rate amounted to as much as 13 p.p.

10. Beginning of December, new restrictions were re-introduced reducing the permitted maximum occupancy of hotels to 50%. From mid-December, that limit was lowered to only 30% of guests.

HOTEL OCCUPANCY RATES IN POLAND IN SELECTED CITIES IN 2021

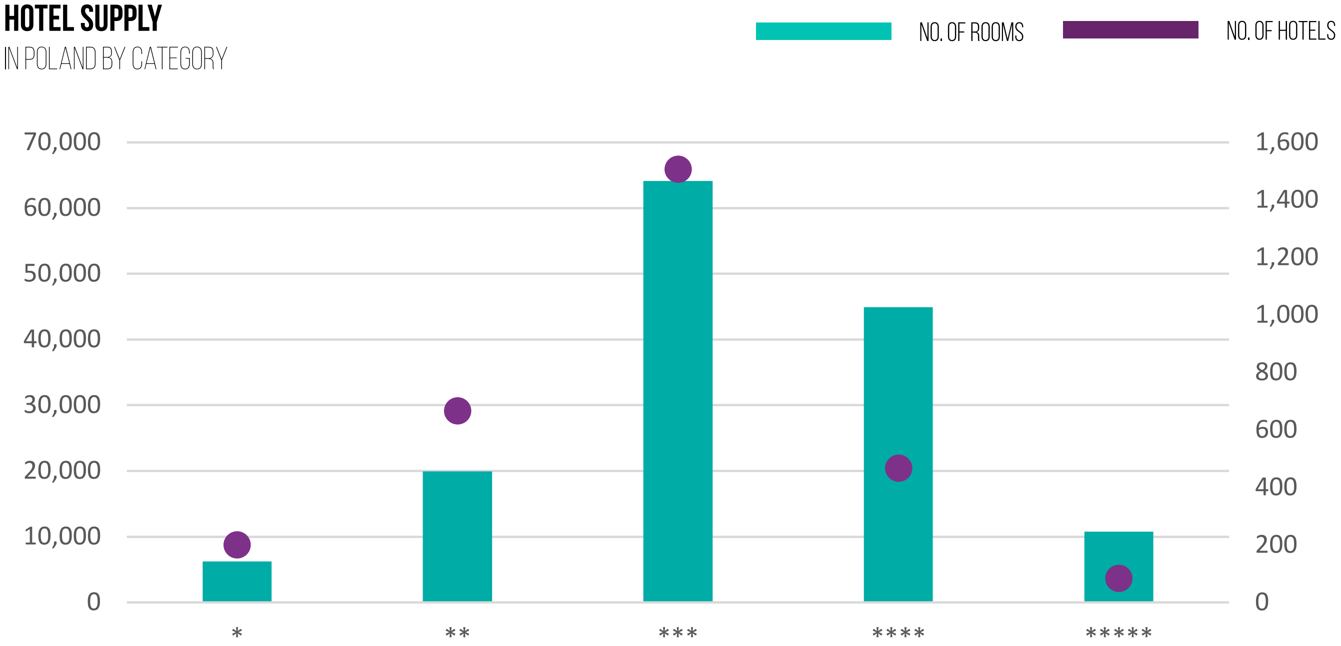
AVERAGE OCCUPANCY (OPEN REPORTING HOTELS), JANUARY - NOVEMBER 2021

Source: Hotel Professionals Research Hub based on own data and STR Global
* Occupancy of the open hotels (mainly chain) and excluding temporarily closed hotels

HOTEL MARKET IN POLAND 2021*

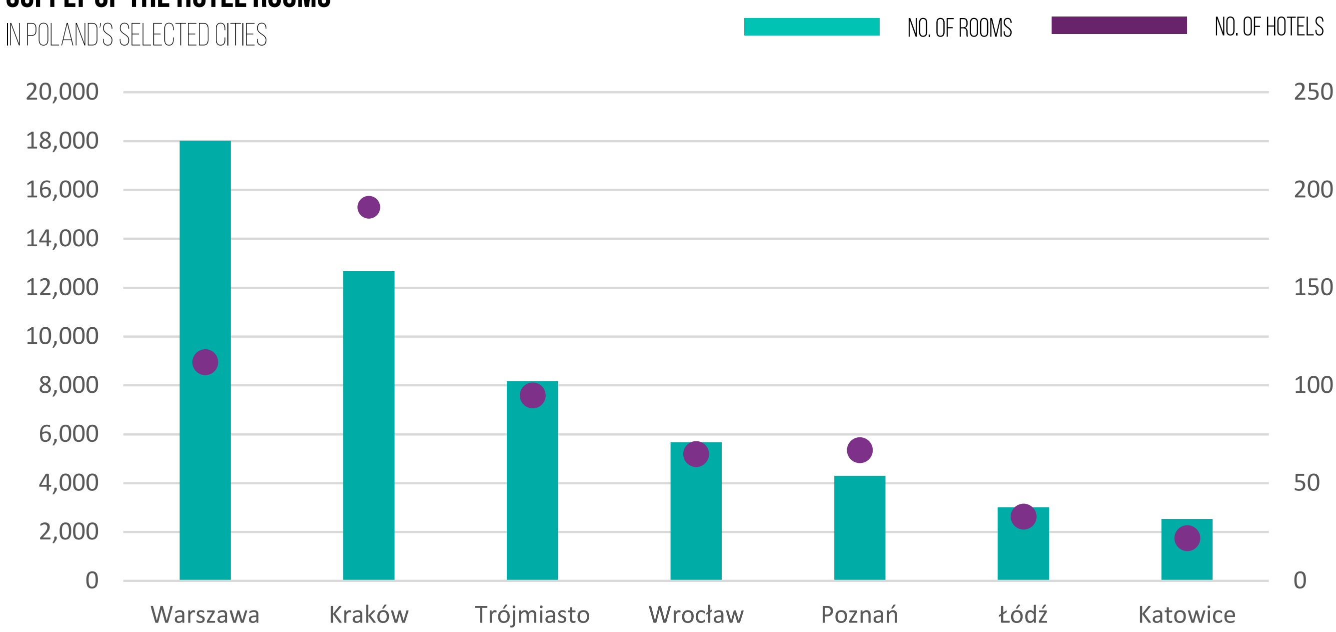
There are ca. 2 900 hotels in Poland offering over 146 thousand rooms. Ca. 44% of rooms represent the 3-star segment (economy segment). Rooms positioned in the 4-star category have the second largest share in the market (ca. 31%), followed by 2-star rooms. 5-star rooms constitute a small percentage of the total hotel room supply in Poland – ca. 7%.

HOTEL SUPPLY
IN POLAND BY CATEGORY



Source: Hotel Professionals Research Hub

SUPPLY OF THE HOTEL ROOMS
IN POLAND'S SELECTED CITIES



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 2021

New hotel openings with global, regional, or local brand in 2021

Hotel	Category	Number of rooms	Hotel chain	City
AC by Marriott	★★★★	300	Marriott Hotels	Kraków
Arche Airport Hotel	★★★	117	Grupa Arche	Wrocław
Arche Hotel Dwór Uphagena	★★★★	256	Grupa Arche	Gdańsk
Arche Hotel Piła	★★★	88	Grupa Arche	Piła
Arche Hotel Poloneza – II etap	★★★	245	Grupa Arche	Warszawa
BW Premier Collection, Hotel Liberté 33	★★★★	60	BWH Hotel Group	Poznań
Courtyard By Marriott (otwarty) (dual brand z Moxy – maj 2022)	★★★★	134	Marriott Hotels	Szczecin
Hotel Diament Plaza Katowice	★★★★	135	Hotele Diament S.A.	Katowice
Focus Hotel Premium Lublin Conference & SPA	★★★★	87	Focus Hotels	Jastków k. Lublina
Grand Focus Hotel Szczecin	★★★★	89	Focus Hotels	Szczecin
Hampton By Hilton Olsztyn	★★★	105	Hilton Worldwide	Olsztyn
Ibis Styles Kraków Mogilska	★★★	259	Accor Hotels	Kraków
Mercure Katowice Centrum	★★★★	268	Accor Hotels	Katowice
Mercure Kraków Fabryczna City	★★★★	195	Accor Hotels	Kraków
NYX Hotel Warsaw (Verso Place)	★★★★	331	Fattal Hotel Group	Warszawa
Radisson Resort Kołobrzeg	★★★★	209	Radisson Hotel Group	Kołobrzeg
Tulip Residences Warszawa Targowa	uncategorized	110	Louvre Hotels Group	Warszawa

Source: Hotel Professionals Research Hub

34% 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.

In 2021 ca.25 new hotels were added to the hotel market in Poland, offering roughly ca.3700 rooms, out of which close to 78% represent a global, regional or Polish hotel chain.

WARSAW

Three new hotels opened in Warsaw in 2021 and there are currently 112 hotels operating in the market, offering a total of around 18,000 hotel rooms. Most rooms are categorized in the 3-star segment - they account for 47% of all hotel rooms, of which exactly half belong to global chains. Rooms in the 4-star segment (21% of all hotel rooms) and 5-star segment (13% of all rooms) overwhelmingly, i.e. 85%, operate under the banner of global brands.

