YEAR END REPORT 2022

HOTEL MARKET IN POLAND

Hotel Professionals

Advisory + Management Services

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BIZZARE YEAR FOR SURE...

- ALEX KLOSZEWSKI

We started this year with a post-COVID attitude and looking forward to an endemic transition, after millions of us got their shots, boosters, and infections, so it felt like we were positively transitioning... until?

The Special Military Operation started in our neighboring country of Ukraine on February 24th, but what was this operation supposed to be, all of us wondered the first few days. What came quickly for us to understand was that this was a Russian military invasion of our friends and border country.

So how do we process this tragic phenomenon? Do we pack our families and leave Poland, do we stay and observe hoping for a good ending, do we go over there and help, should we invite the escapees to come as refugees to Poland? What about our country being invaded, will that happen as well?

The hours, days, and bad news traveled fast, and worries and sleepless nights also accumulated. Our neighbors were being killed by the rogue state without remorse. Our country and regions were in chaos. In this tragic matrix, humanity also appeared, the Polish people, NGOs, companies, and government jumped into dramatic assistance housing the thousands of refugees crossing our borders 24/7. Since the 24th of February 2022 over 9 million Ukrainian citizens crossed our border, to try to find asylum and safety from the bombs and the brutal attacks on civilians in their country.

Our industry, hotel chains, hotel owners and general managers reacted magnificently with room nights and food donations for incoming refugees in all our cities.

We did an update for the banks that requested our take and opinion on what would likely happen to our sector, and in April we did a White Paper that turned out to be mostly accurate. Some of our predictions that materialized are ongoing...

NATO, US, and the EU have been collaborating to provide arms, military intelligence, and funds for the government and people of Ukraine. Global funds donated for aid are arriving to them at 0,5 billion EUR per day. The world realizes the gravity and atrocity of the Russian invasion and the need to protect a free and sovereign country and its democracy.

In Poland, the ongoing efforts to work with all parties, NGOs, the EU, NATO, the US, the UN, and our border countries are evident. We have transformed and morphed at flash speed to assist and support the defense of Ukraine and its people. At this moment over 2.3 million Ukrainian citizens are residing in Poland. There have been drastic efforts made by our government to put an efficient system in place, but the most remarkable efforts have been shown by the people and families of Poland. As a nation, we showed no hesitation whatsoever, we realized very quickly not only do we need to save and safeguard our neighbors but that this invasion is also an immediate danger to us as a bordering country and to the future of the EU.

NATO and the US will quickly build their military forces at the Eastern borders, up to 100.000 to 150.000 soldiers and support staff. This will inevitably create the demand for building more infrastructure for the above cities, including living quarters, hospitals, schools, shopping centers, medical clinics, restaurants, bars, etc. This infrastructure demand will create a boost for the Polish industries in construction, engineering, materials and construction producers, and Poland's factories will get the lion's share of these contracts. The modular home manufacturing companies will also see strong demand, as never before in our country. They will focus on the production and installation of *accommodation products for the refugees staying here for medium- and long-term stays.*

Polish industries will also have a major role in the rebuilding of Ukraine and its cities, infrastructure, and military installations. IT and Logistics Polish companies will also benefit from the Ukrainian market, as well as the telecommunication infrastructure building companies where there will be immediate needs to rebuild after the war.

We also forecasted that the war would positively impact trading in the operating hotels in Poland due to a newly created reactionary segment of military, NATO, EU, international intelligence agencies, construction and infrastructure planners and European regional crisis and planning meetings.

The end-of-year results for the country turned out to be slightly better than 2019. 69% occupancy with an ADR 340 PLN, also worth pointing out that versus 2021, these are substantial improvements (34.5% and 275 PLN in 2021).

Most cities in Poland came up in positives including Warsaw, Wrocław, Poznań, TriCity, Rzeszów, Łódź, Bydgoszcz, Szczecin. The city that unfortunately missed this trend was Kraków.

The spinoff due to the unfortunate circumstances of the war, gave the Polish hotels an unforeseen respite after the COVID one and a half years of horrific financial stress.

The new segment of hotel guests (we call this Shadow Segment) contributed circa 2 million occupied rooms in 2022, not one hotel in Poland had this segment in the original 2022-year budgets.

The summer also saw well-to-do families from UA, spending their vacations in our resorts, the city center hotels also had high-paying UA business throughout the year.

THE DISRUPTORS - NOW AND ONGOING

We are all aware of the malaise the global pandemic created, and the aftermath of the disruptions - financial, economic, manufacturing, in travel and in distribution.

Compounding the above negative indicators that started appearing after the war began like historic inflation, central banks tightening interest rates, China's COVID closures and silent production lines, made the bad story, worst.

We need to keep in mind that the above will not return to normalcy for at least a couple of years, and even then, we would not see free money from the central banks make a return like we had the past 10 years. The global equity markets shed 30 trillion USD in value, the worst since the financial crisis.

We will see a slowed EU economy, and in some countries even recessions, Poland might barely avoid the R, but only if we receive the EU Recovery Funds.

We will need to consider the absurdly high costs of energy in most European countries, and this will undoubtedly impact the NOIs for the hotels in Poland.

We predict the jump in current operating media costs to be between 8.5% to 10.5 % of total hotel revenues and in extreme cases, it may be even ca. 12%.

Increasing minimum wage and lingering high inflation will place an additional operational costs burden on hotel operators.

Is COVID behind us? or resurgence coming via China?

INTO THE FUTURE (IN A WORLD DISORDERED)

The Airline industry will continue high load factors in most of the European markets, the leisure and business travel will return to pre-pandemic levels.

International short haul will improve in the corporate and leisure segments. There will be more business/short leisure stays in most European countries, and Poland will be a big beneficiary of this. The U.S. portal CNN.com has prepared a list of travel destinations worth choosing in 2023. Poland has been placed as no. 1. One of the reasons for such a high position of Poland is „to show solidarity with a country that has shown solidarity with the people of Ukraine."

We are willing to bet on the Shadow Segment to produce circa 3.5 million room nights in Polish hotels in 2023, circa 9 % of the total sold room nights.

The summer and vacation periods will do well again, we'll see the traditional lakes, sea, and mountain resorts have a boom, largely due to the national and UA feeder markets taking center stage.

Most likely, due to inflation effects, the booking days will drop from the average of 5 nights to 4 and food and beverage consumption on property will experience out of hotel preferences.

As every year, we met with the representatives of the major hotel chains in Poland in early December and we questioned them about their 2022 trading and new hotel projects developments. Most of them were positively surprised with their existing hotel's performance, but more reserved on their new and planned pipeline.

The culprits are high costs of financing, banks not keen on hotel loans, and costs of building materials (now abating).

When it comes to future hotel investments, we predict the banks will come back to lending at a rational financing cost by midyear.

We envision operating hotel properties continuing aggressive cost reduction programs, and energy optimization priorities for the general manager's KPIs. We strongly suggest and recommend investments in IT, new generation of energy package controlling monitoring software and hardware to better yield the 24/7 energy consumption of media. This is also an important component of the EU directive related to ESG reporting.

Since the General Manager and the Engineer will be the key personas in the above endeavor, tools need to be procured for them to perform efficiently.

There will be cost decisions to make in large MICE hotels, if a particular event or function should be booked, versus keeping the ballroom or conference space closed to save energy costs. Of course, if the event also involves booking hotel rooms, the situation may look very different. Each booking will have to be tested on paper, before signing event contracts.

We predict a potential energy surcharge per occupied room to be charged to staying guests in some hotels in Poland to offset the extreme costs.

2023 (OUR BEST GUESS FORECAST)

The known unknowns ...

- *The war (potential outcomes for 2023 r.):*
  - *Mr. Putin is removed, incapacitated, retired...*
  - *"A kick the can" peace accord is brokered by UA, USA, EU, India, China, Turkey...*
  - *Nothing changes, the war continues with Russia attrition approach to try to provoke the UA and supporting players like EU, USA to fatigue, succumb and abandon...*
- *Poland's GDP at 1%*
- *Poland's Q4 inflation 10%*
- *Poland's Q2 MPI 51%*

As for our industry, we cautiously forecast that hotel occupancy in most major cities in Poland will be around 70%, with ADR increasing by around 3% from 2022. We also forecast Kraków to return to the 2018-2019 performance.

2023 will be defiantly and definitely boisterous, so fasten your seatbelts...!!!

Disclaimer: The art of predicting and forecasting the future, has always been a challenge. However, I think we can all agree the past 4 years, and now inclusive of the war, it is practically impossible, therefore a cautious paradigm needs to be applied.