IN 2021 THE HOTEL MARKET GREW BY CA. **680** HOTEL ROOMS

112
HOTELS

CA. 18,000
HOTEL ROOMS

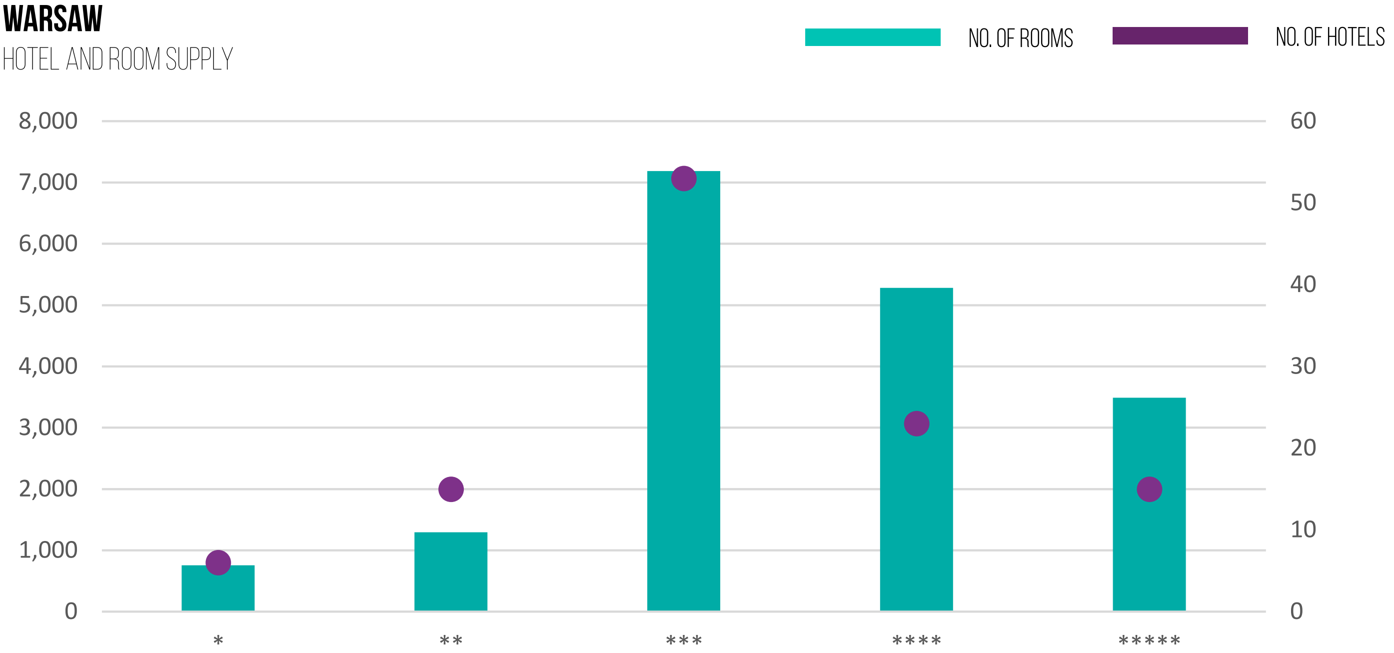
56%
BRANDED HOTEL ROOMS

47%
HOTEL ROOMS

21%
HOTEL ROOMS

13%
HOTEL ROOMS

WARSAW
HOTEL AND ROOM SUPPLY

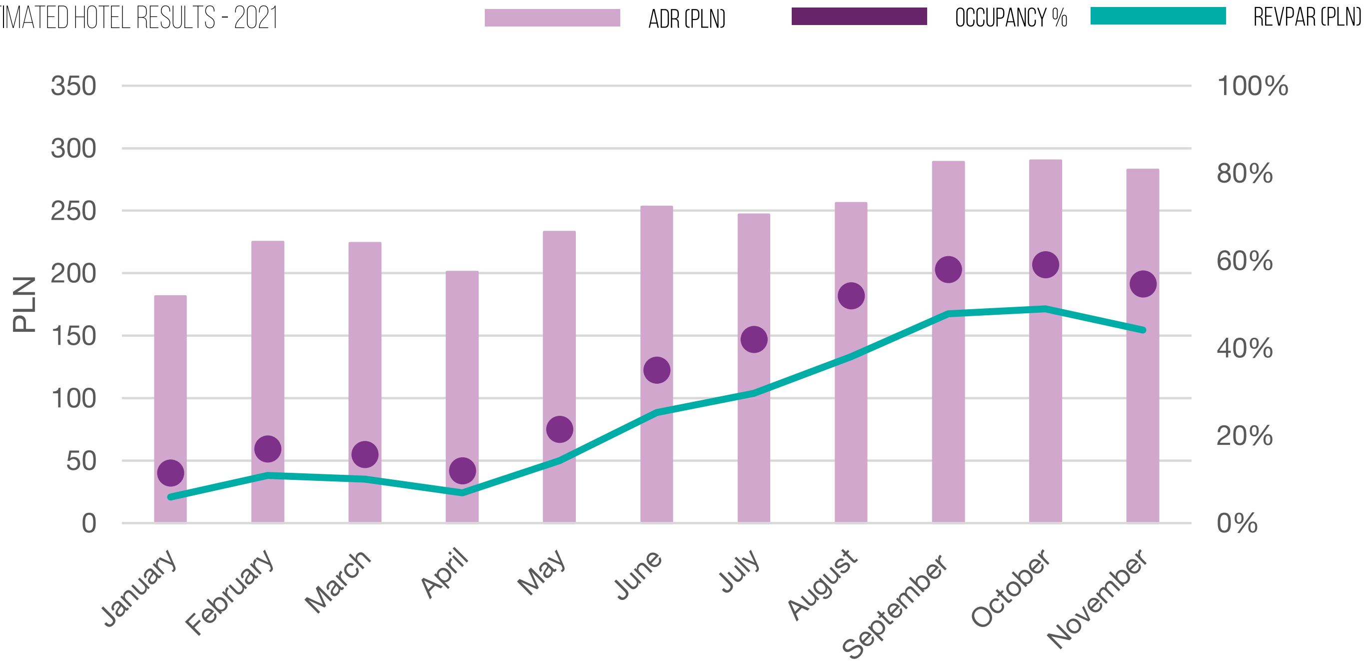


Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

WARSAW

ESTIMATED HOTEL RESULTS - 2021



Source:Hotel Professionals Research Hub based on own data and STR Global
*Data presented includes total hotel supply, together with hotels that suspended operations due to the COVID-19 pandemic.

For the second year in a row, the Warsaw hotel market, along with Kraków's, was severely affected by the epidemic. City hotels recorded the lowest occupancy rates in both lockdown and holiday months. This was largely due to the lack of foreign business tourism as well as absence or great difficulties in organizing events and conferences.

Since the city hotels resumed operation in the first half of May, occupancy rates grew slower than in tourist destinations. It was not until August that the occupancy rate rose above 50% and continued to rise with each passing month, reaching 59% in October. With ADR in October at 290 PLN, RevPAR reached its highest level of the year at 171 PLN for Warsaw. For comparison, in Tricity the RevPAR in October was PLN 182.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

Three new hotels opened in Warsaw in 2021 and added over 680 rooms to the Warsaw hotel market. The most recent Tulip Residences Warszawa Targowa is also the first aparthotel opened in Poland under the Tulip Residences brand.

It is worth notifying the Crowne Plaza Warsaw Hub at the end of 2020, together with Holiday Inn Express Warsaw Hub, enhanced the Warsaw market by adding 430 additional rooms.

Hotel openings in 2021

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Arche Hotel Poloneza phase II	★★★	245	Tulip Residences Warszawa Targowa	n/a	110
NYX Hotel Warsaw	★★★★	331	-	-	-

As a result of the epidemic situation, one of the major issues was the inability to obtain financing, hence many hotel developments were put on hold, or their planned openings were postponed.

Hotel openings planned for 2022-2025

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Stay Inn by Frost	★★★★	90	Hampton by Hilton Warsaw West	★★★	100
WorldHotels Crafted Collection	n/a	66	Autograph Collection	★★★★★	100
Hotel Praski	n/a	118	Radisson RED	★★★★	267
Campanile Modlińska	★★★	155	Moxy & Residence Inn*	n/a	311
Tribe Warszawa*	n/a	116	Holiday Inn Warsaw Mokotów*	★★★★	370
Staybridge Suites Warszawa Ursynów*	★★★★	190	Focus Hotel Premium*	★★★★	238
Royal Tulip Apartments	★★★★★	448	EXPO XXI hotel complex*	n/a	468
Puro Warszawa Wola*	★★★★	300	Puro (4 Canaletta str.)	★★★★	205
Occidental Warszawa	★★★★	150	Puro (5 Mariańska str.)	★★★★	145
Moxy Warszawa Centrum*	★★★	263	Holiday Inn Express Warsaw Jerozolimskie*	★★★	156
Mercure Warszawa Bielany*	★★★★	127	Holiday Inn West Station*	★★★★	217
Ibis Warszawa Bielany*	n/a	185	Altus	★★★★	110
AC by Marriott Jerozolimskie*	★★★★	260	-	-	-

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

KRAKÓW

Kraków's hotel market 2021 grew by seven new establishments in 2021, to a total of 191 hotels offering approximately 12,679 hotel rooms. Majority of hotels there operate under private brands - it accounts for 53% of the room supply, of which most are categorized as 3 and 4-star (46% and 34% of all private rooms respectively). The second largest group are global chain hotel, offering 34% of the room supply. Among those, 36% of rooms are categorized as 4-star. Rooms in the highest, 5-star segment constitute 10% of the supply of all hotel rooms in Kraków, of which over a half is under the name of a global brand, 36% under private brand.

IN 2021 THE HOTEL MARKET GREW BY CA. **982** NEW HOTEL ROOMS

191
HOTELS

CA. 12,679
HOTEL ROOMS

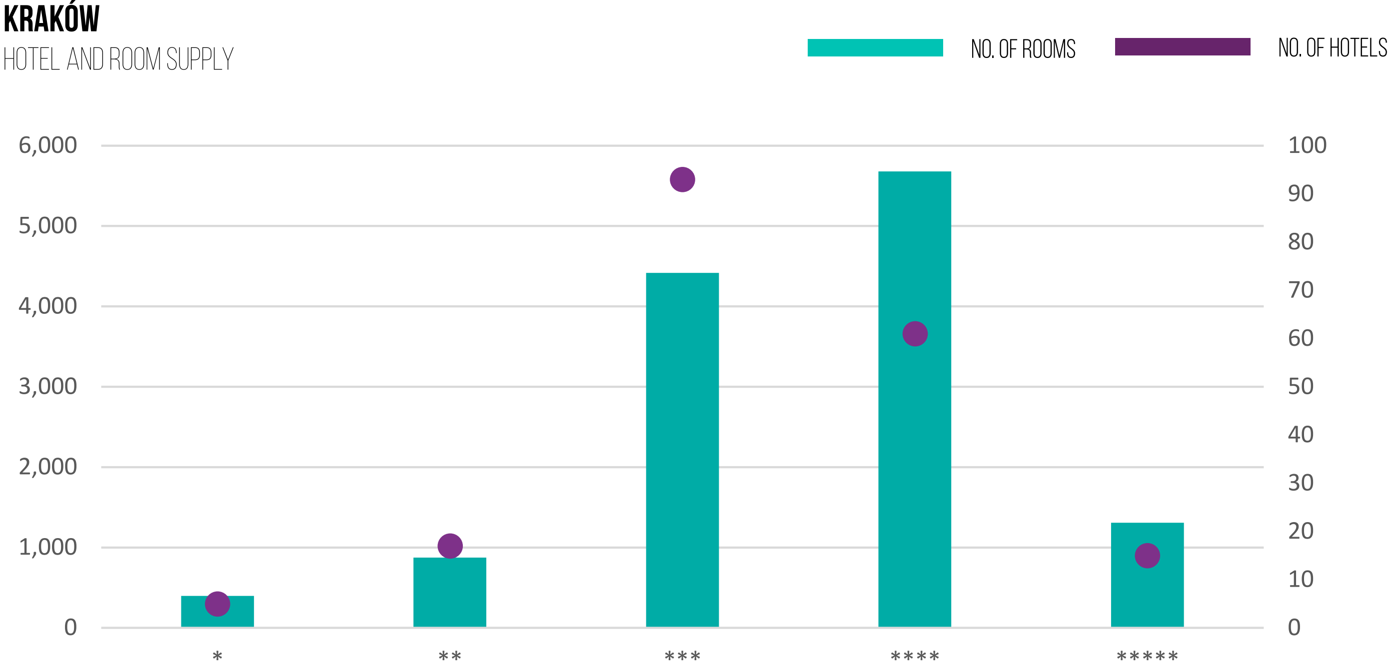
47%
BRANDED HOTEL ROOMS

35%
HOTEL ROOMS

45%
HOTEL ROOMS

10%
HOTEL ROOMS

KRAKÓW
HOTEL AND ROOM SUPPLY

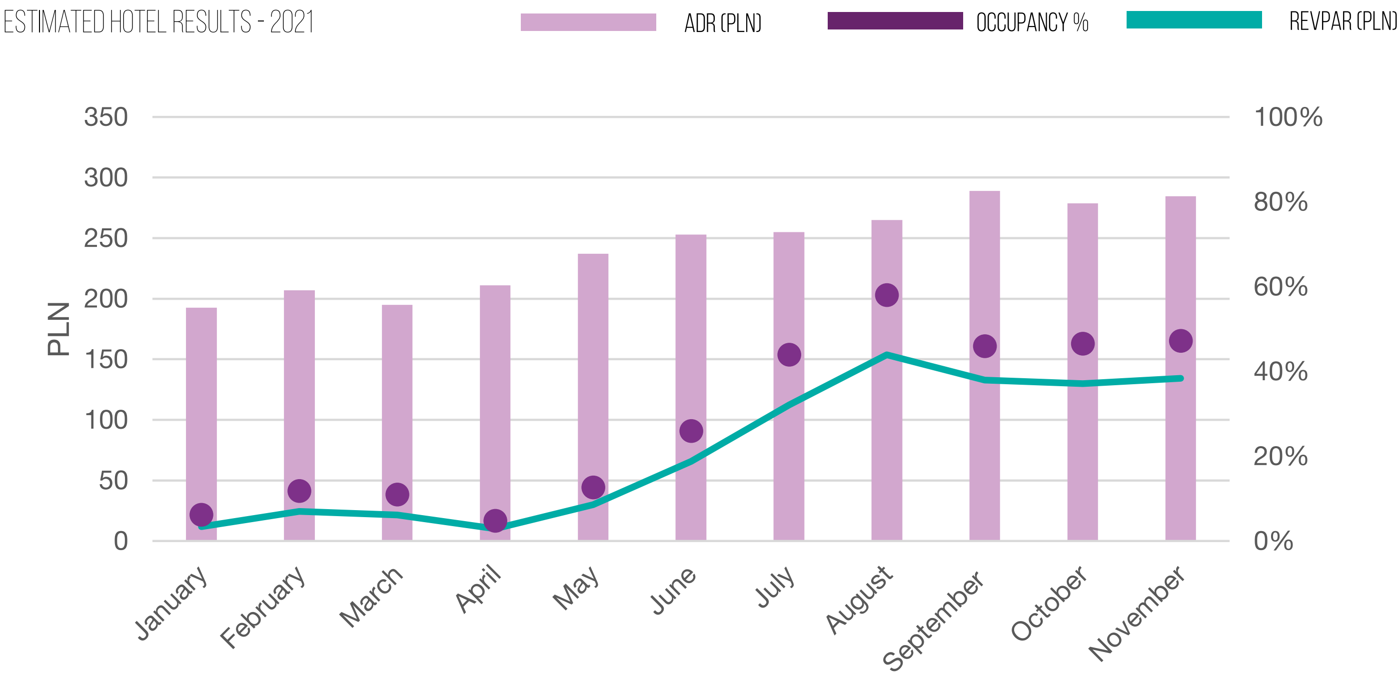


Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

KRAKÓW

ESTIMATED HOTEL RESULTS - 2021



Source:Hotel Professionals Research Hub based on own data and STR Global
*Data presented includes total hotel supply, together with hotels that suspended operations due to the COVID-19 pandemic.

Despite being one of the main destinations for foreign tourists traveling to Poland, Kraków has recorded much lower occupancy rates than other major Polish cities due to the pandemic situation. Even during the summer holidays, domestic tourism has not delivered higher occupancies, and August was the only month the average occupancy rose above 50%. The average ADR of PLN 265 in August resulted in a RevPAR of ca. PLN 154, which was the highest for Kraków in 2021. From its position as the leader in average RevPAR among Polish cities in 2019, Kraków suffered the most and for the second year in a row recorded the lowest average RevPAR compared to other large cities in Poland.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

Seven new hotels opened in Krakow in 2021, increasing the supply of hotel rooms by around 982 rooms. Four new hotels added to the 4-star segment, while three joined the 3-star segment. The largest hotel to open in 2021 is AC by Marriott, which with 300 rooms is currently the second largest hotel in the city.

Similarly, the epidemic situation (and particularly inability to obtain financing) caused numerous hotel development delays and adjournment.

Hotel openings in 2021

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
AC by Marriott	★★★★	300	Mercure Kraków Fabryczna City	★★★★	195
Ibis Styles Kraków Mogilska	★★★	259	Merci Boutique Hotel	★★★	13
King Salomon	★★★★	122	A. Liebeskind Boutique Hotel	★★★	33
Sky Hotel	★★★★	60	-	-	-

Source: Hotel Professionals Research Hub

Hotel openings planned for 2022-2024

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Nobilium	★★★★	46	Golden Tulip Balice	★★★★	116
Ferreus	★★★★★	71	Indigo Kraków Wawel Royal Castle	★★★★	76
Autograph Collection	★★★★★	125	JOYN	-	126
Campanile City South	★★★	364	Tribe Kraków Stare Miasto*	-	144
Curio Collection by Hilton	★★★★★	113	Hotel Arche Kraków*	-	150
Hyatt Place	★★★★	216	Hotel by the Tauron Arena*	-	160
Radisson Red	★★★★	230	Adagio Aparthotel Kraków	-	190
Garamond Boutique Hotel	★★★★	53	voco Krakow – Montelupi Palace	-	44
Hotel by 3 Maja Avenue	★★★★	263	Hotel by Dietla str.*	-	-

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

TRICITY

In the Tricity, one categorized hotel opened in 2021 and some establishments changed categorization. Currently, the local market consists of 95 hotels offering a total of around 8,176 hotel rooms. More than half of the rooms operate under a global, regional, or Polish brand. Three- and four-star rooms dominate and have a similar market share - they account for 40% of rooms in Tricity. In the 3-star segment most rooms are private-branded - as much as 59%; rooms belonging to global hotel chains represent 36% of the room supply in this segment. In the case of the 4-star segment, rooms in global hotel chains dominate – they account for 43% of the hotel room supply. Rooms in a 5-star category represent 12% of the total supply and operate in 2/3 under a global brand, whilst 1/3 operates under a private brand.

IN 2021 THE HOTEL MARKET GREW BY **CA. 256** NEW HOTEL ROOMS

95
HOTELS

CA. 8,176
HOTEL ROOMS

55%
BRANDED HOTEL ROOMS

40%
HOTEL ROOMS

40%
HOTEL ROOMS

12%
HOTEL ROOMS

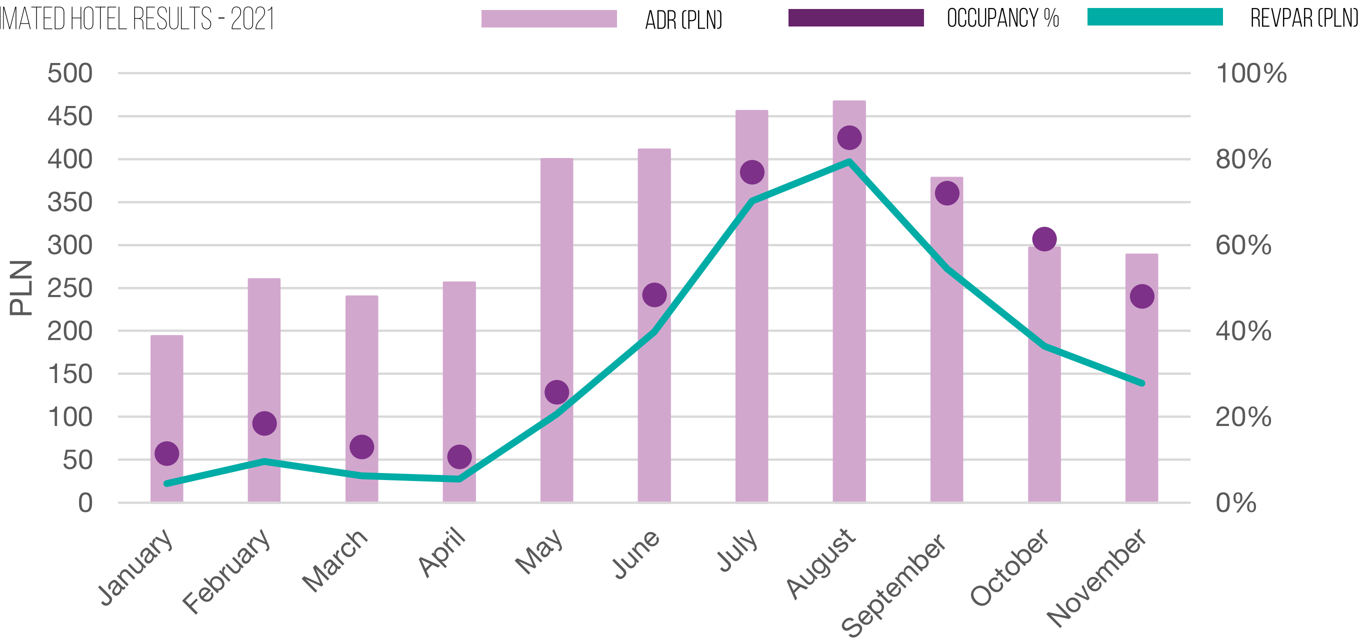
TRICITY
HOTEL AND ROOM SUPPLY

Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

TRICITY

ESTIMATED HOTEL RESULTS - 2021



Source:Hotel Professionals Research Hub based on own data and STR Global
*Data presented includes total hotel supply, together with hotels that suspended operations due to the COVID-19 pandemic.