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

HOTEL MARKET IN POLAND 2022

HOTEL MARKET HIGHLIGHTS

- Geovita PGNiG and Elbest PGE joined Polski Holding Hotelowy Group. In December 2021, Polski Holding Hotelowy concluded conditional agreements with Polskie Górnictwo Naftowe i Gazownictwo capital group for the purchase of Geovita, which manages 12 facilities, and with PGE Polska Grupa Energetyczna for the purchase of Elbest company with 10 facilities in its portfolio.

- At the beginning of the year, the former Sofitel Wrocław Old Town hotel was reopened under the Wyndham brand, which had not been present in the country so far and thus with the hotel's opening the Wyndham Hotels & Resorts chain began its operations in Poland.

- In Q4 of 2022 Berlin-based HR Group has acquired Austrian hotel company Vienna House and its operating companies. The merger also included the timely acquisition of Vienna House properties from Vienna House Capital and U City. At the same time, the Vienna House brand was acquired by the Wyndham Hotels & Resorts chain, with a transaction value of €44 million. Vienna House was a regional hotel chain with 42 properties, including six in Poland.

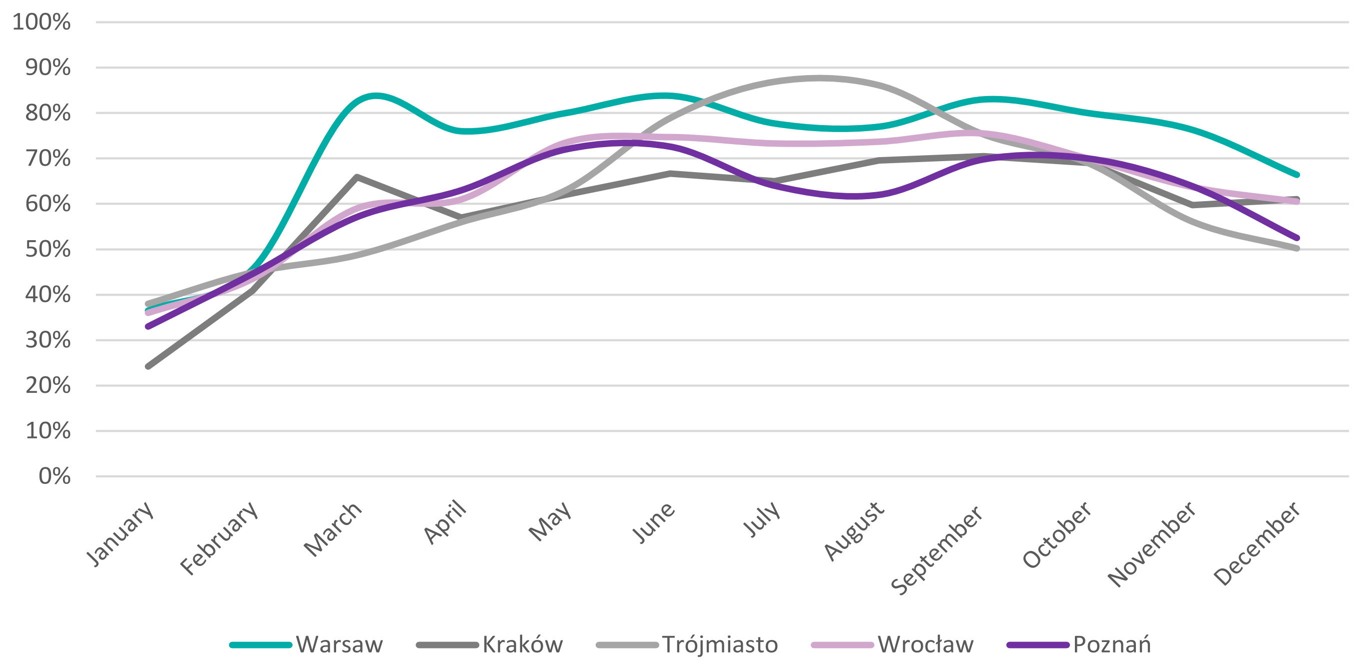
- In 2022, two hotel sales transactions took place on the largest markets: Metropolis Design Hotel in Kraków and Holiday Inn Express Warsaw Airport in Warsaw. In addition, TMS Spartaco has taken over the four-star Belvedere Hotel in Zakopane under previous agreements concluded between the parties.

- The Hyatt International chain has returned to Poland with the Hyatt Place Krakow hotel, which opened in Q4 2022. The hotel is interim managed by Hotel Professionals Management Group.

There are ca. 2,946 hotels in Poland, offering a total of more than 148.6 thousand rooms. Ca. 43% of the rooms operate in the 3-star standard (economy segment). Rooms positioned in the 4-star category have the second largest share in the market (about 31%), followed by 2-star rooms. 5-star rooms constitute a small percentage of Poland's room supply, only about 8% of the total

HOTEL OCCUPANCY IN LARGEST CITIES IN POLAND IN 2022

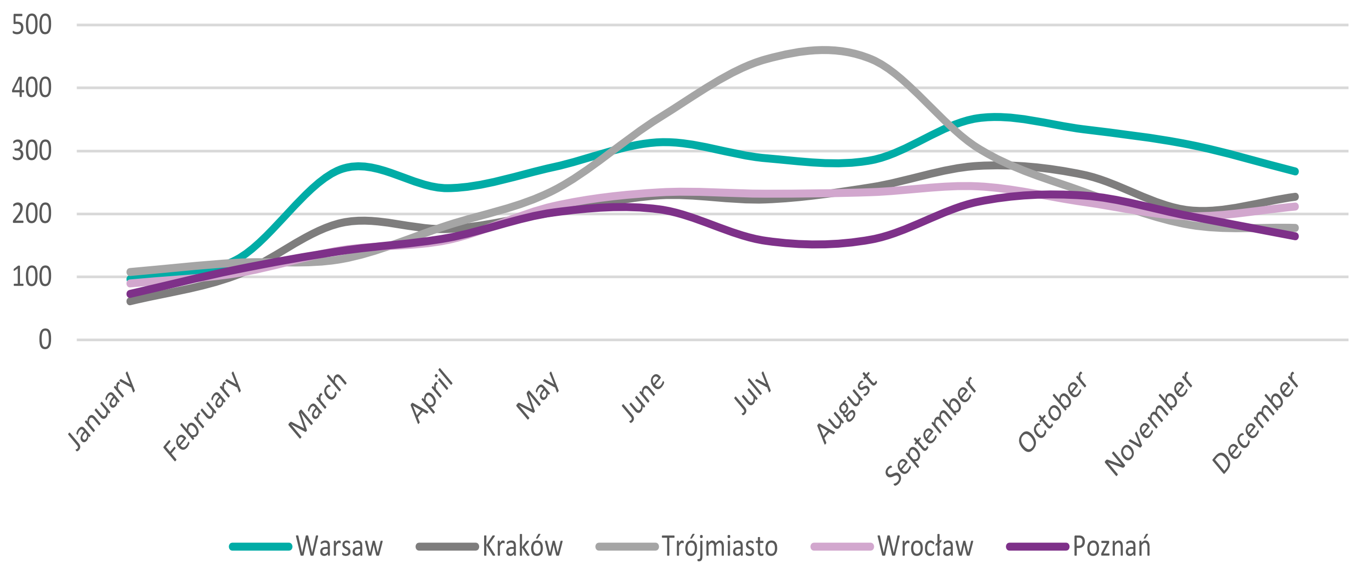
AVERAGE OCCUPANCY (OPEN REPORTING HOTELS), JANUARY - DECEMBER 2022



Source: www.e-hotelarz.pl&STR Global
*Occupancy of mainly branded hotels

HOTEL REVPAR RESULTS IN LARGEST CITIES IN POLAND IN 2022

REVPAR AVERAGES (OPEN REPORTING HOTELS), JANUARY-DECEMBER 2022



Source: www.e-hotelarz.pl&STR Global
*RevPAR of mainly branded hotels

1. Apart from the summer months, Warsaw was the clear leader among the largest cities in terms of occupancy, but also the RevPAR index. Influencing such good results of the capital's hotels was, among other factors, the increased traffic of guests related to the war in Ukraine, which began on February 24. Poland, and Warsaw in particular, almost immediately after the Russian attack became the main base of the international community supporting the Ukrainians. In the first months after the outbreak of war, many if not most hotels became temporary shelters for Ukrainians fleeing the war, some of whom paid regular rates for their stay for days or even weeks. The high occupancy and high ADR in Warsaw hotels for most of the year were thus largely the result of an entirely new guest segment closely linked to the situation beyond our eastern border, both in the humanitarian context of support provided to refugees on an unprecedented scale, in the global security context of visits by representatives of the government, NATO, the European Union and many other organizations both governmental and non-governmental, and finally in the economic context of the relocation of the headquarters of large companies from Ukraine and Russia and the building of a post-war reconstruction strategy for Ukraine by domestic and foreign entities.