Tricity achieved the highest average monthly RevPAR in Poland in almost all months of the year. After months of closure, seaside hotels attracting domestic leisure travelers experienced a faster and stronger return compared to city hotels.

During the summer season, Tricity hotels had the highest average occupancy rate among Poland's largest cities - reaching an all-time high of 85% in August.

This was not only a record result in Poland, but one of the highest in all of Europe in pandemic reality. ADR in August was 467 PLN, resulting in RevPAR of 397 PLN.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

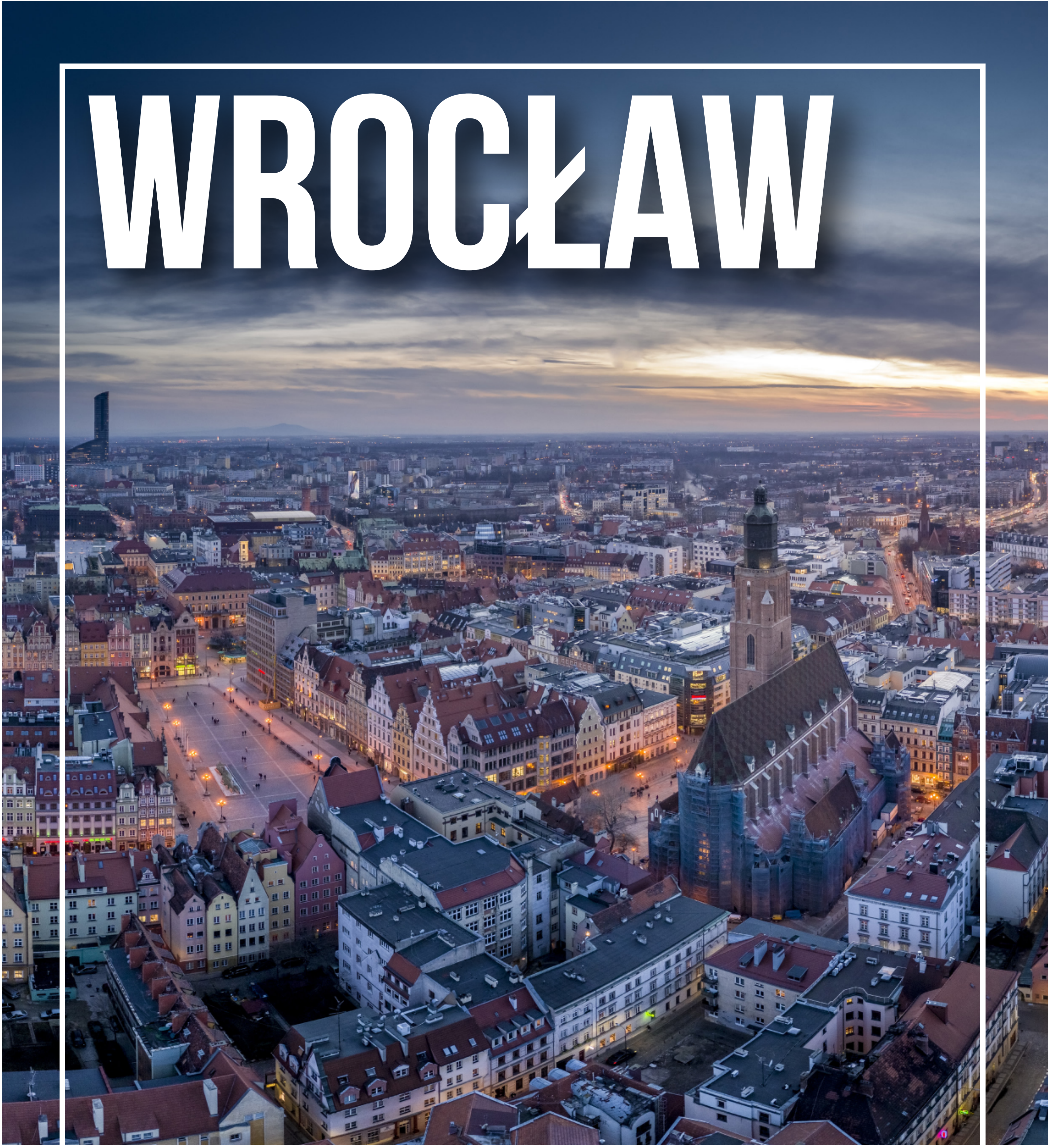
In 2021, Arche Hotel Dwór Uphagen with 256 rooms in a 4-star standard was opened in Gdańsk. Compared to the previous year, the investment pipeline for 2022 is much more extensive. Nevertheless Hotel Professionals' industry knowledge and network is aware of a significant number of hotel developments being put on hold at the planning stage and it is difficult to say when the projects will be completed.

New hotel openings in 2021		
Hotel	**Category**	**Number of rooms**
Arche Hotel Dwór Uphagena in Gdańsk	★★★★	256

Hotel openings planned for 2022-2024					
Hotel	**Category**	**Number of rooms**	**Hotel**	**Category**	**Number of rooms**
Hotel Marriott Renaissance Gdańsk	★★★★★	250	Hotel behind Ołowianka in Gdańsku (Fort Motlava)	n/a	153
Hotel przy ul. Jagiellońskiej w Gdańsku	★★★	n/a	Four Points by Sheraton Gdańsk	★★★★	123
Motel One Wyspa Spichrzów w Gdańsku	★★	240	Hotel by Słowackiego str. in Gdańsk (Arche)*	★★★	100
Indigo Gdańsk Old Town*	★★★★	67	Tribute Portfolio	★★★★	60
Ibis Budget Gdańsk Posejdon*	n/a	76	Holiday Inn Express Gdańsk Oliwa & Staybridge Suits Gdańsk Oliwa*	★★★ ★★★★	210 136
Holiday Inn Express Gdańsk Airport*	★★★	157	Crowne Plaza Sopot*	★★★★	221
Feel Harmony in Gdańsk	n/a	72	Aparthotel Śląska 12 in Gdańsk	n/a	108
Hotel Diament Gdańsk*	★★★★	150	Hotel by 3 Maja str. in Gdynia*	★★★	120
Hotel by Morska str. in Gdynia	★★★	55	-	-	-

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

WROCŁAW



Wrocław hotel market offers over 5,660 hotel rooms in 65 hotels. On the scale of the entire city approximately 60% are chain rooms. Three-star hotels dominate in Wrocław, accounting for approx. 40% of the supply. The second largest segment are 4-star rooms which account for approx. 32% of the supply of hotel rooms. The 5-star segment accounts for approx. 13% of the total room supply in the city.

IN 2021 THE HOTEL MARKET GREW BY **117** NEW HOTEL ROOMS

65
HOTELS

CA. 5 669
HOTEL ROOMS

60%
BRANDED HOTEL ROOMS

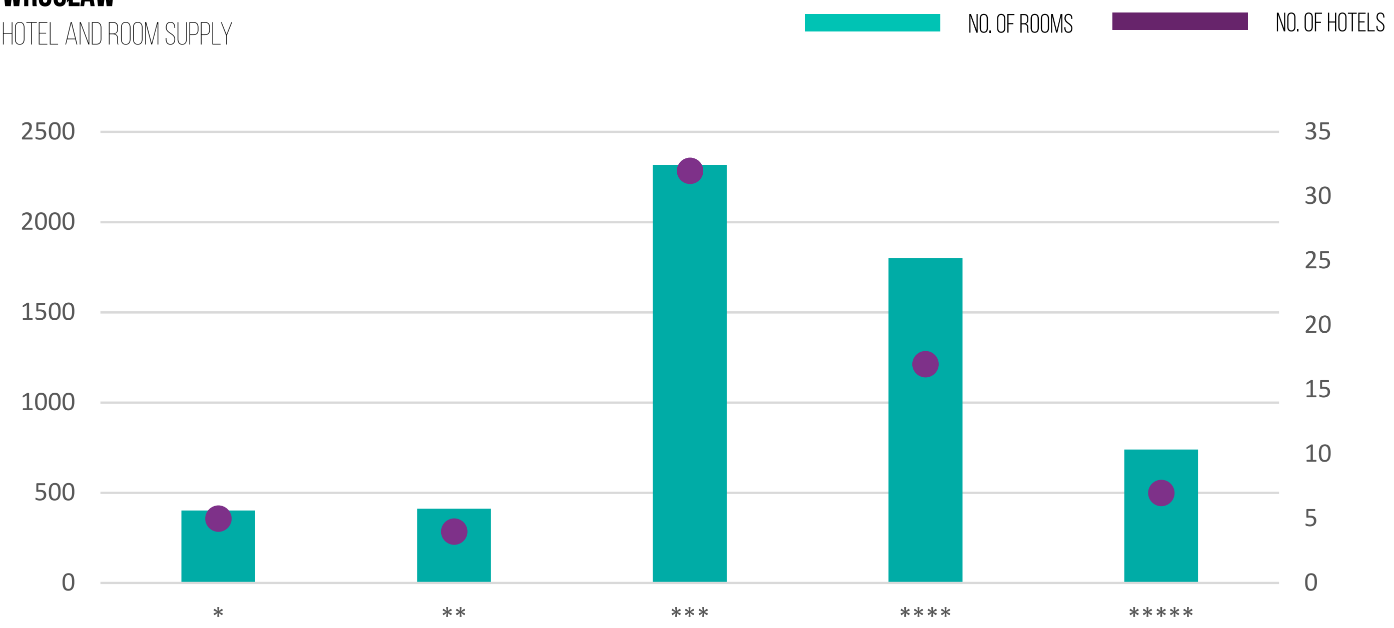
41%
HOTEL ROOMS

32%
HOTEL ROOMS

13%
HOTEL ROOMS

WROCŁAW

HOTEL AND ROOM SUPPLY

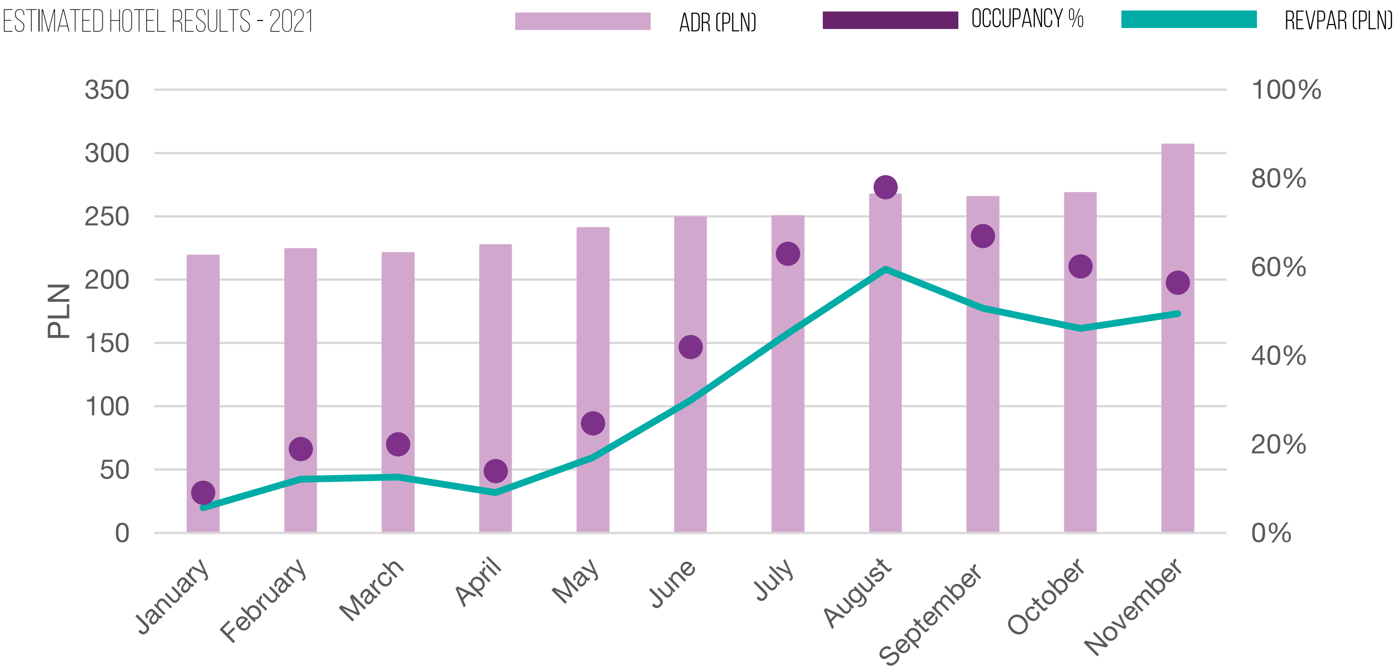


Source: Hotel Professionals Research Hub

*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

WROCŁAW



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancy of open hotels, mainly chain hotels (excluding temporarily closed hotels)

Wrocław, for the second year in a row after the outbreak of the pandemic, was in second place (after Tricity) in terms of achieving average monthly occupancy levels throughout the year. Also in the most critical months, i.e. from January to April, Wrocław fared better than other large business cities. The Wrocław market was the only one to record in October an average price almost identical to that of 2019, i.e. PLN 268. In the months from June to October, Wrocław ranked second among the largest cities, with only the Tri-City recording higher occupancy during the summer months.

The best month for Wrocław since the outbreak of the pandemic was August, when the average occupancy rate was close to 78%, which at a rate of around PLN 267 resulted in RevPAR of PLN 208.

In early November 2021, the Wrocław Tourist Organization was established to promote tourism in the capital of Lower Silesia together with companies from the hotel and catering industry, non-governmental tourist organizations, as well as the academic community. Additional activities supporting the development of tourism in such challenging times will certainly contribute to improving the performance of hotel facilities in the city.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2021 one hotel facility opened in Wrocław, located by the Wrocław airport - Arche Hotel Airport with 117 rooms. In 2022, Q Hotel in Bielany Wrocławskie and Aparthotel Studio Plac Dominikański opposite DoubleTree by Hilton are scheduled to open. A major renovation of the Grand Hotel (soon to be Mövenpick), which began in 2017, is still underway. Work is expected to be completed by the end of 2023, and the revitalized hotel will offer 172 rooms. As in other parts of the country, some projects in the planning stage in Wrocław have been put on hold due to the current epidemic situation.

One of the highlights of the Wrocław hotel market is the rebranding of the closed down Sofitel Wrocław Old Town, which from 2022 will operate under the new Wyndham brand in Poland.

New hotel openings in 2021

Hotel	Category	No. of Rooms
Arche Airport Hotel	★★★	117

Source: Hotel Professionals Research Hub

Planned hotel openings in 2022-2025

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Holiday Inn Express Wrocław South	★★★	142	Pałac Hatzfeldów	★★★★★	150
Hampton by Hilton Airport	★★★	100	Puro Hotel*	★★★★	337
Four Points by Sheraton Wrocław – rebranding of Wieniawa Hotel	★★★★	143	Altus Palace	★★★★★	91
Mövenpick Wrocław (rebranding of Grand Hotel)	★★★★	172	Hotel Lothus – expansion*	★★★★	113
Q Hotel Bielany Wrocławskie	★★★★	209	Indigo Wrocław Old Town*	★★★★	92
Arche Klasztor	n/a	83	Blue Sky Hotel*	★★★★	105
Wyndham (former Sofitel Wrocław Old Town)	★★★★★	205	Hotel Vastint	n/a	116

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

POZNAŃ

The supply of hotel rooms in Poznań amounts to approx. 4,214 rooms located in 64 facilities, 62% of which operate under the name of a global, regional or Polish hotel chain. In Poznań there is a clear advantage of 3-star standard rooms - they account for approx. 42% of all rooms in the city, of which about 33% are rooms with a global brand. In the second most numerous group, 4-star rooms, as many as 55% of rooms belong to international hotel chains. In the 5-star standard there are only 2 hotels with nearly 270 rooms.

IN 2021 THE HOTEL MARKET GREW BY **60** NEW HOTEL ROOMS

64
HOTELS

CA. 4,214
HOTEL ROOMS

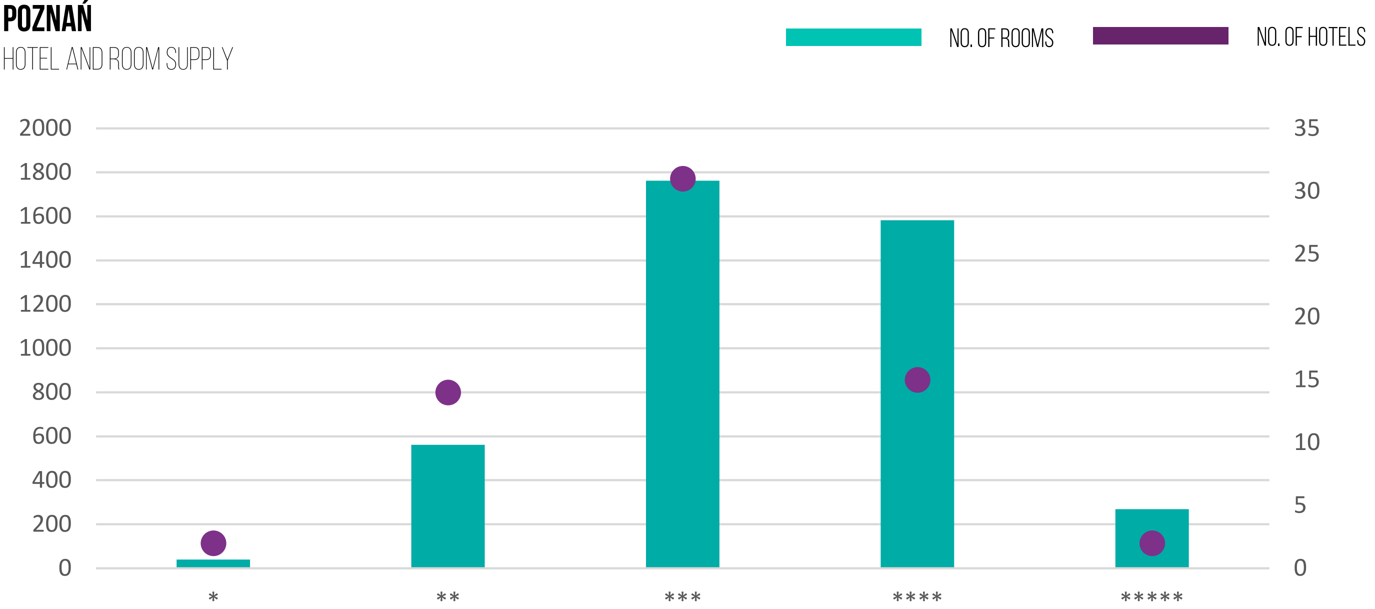
62%
BRANDED HOTEL ROOMS

42%
HOTEL ROOMS

38%
HOTEL ROOMS

6%
HOTEL ROOMS

POZNAŃ
HOTEL AND ROOM SUPPLY

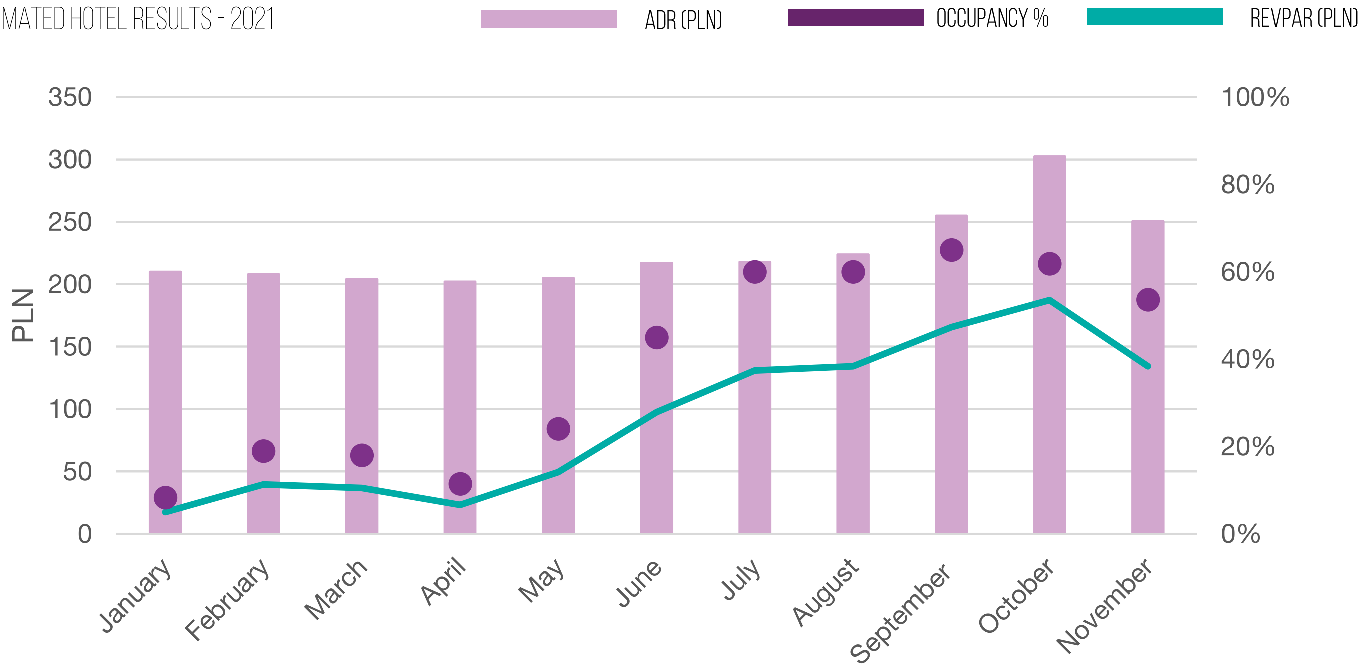


Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

POZNAŃ

ESTIMATED HOTEL RESULTS - 2021



Source:Hotel Professionals Research Hub based on own data and STR Global
*Occupancy of open hotels, mainly chain hotels (excluding temporarily closed hotels)