2. In the holiday months (June-August), Tricity led the way, both in terms of average occupancy and the ADR. Already during the 2020 holiday season Tricity recorded better results than before the pandemic, and in 2022 the results were even higher. Consequently, after three quarters, the RevPAR was higher than in 2019. What is more, Tricity was the only market among the largest five to report RevPAR growth compared to Q3 2019.

3. According to data from the Central Statistical Office, in July and August, on a national scale 5.68 million guests stayed in Polish hotel facilities, while in the record year 2019 - 5.53 million (i.e. 150,000 more guests in 2022). This increase was achieved primarily thanks to domestic tourists, since nearly half a million more domestic tourists stayed in hotel facilities compared to 2019 and they accounted for about 80% of all tourists. There were 1,2 million foreign tourists, i.e. 300 thousand less than in the same period of 2019 (1,5 million), however there were nearly 500 thousand more than a year ago.

4. Most of the major markets in Poland achieved RevPAR similar to the same period in 2019 after three quarters of 2022, and including the fourth quarter - RevPAR was higher in 2022 compared to 2019 - mainly due to much higher ADR rates. The exception is the Krakow market, where RevPAR was less than 85% of the 2019 result. This is due to the typical structure of hotel guests in Kraków, which relies heavily on foreign tourists and the MICE segment - segments that are taking the longest to recover from the pandemic. New hotel supply is also not insignificant, with about 1,500 new rooms added in Krakow in 2021-2022 alone.

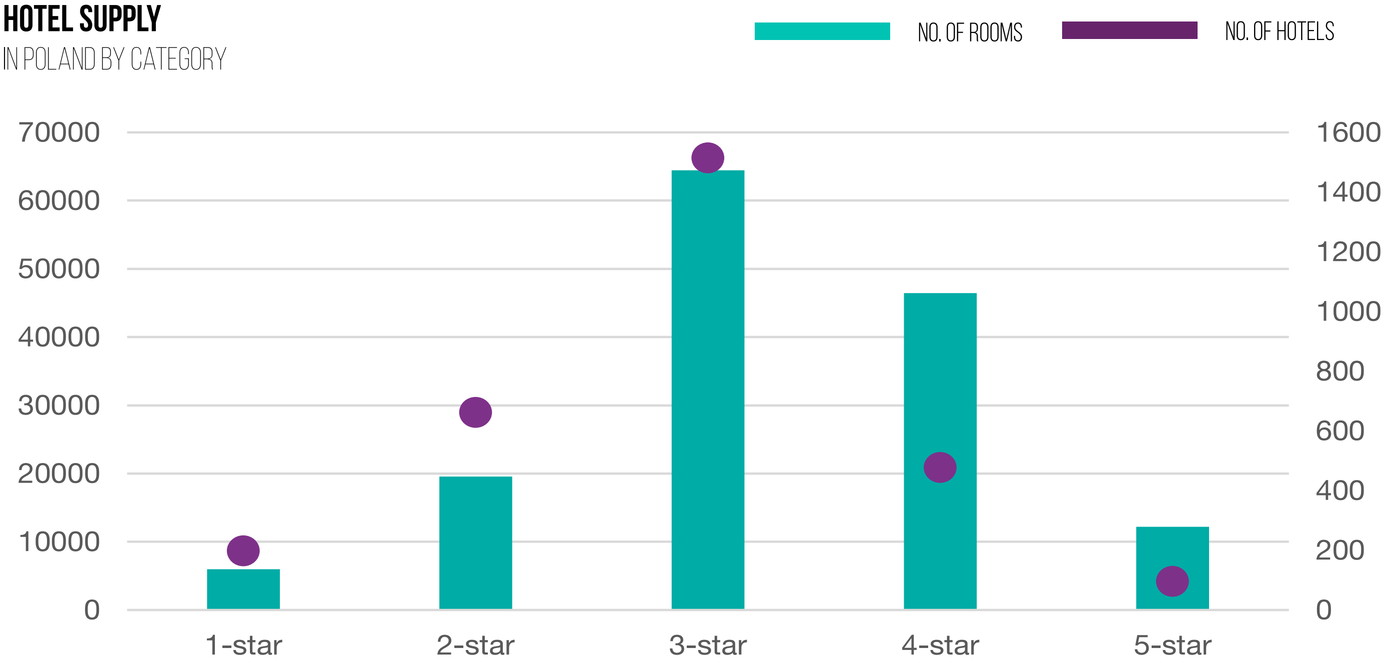
5. Despite the very good performance of hotels on the revenue side, costs have become a huge challenge for hoteliers. In addition to horrendous increases in utility and energy prices, due to record high inflation, the costs of all other aspects of running a hotel business - food products, cleaning products, laundry services, salaries, etc. - have also increased. All of this means that in the end, despite high revenues often exceeding those of 2019, making a profit is not so obvious. The next year in the hotel market will be all about savings, but also by investments in modern technological solutions to reduce operating costs, including, in particular, energy costs.

6. The hotel industry continues to struggle with a shortage of qualified personnel, who have almost massively departed for other sectors following the outbreak of the pandemic. Part of the existing gap has been filled by Ukrainians residing in Poland, but filling all positions, especially at the managerial level, remains a major challenge.

In 2022, nearly 3,000 new branded (with global, regional, and national brand) hotel rooms were delivered to the market in more than 20 properties. Most of these were investments that were already underway at the time of the pandemic. Majority of the planned investments did not live to see the start of construction, due to the huge increases in construction costs we faced in 2021/2022 and the lack of availability of external financing. Banks are still looking at our sector with extreme caution, and only few exceptional investments have a chance of obtaining a loan.