In 2021 the Poznań hotel market ranked third in terms of average occupancy, outperforming Warsaw and Kraków. In June, the market saw its first significant rebound this year - occupancy at around 45%, with ADR at around PLN 217.

It is worth noting that the city achieved this result without the participation of trade fairs, one of the main demand generators. Poznan recorded the highest occupancy rate in September, which amounted to nearly 65%, with an average price of ca. 255 PLN. In October, Poznań, as well as Tricity, were the only markets whose average prices and occupancy rates were close to the 2019 results.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2021, one hotel opened in Poznań. However, the market recorded a decline in the number of rooms due to the discontinuation of 3 smaller non-branded hotels with a total of approximately 176 rooms. A small boutique hotel, Authors Boutique Hotel, is in the process of completion, while other projects in the pipeline are in the planning or early development stage, so some may be put on hold, postponed or not completed at all.

New hotel openings in 2021

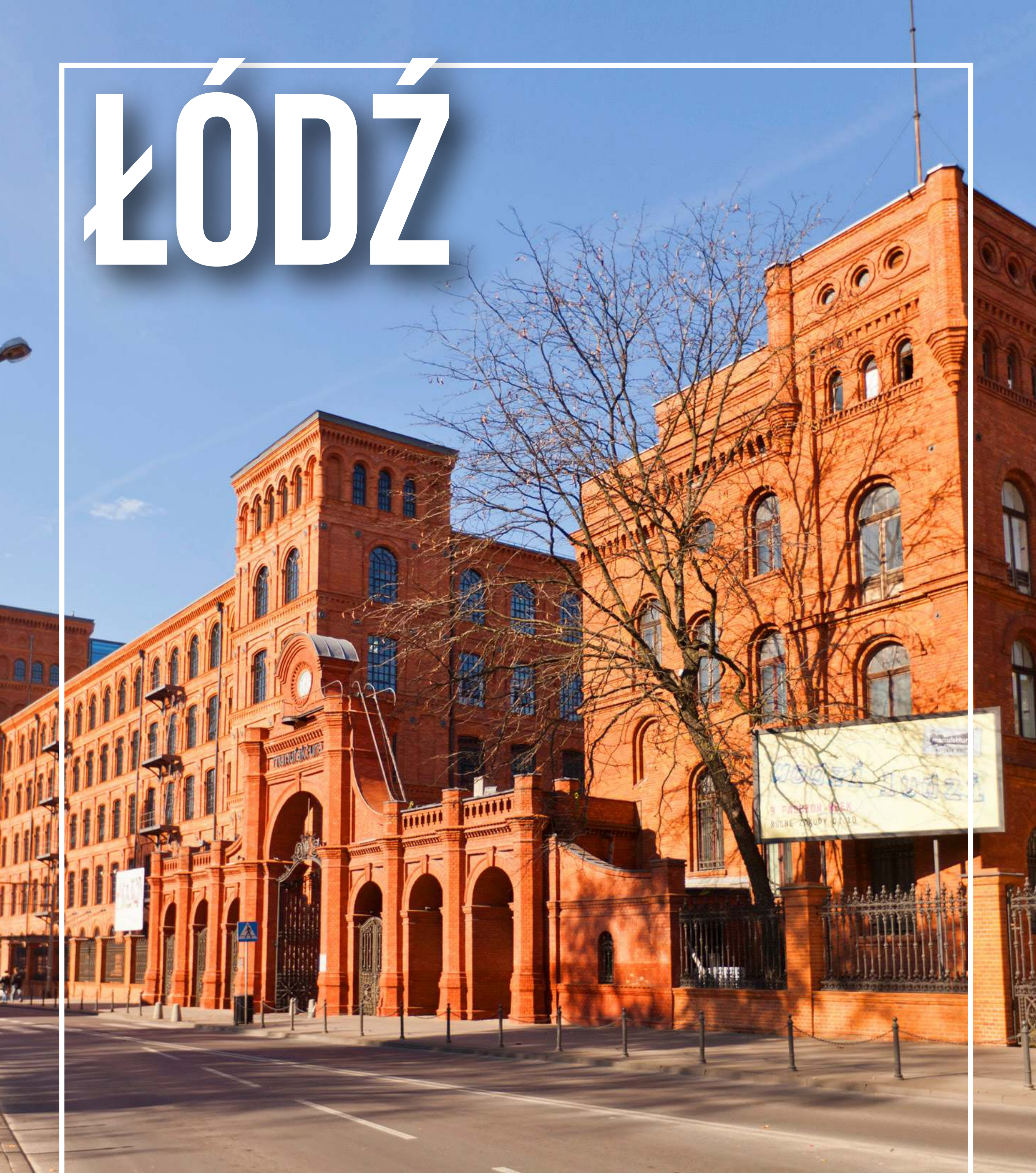
Hotel	Category	Number of rooms
BW Premier Collection, Hotel Liberté 33	★★★★	60

Planned hotel openings in 2022-2025

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Sure Hotel by Best Western Poznań	n/a	40	Four Points by Sheraton – rebranding & modernization of Ikar	★★★★	ok. 144
Holiday Inn Express Poznań Airport	★★★	111	Hotel Occidental, Barcelo Group	★★★★	150
Authors Boutique Hotel	n/a	20	AC Hotel by Marriott*	★★★★	150
Mövenpick Poznań	★★★★★	159	Arche Fort VI	★★★★	50

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

ŁÓDŹ



Currently there are 33 hotels in Lodz. Of the approximately 3,007 hotel rooms, approximately 58% belong to hotel chains. Łódź does not offer five-star standard hotels. The Łódź market is dominated by the 4-star segment which accounts for approx. 41% of the city's room supply, while the 3-star segment represents approx. 34% of the city's room supply.

IN 2021 THERE WERE NO NEW HOTEL OPENINGS ON THE MARKET

33
HOTELS

CA. 3,007
HOTEL ROOMS

58%
BRANDED HOTEL ROOMS

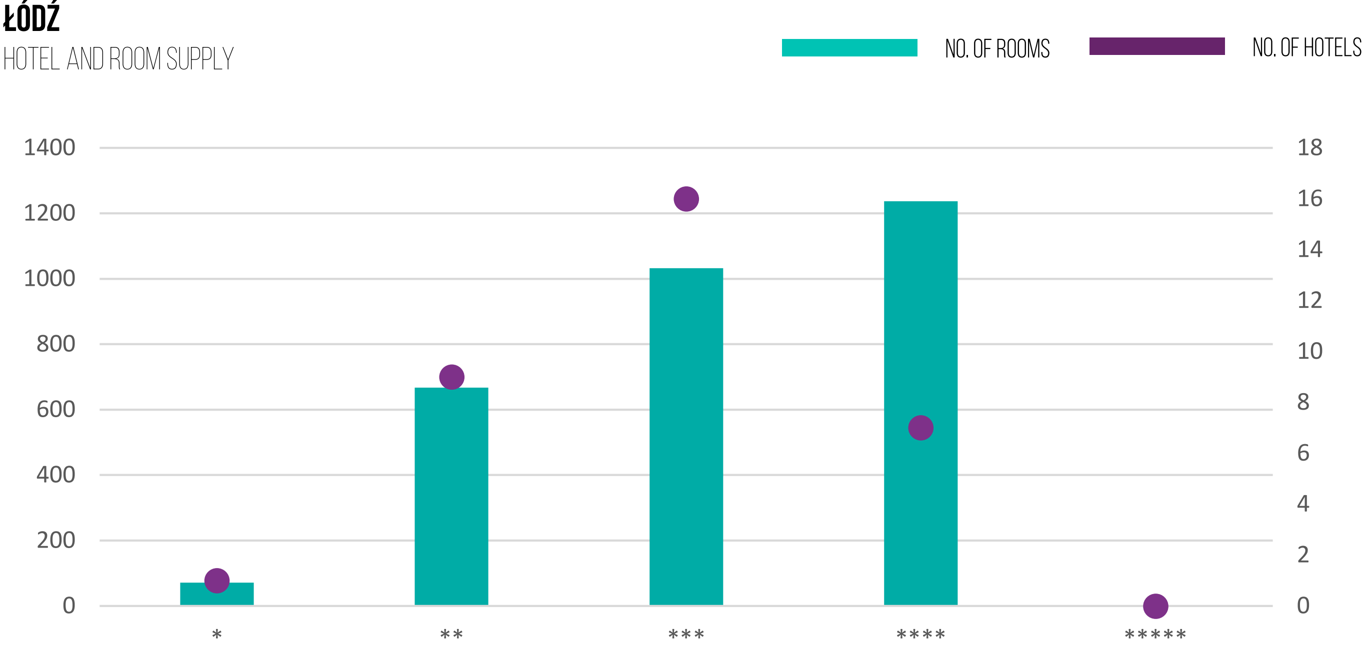
34%
HOTEL ROOMS

41%
HOTEL ROOMS

0%
HOTEL ROOMS

ŁÓDŹ

HOTEL AND ROOM SUPPLY

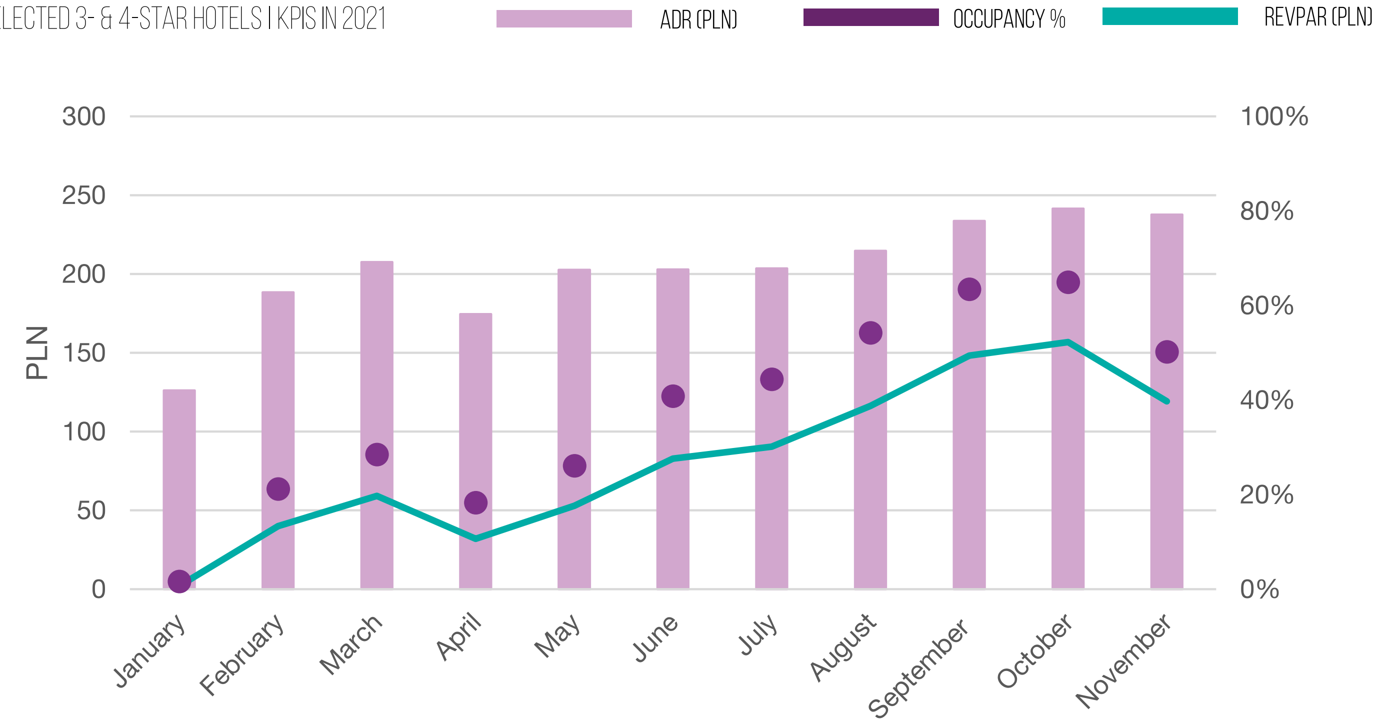


Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

ŁÓDŹ

SELECTED 3- & 4-STAR HOTELS I KPIS IN 2021



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

Hotels in the 3- and 4-star segment recorded the highest occupancy rates in September and October, when they reached over 60%. The highest RevPAR was recorded in October - around 157 PLN, with the average rate just under 241 PLN. Lodz has gained in popularity this year as a destination chosen by couples, families and friends for so called „city-breaks".

The city of Łódź was also awarded in the „Sustainable Development" category in the global poll „Best of the World 2022" organized by National Geographic Traveler. This is a great distrinction and an opportunity to prsent the potential of the city to both domestic and foreign tourists.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

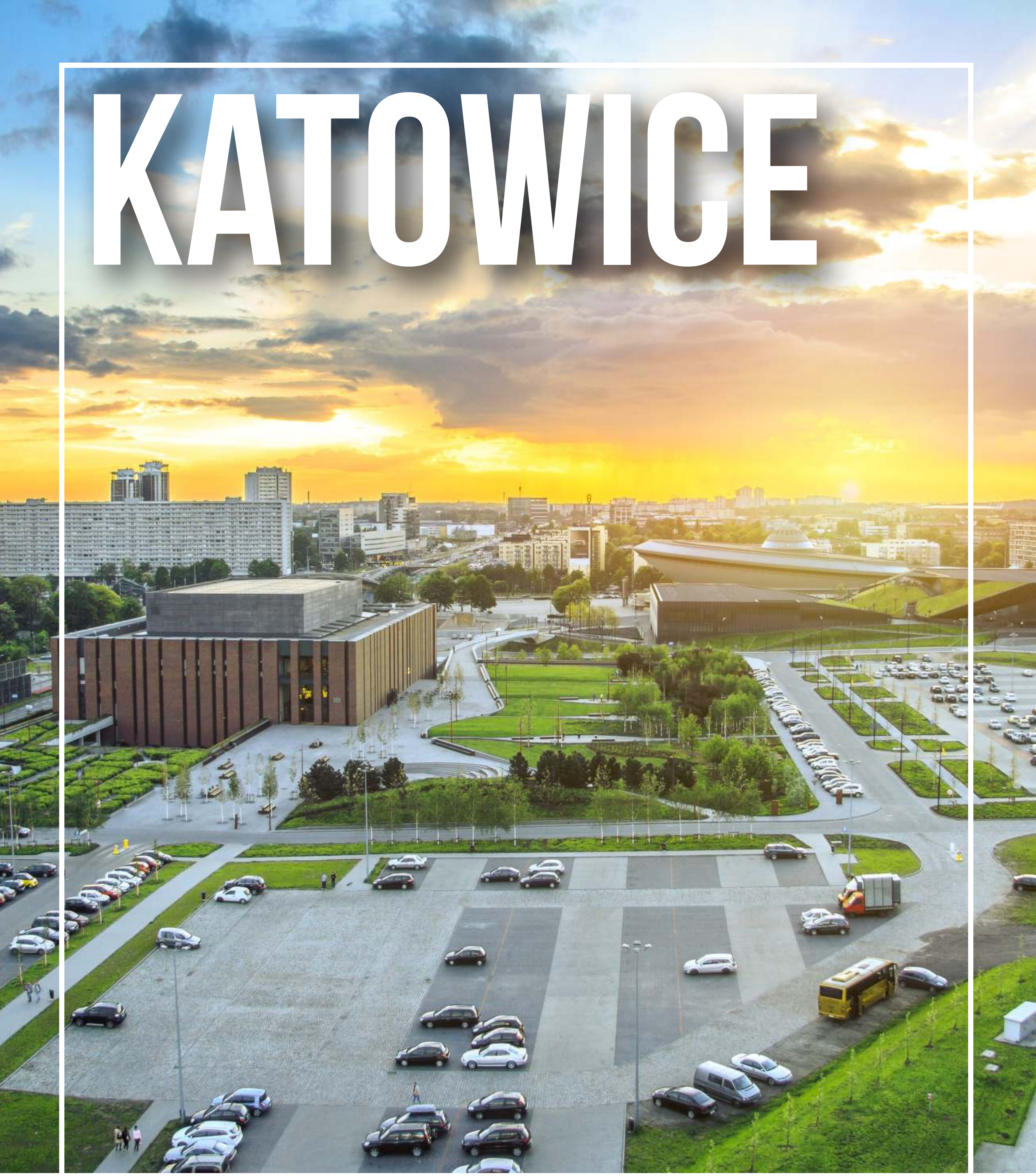
No hotels opened in Łódź in 2021. Hotel Pietryna on 40 Piotrkowska Street is under construction - its opening is scheduled for Q1 2022. Hampton by Hillton Łódź City Center is also in the finishing phase - the hotel was supposed to open in 2021, but its opening was postponed to Q1/Q2 2022. Finishing works on the renovation and modernization of Grand hotel are in progress. Even before the pandemic, several other hotel investments in Łódź were announced, but so far their status has not changed and we are still waiting for new information regarding their realization.

Planned hotel openings in 2022-2024

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Hotel Pietryna	★★★	61	Center Hotel by Piotrkowska str.*	★★★★	156
Hampton by Hilton Łódź City Center	★★★★	149	Grand Hotel	★★★★★	200
Hotel in former synagoge by Pomorska str.*	★★★	129	Breath-In Hotel	n/a	52
Aiden by Best Western Reymont – rebranding of Reymont Hotel	★★★	72	-	-	-

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

KATOWICE



Katowice's hotel market is dominated by 4-star rooms, about 61% of all rooms are positioned in this segment. In total, at the end of 2021. In total at the end of 2021 there were 22 hotels operating in the city, which offered approx. 2,532 rooms. 2-star rooms make up the second largest segment, with approximately 16% of hotel rooms operating in this standard. 3-star hotel rooms rank third (about 14%). Chain rooms constitute around 80% of all hotel rooms available in Katowice.