HOTEL SUPPLY

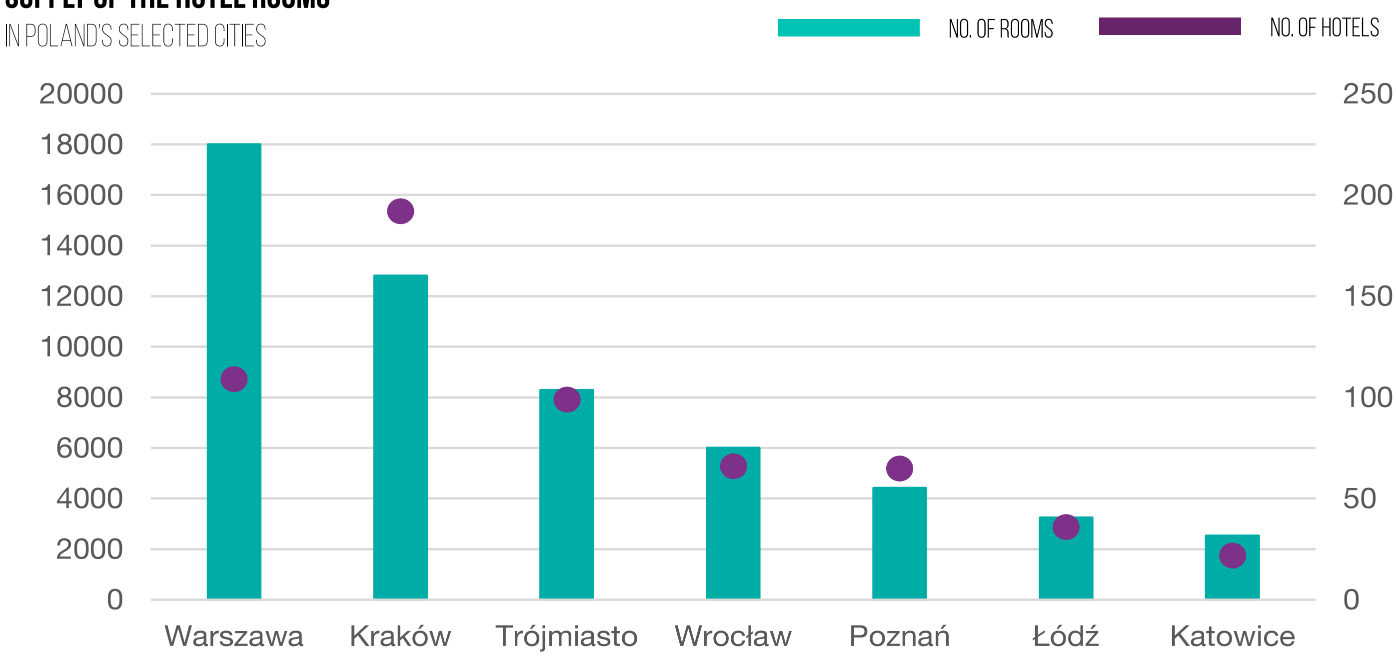
IN POLAND BY CATEGORY



Source: Hotel Professionals Research Hub

SUPPLY OF THE HOTEL ROOMS

IN POLAND'S SELECTED CITIES



Source: Hotel Professionals Research Hub

NEW HOTEL OPENEINGS WITH A GLOBAL, REGIONAL OR NATIONAL BRAND IN 2022

New hotel openings in Poland with a global, regional, and national brand in 2022

Hotel	Category	Number of Rooms	Hotel Chain	City
Hampton by Hilton Kraków Airport	★★★	173	Hilton Worldwide	Balice
Hampton by Hilton Białystok	★★★	122	Hilton Worldwide	Białystok
Mercure Białystok	★★★★	92	Accor	Białystok
Focus Hotel Premium	★★★	88	Focus Hotels	Bydgoszcz
Radisson RED	uncategorized	30	Radisson Hotel Group	Gdańsk
Hotel Saski Krakow, Curio Collection by Hilton	★★★★★	117	Hilton Worldwide	Kraków
Hyatt Place	★★★★	216	Hyatt International	Kraków
Garamond Boutique Hotel – Tribute Portfolio	★★★★	53	Marriott International	Kraków
B&B Lublin Centrum	★★	130	B&B Hotels	Lublin
Hampton by Hilton Łódź City Center	★★★	149	Hilton Worldwide	Łódź
B&B Poznań Old Town	★★★	156	B&B Hotels	Poznań
Kyriad Stargard	★★★	60	Louvre Hotels Group	Stargard
Hampton by Hilton Poznań Swarzędz	★★★	103	Hilton Worldwide	Swarzędz
Ibis Styles Szczecin Stare Miasto	★★★	161	Accor	Szczecin
Moxy Szczecin City	★★★	121	Marriott International	Szczecin
Mercure Szklarska Poręba	★★★★	140	Accor	Szklarska Poręba
Royal Tulip Apartments	uncategorized	312	Louvre Hotels Group	Warsaw
Focus Hotel Premium	★★★★	234	Focus Hotels	Warsaw
Verte, Warsaw Autograph Collection	★★★★★	94	Autograph Collection	Warsaw
Wyndham Wrocław Old Town (former Sofitel Wrocław Old Town)	★★★★★	205	Wyndham Hotels & Resorts	Wrocław
Q Hotel Plus Wrocław Bielany	★★★★	201	Q Hotels	Bielany Wrocławskie

Source: Hotel Professionals Research Hub

36% OF HOTEL ROOMS IN POLAND REPRESENT A GLOBAL, REGIONAL OR NATIONAL BRAND.

WARSAW

In 2022, two hotels and the uncategorized Royal Tulip Warsaw Apartments have opened in Warsaw. Five small hotels were removed from the Central List of Hotel Facilities. There are currently 109 hotels operating in the Warsaw market, offering a total of about 18,000 rooms. The largest number of rooms are categorized in the 3-star segment - they account for 36% of all hotel rooms, of which just over half operates under global brands. Rooms in the 4-star segment (33% of all hotel rooms) and 5-star segment (21% of all rooms) in the vast majority (i.e. 73% and 87%, respectively) operate under global brands.

IN 2022 THE HOTEL MARKET GREW BY CA. **640** HOTEL ROOMS

109
HOTELS

CA. 18 002
HOTEL ROOMS

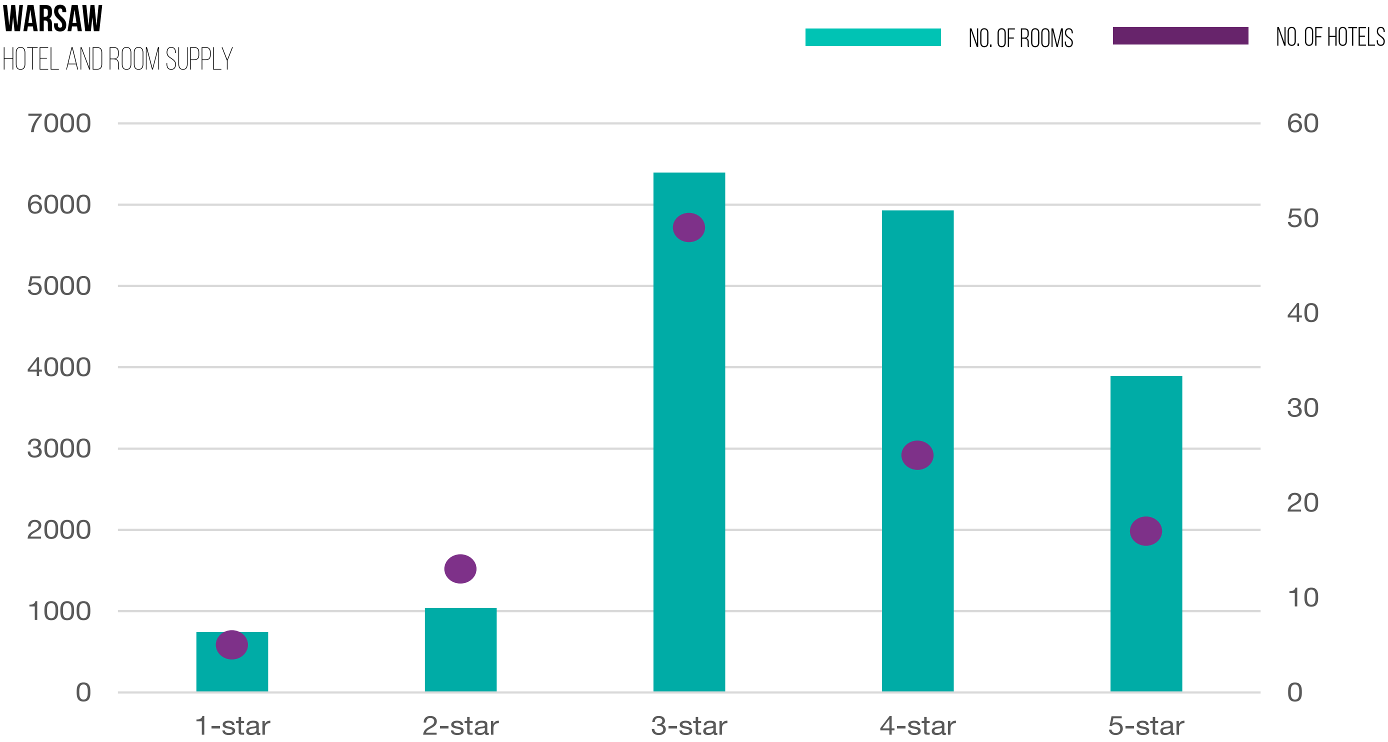
81%
BRANDED HOTEL ROOMS

36%
HOTEL ROOMS

33%
HOTEL ROOMS

21%
HOTEL ROOMS

WARSAW
HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub

*The hotel supply includes the following facilities: Verte Autograph Collection, Westin, Nobu Hotel Warsaw, Royal Tulip Warsaw Apartments, NYX, V Hotel, Tulip Residences, which are not officially categorized (according to the Central List of Hotel Facilities)

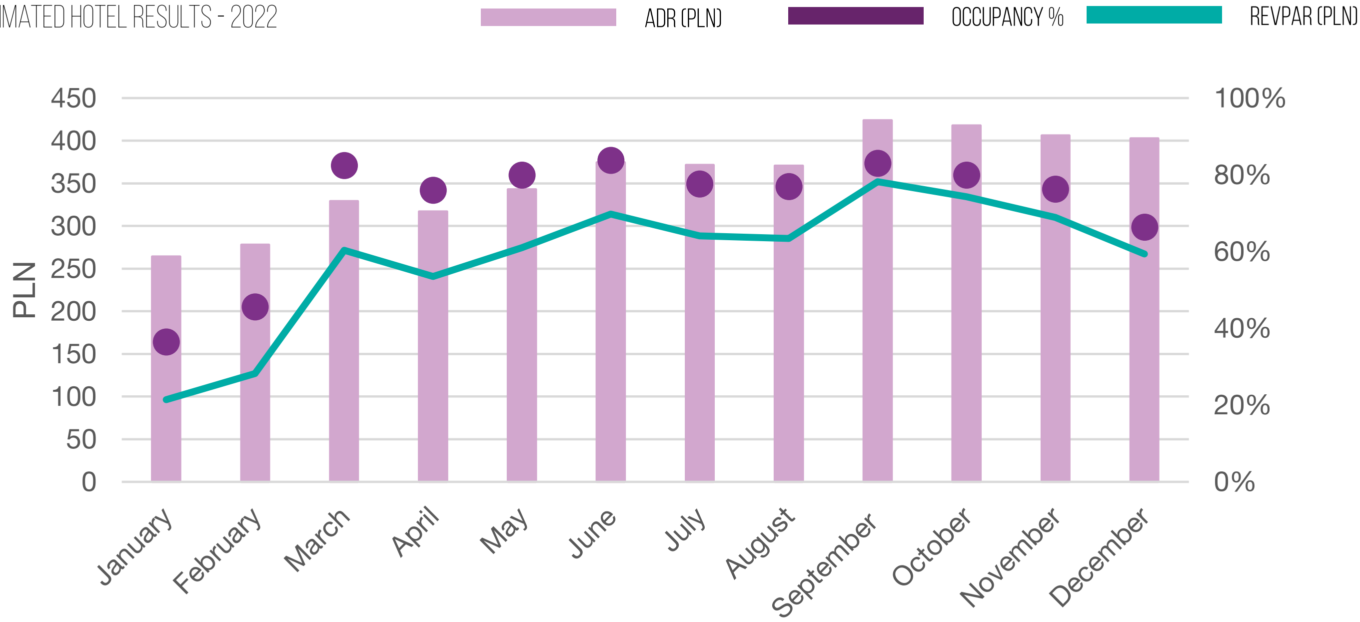
HOTEL MARKET HIGHLIGHTS

- In the fourth quarter of 2022, the sale of the Holiday Inn Express Warsaw Airport hotel was finalized.
- After a general renovation, the Golden Tulip Centre was reopened. The hotel, which closed in 2020, reopened with 143 rooms, eight conference rooms, a coworking area and a culinary and entertainment space The Complex with four culinary concepts.
- The debut of two hotel brands took place: Royal Tulip by Louvre Hotels Group and Autograph Collection by Marriott International.
- New projects were announced: Campanile – Premiere Classe (rebranding of the Sangate Airport hotel), two Puro hotels at Canaletta and Mariańska streets, a hotel under the Tribe brand at Chopin Airport (Hotel Professionals advised on acquiring the brand), as well as a hotel with 300-rooms as part of the multi-use hotel & office Upper One complex at the place of the former Atrium International building.

AVERAGE OCCUPANCY, ADR & REVPAR

WARSAW

ESTIMATED HOTEL RESULTS - 2022



Source: Hotel Professionals Research Hub based on own data and STR Global
*Occupancy of mainly branded hotels

Before the outbreak of the pandemic, Warsaw next to Kraków was the best hotel market in terms of achieved results. In 2020 and 2021, the capital's hotel market, together with Kraków's, suffered the most as a result of the epidemic situation. In 2022, Warsaw's results clearly rebounded. In the first half of the year, especially since March, hotels in Warsaw achieved higher occupancy levels than in 2019. This situation continued in the following months. In terms of ADR – the average rate per room in 2022 was at the level of ca. 366 PLN – i.e. ca. 46 PLN more in relation to 2019. The average occupancy reached 72%, i.e. it was at almost the same level as full year of 2019.

Comparing Warsaw to other large cities, in 2022, Warsaw ranked first in terms of occupancy and RevPAR and second in terms of the average rate (after the Tricity).

Warsaw's performance was undoubtedly influenced by the situation in Ukraine. In late February and March, a wave of refugees arrived in Warsaw. Some of those seeking asylum took advantage of the commercial offer of hotels. Moreover, in the following months Ukrainian companies, corporations and international governmental and non-governmental institutions from Ukraine relocated their employees and representatives to the capital. In addition, Poland, as a border country, has become a base for the international community supporting Ukrainians. Representatives of many governmental and non-governmental organizations sought accommodation in the capital. Thus, a new segment of hotel guests can be distinguished, which has guaranteed high occupancy levels and high rates in Warsaw hotels for most of the year. Hotel Professionals predicts that this trend will continue for the coming months. Domestic business travelers, leisure guests, small and medium-sized events and individual foreign tourists also contributed to the increase in occupancy.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2022, 3 facilities opened in Warsaw providing a total of about 640 new hotel rooms and apartments. Among them, the largest is the Royal Tulip Warsaw Apartments by Marvipol Development located in what is known as Bliska Wola, which is at the same time the first property under the upscale Royal Tulip brand in Poland. Long-awaited debuts certainly include Budizol's Autograph Collection hotel, located in the Old Town in the restored Branicki Palace and Szaniawski Palace. Hotel Professionals, as an advisor to investors, was involved in the process of acquiring the brands in both cases.

It is worth recalling that about 680 new rooms were added to the Warsaw market in 2021. The Stay Inn by Frost on Hynka Street and the 4-star Sante Hotel at Studio Sante Urban Spa are currently in the finishing stages. Construction is still underway on the Occidental Hotel in Powiśle and the Staybridge Suites Warsaw Ursynów, but given the pace and stagnant progress of the works, it is difficult to determine a realistic opening date.

New hotel openings in 2022

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Focus Hotel Premium	★★★★	234	Hotel Verte, Warsaw, Autograph Collection	★★★★★	94
Royal Tulip Warsaw Apartments	upscale	312	-	-	-

Source: Hotel Professionals Research Hub

As a result of the state of epidemic, one of the consequences of which was the inability to obtain financing, many hotel investments were suspended, or their planned opening was postponed. Given the current economic situation, part of the investments listed below are unlikely to be developed.

Planned hotel openings in 2023-2025

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Stay Inn by Frost	★★★★	90	Hotel (part of Upper One complex)	n/a	300
Sante	★★★★	52	VIB*	n/a	120
Flaner Hotel WorldHotels Crafted Collection	n/a	66	Radisson RED*	★★★★	267
Hotel Praski	n/a	118	Altus*	★★★★	110
Tribe Warsaw Airport	n/a	216	Moxy & Residence Inn*	n/a	311
Campanile Modlińska	★★★	155	Holiday Inn Warsaw Mokotów*	★★★★	370
Tribe Warsaw*	n/a	116	AC by Marriott Jerozolimskie*	★★★★	260
Staybridge Suites Warsaw Ursynów*	★★★★	190	EXPO XXI hotel complex*	n/a	468
Occidental Warsaw*	★★★★	150	Puro (4 Canaletta Street)	★★★★	205
Puro Warsaw Wola*	★★★★	300	Puro (5 Mariacka Street)	★★★★	145
Campanile & Premiere Classe (rebranding of Sangate Hotel Airport)	n/a	352	Holiday Inn Express Warsaw Jerozolimskie*	★★★	156
Moxy Warsaw Centrum*	★★★	263	Holiday Inn Dworzec Zachodni*	★★★★	217
Mercure Warsaw Bielany*	★★★★	127	Ibis Warsaw Bielany*	n/a	185

Source: Hotel Professionals Research Hub
* investments suspended/delayed

KRAKÓW

Kraków's hotel market has grown by six new establishments over 2022, eight hotels have been removed from the Central List of Hotel Facilities, and some hotels have undergone a change in categorization. In total, Krakow has 194 hotels offering more than 13,000 hotel rooms. The largest number of properties operate under private brands - about 50% of the total room supply. The second largest group are hotels of global chains, offering about 41% of the room supply. Rooms in the highest, 5-star segment account for 12% of the supply of all hotel rooms in Krakow, of which more than half are under a global brand and 35% under a private brand. 3-star and 4-star rooms account for 34% and 46% of the city's total room supply, respectively.