IN 2021 THE HOTEL MARKET GREW BY **403** NEW HOTEL ROOMS

22
HOTELS

CA. 2,532
HOTEL ROOMS

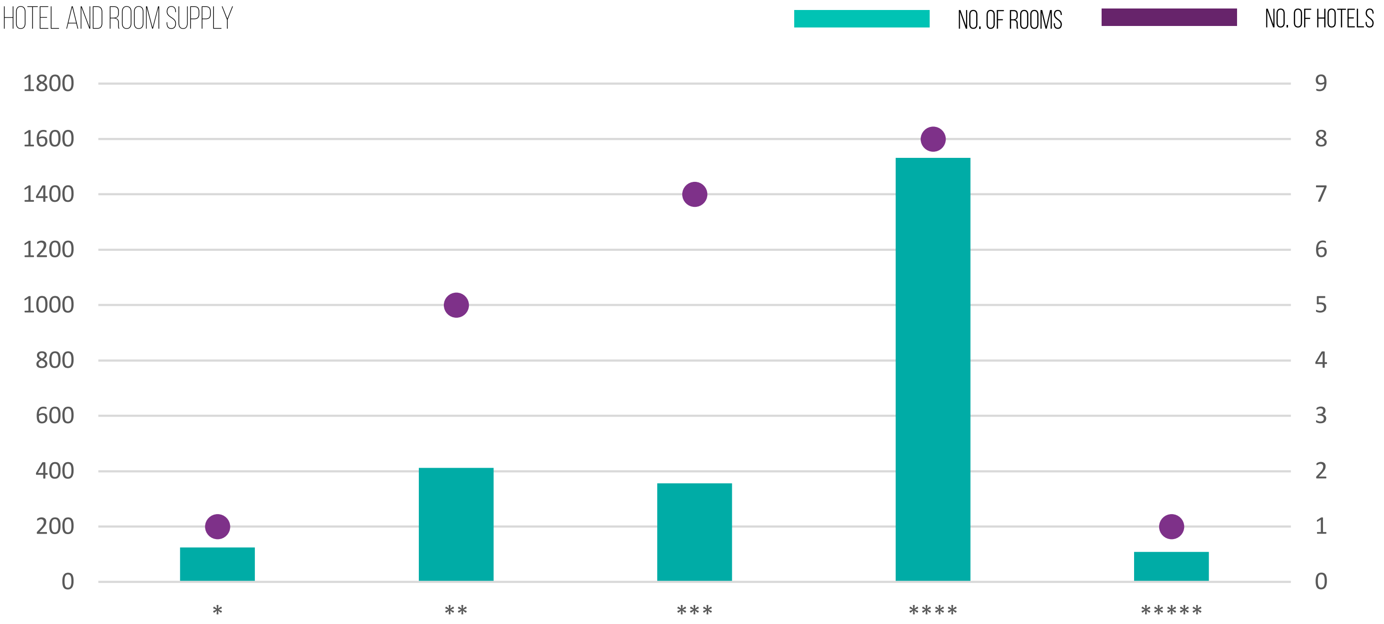
80%
BRANDED HOTEL ROOMS

14%
HOTEL ROOMS

61%
HOTEL ROOMS

4%
HOTEL ROOMS

KATOWICE
HOTEL AND ROOM SUPPLY

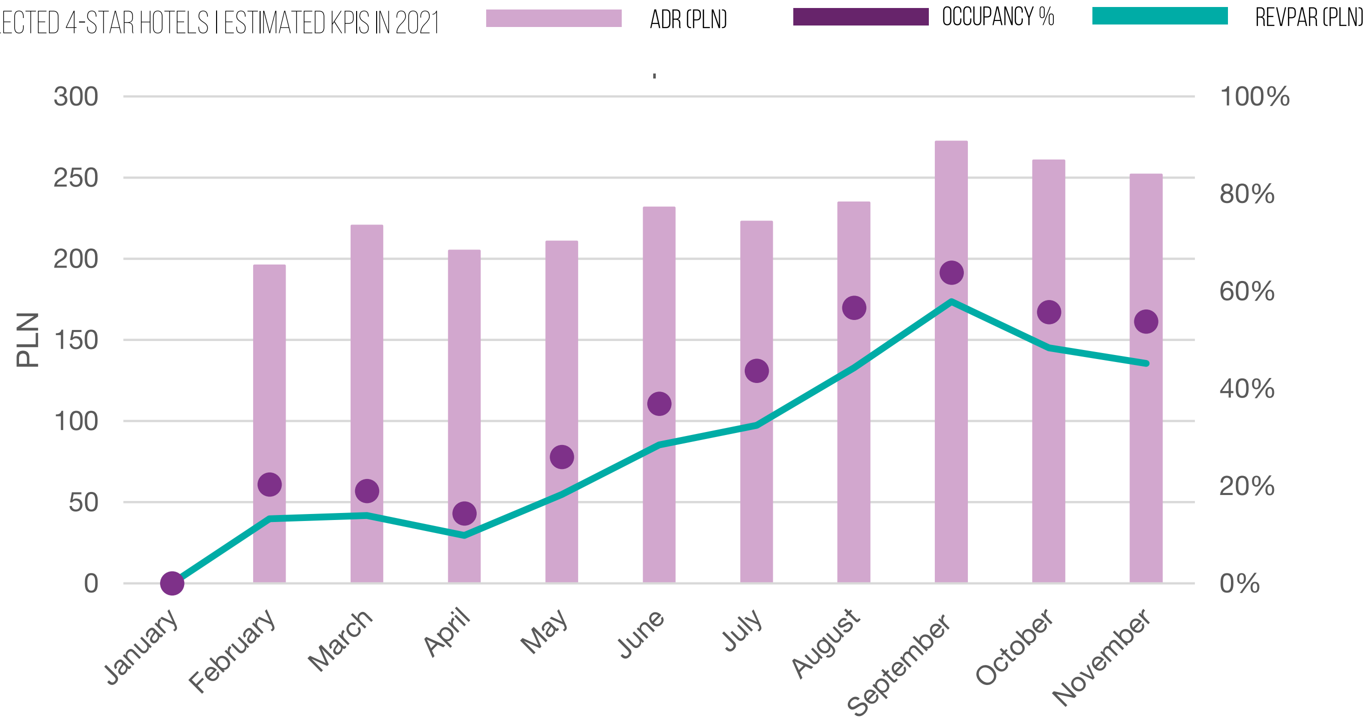


Source: Hotel Professionals Research Hub
*Data presented includes total hotel supply, including hotels that temporarily suspended operations due to the COVID-19 pandemic.

AVERAGE OCCUPANCY, ADR & REVPAR

KATOWICE

SELECTED 4-STAR HOTELS I ESTIMATED KPIS IN 2021



Source:Hotel Professionals Research Hub based on own data and STR Global
*No data available for January
*Occupancy of open hotels, mainly chain hotels (excluding temporarily closed hotels)

The MICE and business sector of the hotel market in Katowice proved to be particularly difficult for the second year in a row. Hotels in the 4-star segment ended the year with an average annual RevPAR of approx. PLN 78, with an average ADR of approx. PLN 203 and an occupancy rate of approx. 38%.

The development of the hotel market in recent years has been mainly due to the new MICE infrastructure which has appeared on the map of Katowice and allowed the city to attract international events, such as COP24, the World Anti-Doping Conference or the European Economic Congress, as well as to create an attractive offer of smaller business and cultural events.

In 2022. Katowice will host the 11th edition of the World Urban Forum. The edition held in February 2019 in Abu Dhabi attracted 13,000 participants and 450 speakers from 168 countries and 133 exhibitors.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2021, two hotels opened in Katowice: Mercure Katowice City Center and the expanded Hotel Diament Plaza Katowice. Three investments were officially put on hold, but in the case of the Moxy project within Nova Silesia, the investor plans to restart the bidding procedure for the selection of the general contractor next year. Construction of R.evo by the Vienna House chain is scheduled to start in 2022.

New hotel openings in 2021

Hotel	Category	Number of rooms
Mercure Katowice City Center	★★★★	268
Hotel Diament Plaza Katowice - expansion	★★★★	135

Planned hotel openings in 2022-2024

Hotel	Category	Number of rooms	Hotel	Category	Number of rooms
Aparthotel, Mariacka Street	n/a	25	Moxy (Nova Silesia)	★★★	144
Puro Katowice*	★★★★	246	Hotel Qubus*	★★★★	97
voco Katowice – modernizacja - rebradning hotelu Katowice	★★★★★	161	Kyriad + Premiere Classe *	★★★/★	204
R.evo Katowice	★★★★	203	-	-	-

Source: Hotel Professionals Research Hub
* Investment delayed or withheld

CONDO MARKET

How is the condo investment market developing?

Despite the lack of clear legal regulations, the Condo investment market (which includes condo hotels, condo apartments and aparthotels) has been developing dynamically, and in recent years it has reached its peak.

In the difficult pandemic period for the hotel industry, investments in nature locations this type are very popular in most countries in Europe, we noticed the growth in these products to be significant.

Where are the most projects located?

The supply of properties in the condo formula takes place mainly in holiday resorts (the coast and the mountains), however there are projects in less apparent places, which are not necessarily closely related to nature. Both investors' and the hotel chains' focus on resorts is growing, partly due to the fact verified by the pandemic, that hotels in resorts have done better than the previously favored urban business hotels.

Why do investors choose the condo format?

From the hotel investor's point of view, choosing a condo formula allows for the funding of the investment, which due to the temporary suspension of financing by banks often becomes the only possible way of completing the project. Additionally, in many cases the sale of rooms/apartments allows the investor to conveniently exit the investment.

How do buyers view the condo market?

For buyers, on the other hand, the purchase of hotel rooms in the condo formula has become extremely popular mainly due to the attractive rate of return offered by investors, compared to the level of market interest rates, and thus bank dividends. Real estate is still perceived as a safe place to invest free funds, savings, especially with high levels of inflation, which grew starting the second half of the year. Buyers are additionally counting on property value growth in the long term. Apart from the pure economic reasons, the appetite for such apartments is also fueled by an increasingly strong trend of returning to nature, the need of escape from the city. This is clearly visible in the exceptional, as for pandemic times, results of the resort hotels. Moreover, many Poles "forced" by the pandemic circumstances to spend their holidays in the country have rediscovered the charm and potential of Poland.

Are all developments likely to succeed?

Whilst there is many new condo- and aparthotel developments, it is easy to determine those that have a great chance of success. Unfortunately, it is also possible to identify projects which might never achieve the desired success if they are ever completed at all in the intended format. This is mainly due to inferior location, poorly thought-out product, lack of adaptation to the local market, as well as overestimation of rents, additionally affected by a dramatic increase in construction costs.

What did apartment buyers expect?

It turns out that besides reputable locations in the most recognizable resort destinations in the country, one of the key factors was the experience of the investor and the hotel operator. This influenced the perception of the project as "safe" and has been of a key importance when choosing an asset to invest capital in. Another key aspect was the contract with guaranteed fixed rent, which many buyers even indicated as a required standard, without understanding pros and cons of such solution, especially in the unpredictable period of the pandemic. We do however see a Hybrid Condo acquisitions which only shares a part of the NOI of the operating Condo business. This gives a much safer format for both participants.

We also notice quality Condo developers now hiring third party hotel operators to insure the post development phase to be a substantiate business for all parties.

How will the condo investment market develop?

In our view, developers will seek to align the product with condo buyers expectations, understanding the coming trend, buyers will be making funds allocation for their investment as long term, and a family inheritance tool.

What are the forecasts?

Given the temporary lack of bank financing for hotel properties, we forecast continued development of condo investments. Demand from individual investors (apartment buyers) will depend mainly on the economic situation. The deciding factors will be the rate of inflation, the level of interest rates, and rates on bank deposits. Those, if they rise, may turn out to be an alternative to invest savings for some more cautious investors.

At the time of preparing this report, several thousand new condo apartments are being built and planned in Poland and we see this sector's trend as growing in this decade significantly.

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DISCLAIMER

The following hotel report covers the situation in the hotel market in Poland's largest cities, and the performance data are based mainly on the results of categorized chain hotels.

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