IN 2022 THE HOTEL MARKET GREW BY CA. **700** HOTEL ROOMS

194
HOTELS

OK. 13 160
HOTEL ROOMS

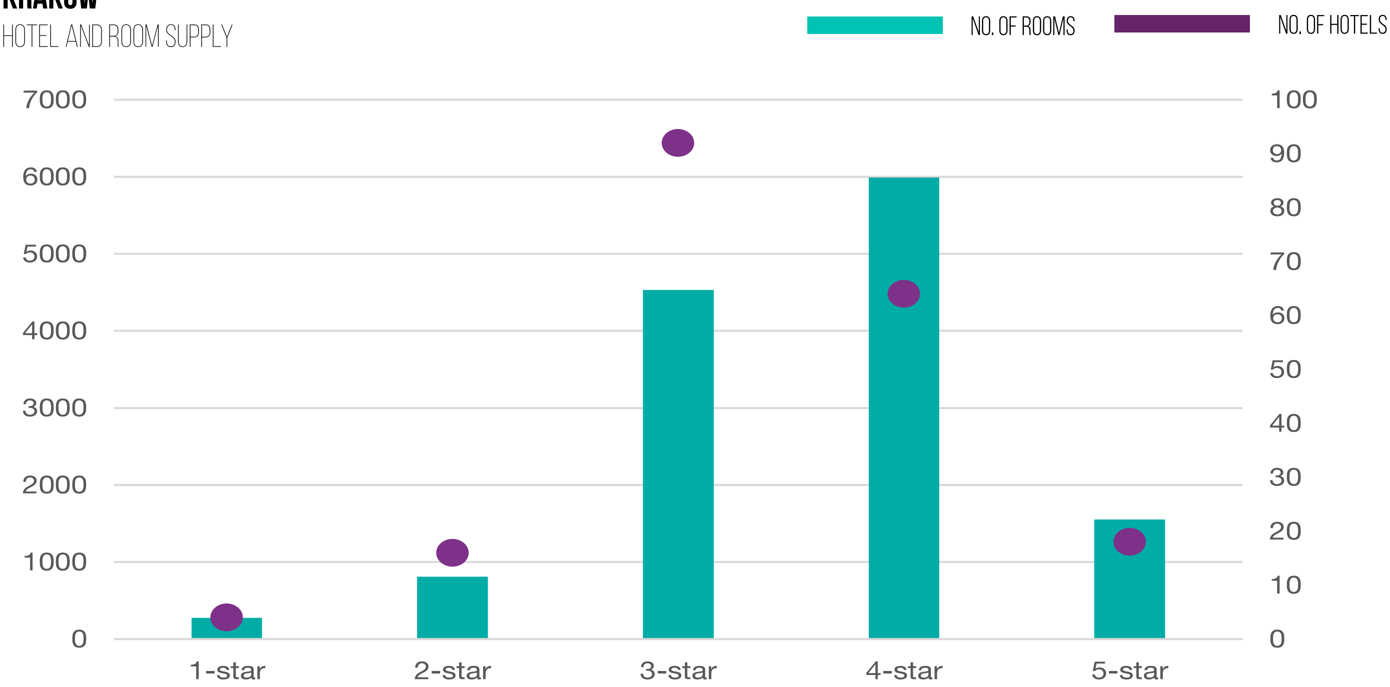
50%
BRANDED ROOMS

34%
HOTEL ROOMS

46%
HOTEL ROOMS

12%
HOTEL ROOMS

KRAKÓW
HOTEL AND ROOM SUPPLY



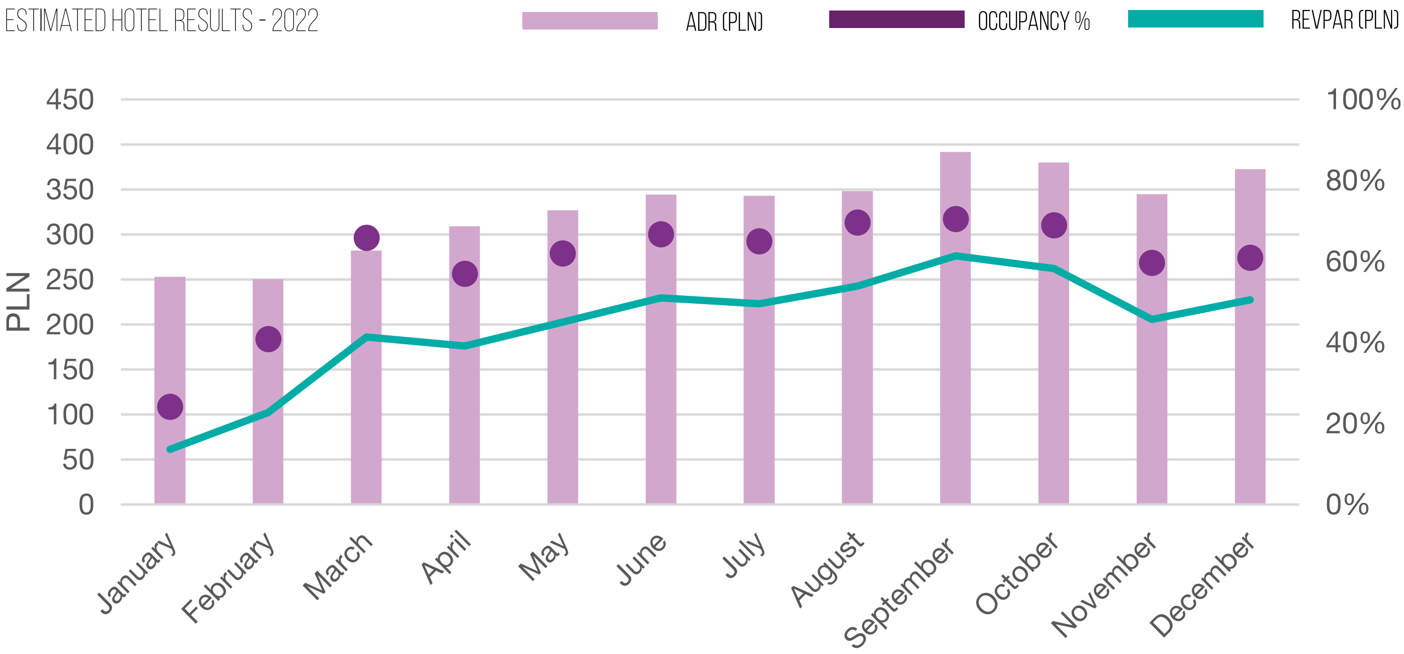
Source: Hotel Professionals Research Hub

HOTEL MARKET HIGHLIGHTS

• In January 2022, Fattal Hotels leased the Legend hotel in Krakow with 100 rooms, which currently operates as Leonardo Boutique Old Town. The facility has undergone an extensive modernization.
• In the third quarter of 2022, the sale of the Metropolis hotel by Fattal European Partnership was finalized as part of a specially established investment fund, which acquired a 60-room hotel from Metropolis SA. The current Metropolis Design Hotel, after adapting to standards, has been operating as Leonardo Boutique Kraków City Center since August.
• In the capital of Małopolska, the upscale Curio Collection by Hilton made its debut as the first hotel under this brand in Poland.
• First in Poland Marriott's Tribute branded hotel opened in Kraków – Garamond, a Tribute Portfolio Hotel located in the old town.
• Hyatt International has returned to Poland, thanks to the opening of the first hotel in Poland under the Hyatt Place brand at Błonia Krakowskie (the hotel is interim managed by Hotel Professionals Management Group).

AVERAGE OCCUPANCY, ADR & REVPAR

KRAKÓW



Source: Hotel Professionals Research Hub based on own data and STR Global
*Occupancy of mainly branded hotels

Considering the structure of hotel guests, Kraków is one of the longest recovering hotel markets in Poland after the pandemic. First COVID-19 and then Russia's attack on Ukraine negatively affected the arrival of foreign tourists and the organization of international congresses, which proved to be particularly severe for Kraków. In 2022 the average occupancy in the city was around 59%, which is significantly better than in 2021 (31%), but it is still only 78% of the occupancy level achieved in Krakow in 2019. This result ranked Krakow last among the largest Polish cities in terms of occupancy.

In 2022, September turned out to be the best month for Kraków hotels, when occupancy went up to 71%, which, at a rate of PLN 392, resulted in a RevPAR of PLN 276. In full 2022 in terms of ADR Kraków achieved PLN 339, an increase of about 8% compared to 2019. High ADR rates allowed Małopolska capital to be ranked third (after the Tricity and Warsaw) in terms of RevPAR.

In the summer months of 2023, the European Games will be held in Krakow, giving hope for increased foreign tourist traffic. The 2019 edition attracted 4,000 athletes and thousands of fans.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2022, 6 new hotels were opened in Kraków, which in total offer about 530 rooms. Four new hotels were added to the 4-star segment and two represent the 5-star segment. The largest newly opened hotel was Hyatt Place Kraków, which offers 216 rooms (managed by Hotel Professionals Management Group). It is the first hotel of this brand in Poland and the only representative of the Hyatt chain in our country. Another debut is the first Curio by Hilton hotel in Poland, opened in a renovated tenement building after the Saski Hotel. In Balice, near the airport, the Hampton by Hilton hotel with 173 rooms was also opened. In 2022, the sale of the Metropolis Design hotel took place, which was acquired by the Fattal Hotels chain.
It is worth recalling that in 2021 7 hotels entered the market offering as many as nearly 990 rooms. Just before the opening is the Campanile City South hotel – offering 364 rooms, it will be the largest hotel in Kraków. The planned openings for 2023 also include the Autograph Collection at Stradomska Street. In the summer of 2023, the long-awaited Radisson RED, which is part of the Unity Centre business complex, is likely to open.

New hotel openings in 2022

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Hotel Saski Krakow, Curio Collection by Hilton	★★★★★	117	Xerion Hotel	★★★★	60
Hyatt Place Kraków	★★★★	216	Hotel Warszauer	★★★★	10
Ferreus Modern Art Deco	★★★★★	71	Garamond, A Tribute Portfolio Hotel	★★★★	53
Hampton by Hilton Kraków Airport (Balice)*	★★★	173	-	-	-

Planned hotel openings in 2023-2026

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Campanile City South	★★★	364	Nobilium*	★★★★	46
Autograph Collection	★★★★★	125	Indigo Kraków Wawel Royal Castle	★★★★	76
Meininger	★★★	135	Hotel on Dietla Street*	-	-
Radisson RED	★★★★	230	Adagio Aparthotel Kraków	-	190
Logo (3 Maja Street)	n/a	566	Tribe Kraków Stare Miasto*	-	144
Golden Tulip Balice	★★★★	116	Hotel Arche Kraków*	-	150
Indigo Kraków Wawel Royal Castle	★★★★	76	Hotel at the Tauron Arena*	-	160
Hotel on 3 Maja Street	★★★★	263	Hotel Royal Kraków - rebranding (Royal Le Méridien Kraków)	n/a	120
voco Krakow – Montelupi Palace	-	44	-	-	-

Source: Hotel Professionals Research Hub

* investments suspended/delayed

TRICITY

In 2022 in Tricity, three categorized hotels and the uncategorized Radisson RED welcomed their first guests. Currently, there are 99 hotels in Tricity offering a total of ca. 8,280 hotel rooms. More than half of the rooms operate under the banner of a global, regional or Polish brand. 3-star and 4-star rooms dominate and have a similar market share, accounting for about 40% of the rooms in Tricity each. Among the 3-star segment, the largest number of rooms operate under a private brand - as much as 59%; rooms belonging to a global hotel chain account for 36% of the room supply in this segment. The 4-star segment is dominated by rooms in globally branded hotels, accounting for 42% of the total hotel room supply. Rooms in hotels categorized as 5 stars account for 11% of the total supply of hotel rooms and in 2/3 operate under a global brand, 1/3 under a private brand.

IN 2022 THE HOTEL MARKET GREW BY CA. **89** HOTEL ROOMS

99
HOTELS

OK. 8 280
HOTEL ROOMS

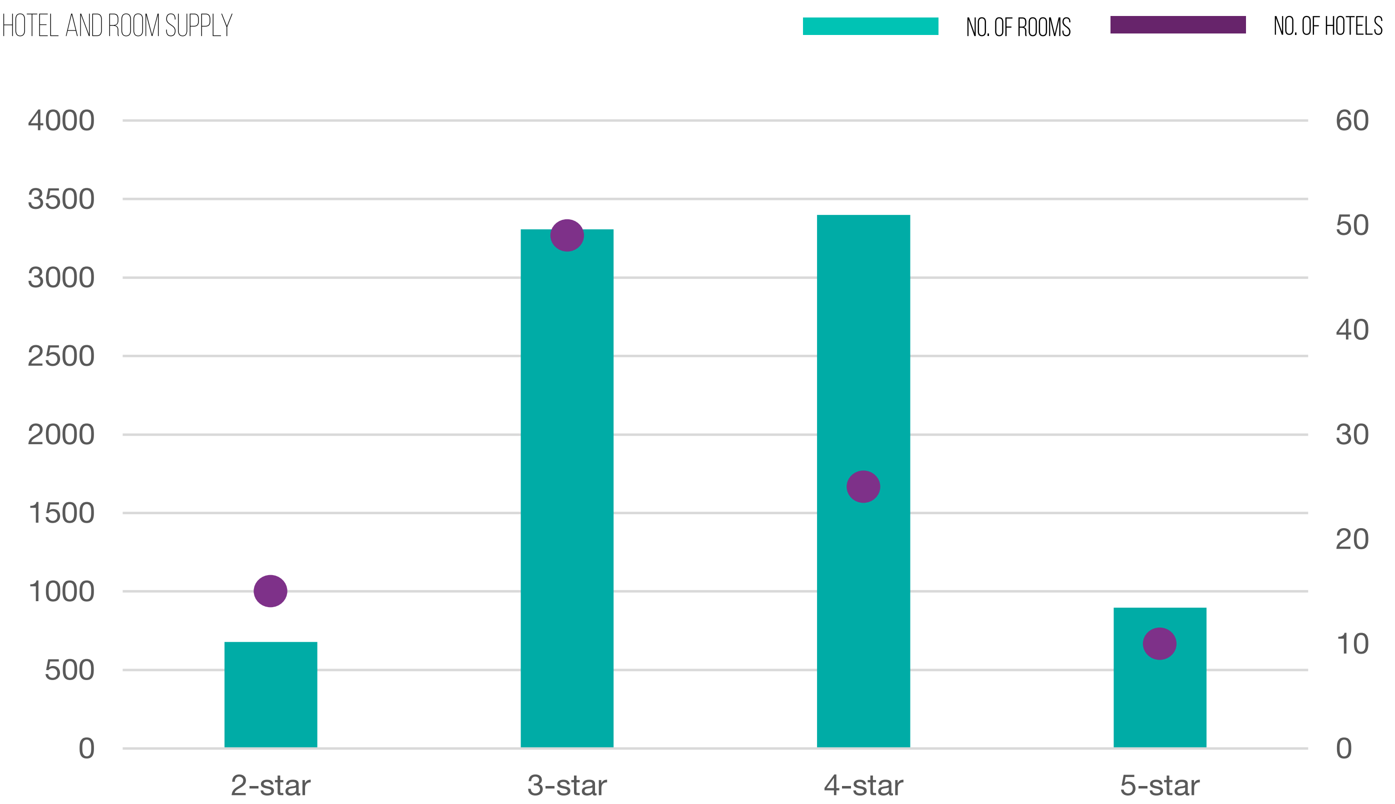
55%
BRANDED ROOMS

40%
HOTEL ROOMS

41%
HOTEL ROOMS

11%
HOTEL ROOMS

TRICITY
HOTEL AND ROOM SUPPLY

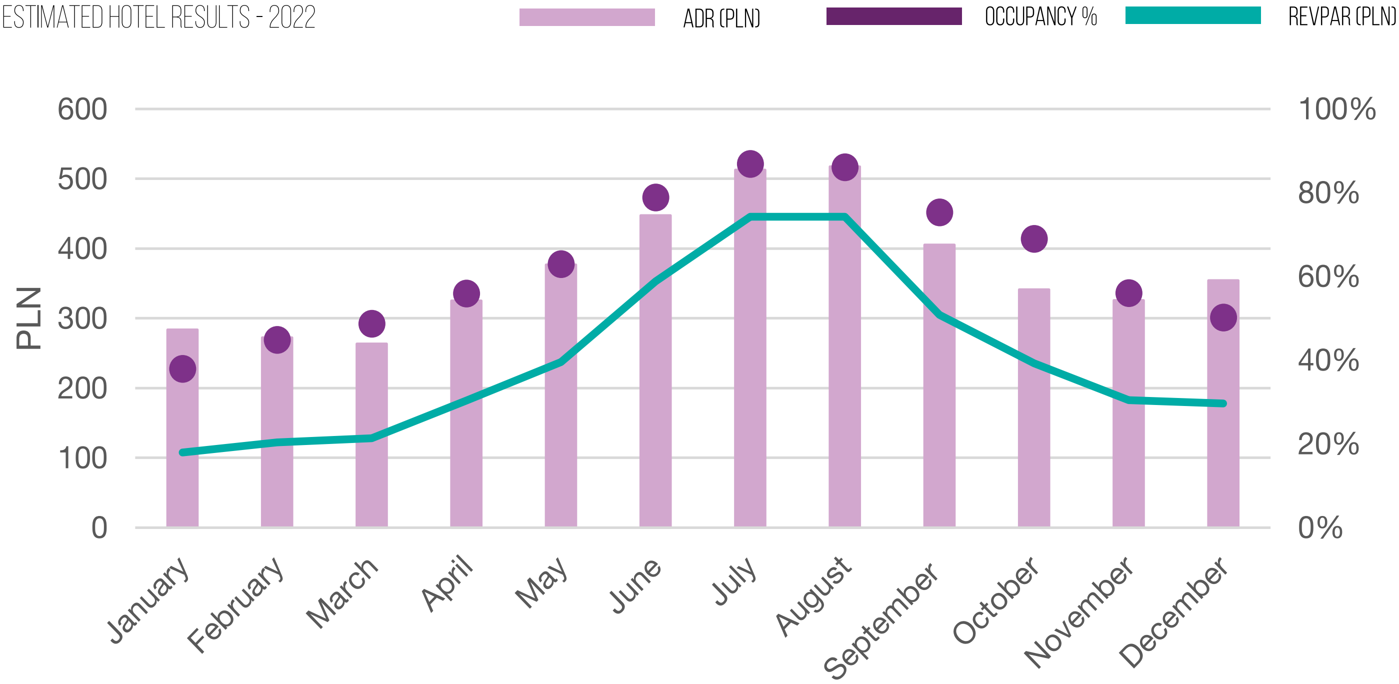


Source: Hotel Professionals Research Hub
*the hotel supply includes the following facilities: Arche Hotel Dwór Uphagena oraz Radisson RED, which are not officially categorized

AVERAGE OCCUPANCY, ADR & REVPAR

TRICITY

ESTIMATED HOTEL RESULTS - 2022



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

*Occupancy of mainly branded hotels

Tricity's average occupancy in 2022 was 63%, which is a rebound at the level of 91% of the average occupancy achieved in 2019. In the months of July and August, Tricity hotels achieved the highest occupancy levels among the largest cities in Poland, at 87% and 86%, respectively, which, with average ADR rates of PLN 513 and PLN 518, resulted in RevPAR of PLN 445 in July and PLN 446 in August. In comparison, in 2019 RevPAR in July was PLN 378 and in August PLN 374. It is worth noting that in August, Tricity hotels recorded the highest occupancy rate not only in Poland, but also in the entire CEE region. Tri-City's market has not recorded a large supply of new hotels, as such growing traffic translates into better results of already operating hotels.

In 2022 Tri-City ranked second (after Warsaw) among the largest cities in Poland in terms of RevPAR with a result of approx. PLN 245 and third in terms of average occupancy (63%).

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2022, two new facilities were opened: Radisson RED with 30 rooms, which is the first representative of this brand in Poland, and My Story in Gdynia. In 2022 Arche has started a hotel investment near the airport – Arche Hotel Gdańsk Airport in the condo system. In 2023, the Grano Marina Hotel is planned to be opened, which in the autumn of 2022 reached the raw open state. Based on the knowledge of Hotel Professionals, a significant part of hotels at the planning stage remains suspended and it is difficult to determine when the projects will be implemented.

New hotel openings in 2022

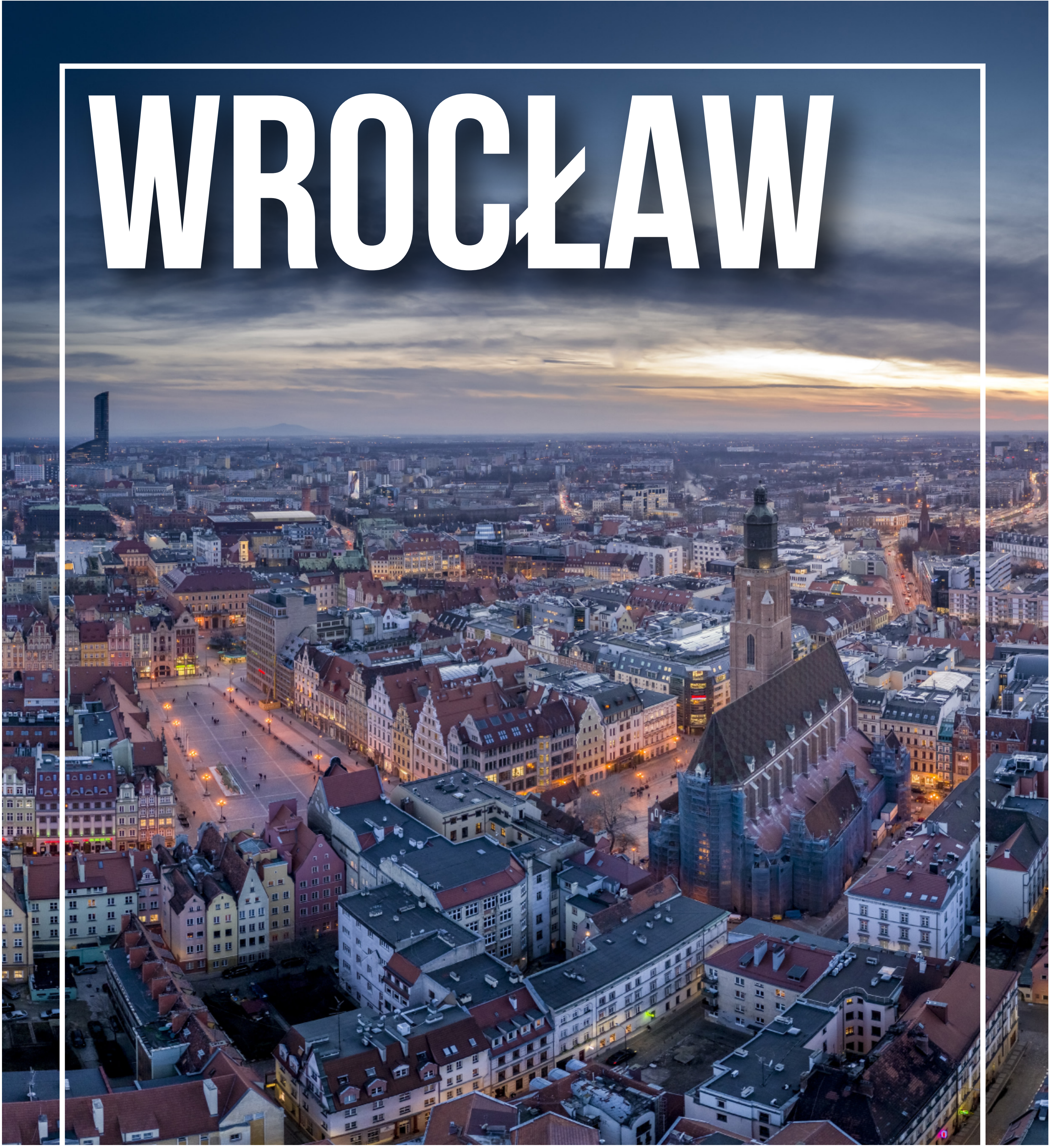
Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Radisson RED * (Gdańsk)	★★★★	30	My Story (Gdynia)	★★★★	59

Planned hotel openings in 2023-2026

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Renaissance Gdańsk*	★★★★★	250	Hotel behind the Ołowianka in Gdansk (Fort Motlava)	n/a	153
Hotel at Jagiellońska Street in Gdańsk	★★★	n/a	Four Points by Sheraton Gdańsk	★★★★	123
Motel One Wyspa Spichrzów in Gdańsku	★★	240	Arche Hotel Gdańsk Airport	★★★	100
Indigo Gdańsk Old Town*	★★★★	67	Tribute Portfolio	★★★★	60
Ibis Budget Gdańsk Posejdon*	n/a	76	Holiday Inn Express Gdańsk Oliwa and 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 in Gdańsk*	★★★★	150	Hotel on 3 Maja Street in Gdynia *	★★★	120
Hotel at Morska Street in Gdynia	★★★	55	Grano Marina Hotel	n/a	128

Source: Hotel Professionals Research Hub
* investments suspended/delayed

WROCŁAW



Wrocław hotel market offers about 6 thousand rooms in 66 hotels. On a city-wide scale, about 60% are branded rooms (under a global, national or regional brand). Wrocław is dominated by 3-star rooms, which account for approx. 40% of the supply and belong mostly to non-chain hotels. The second largest segment is 4-star, which accounts for about 29% of the supply of hotel rooms. The 5-star segment, on the other hand, accounts for about 17% of the city's total room supply, of which 72% are global branded rooms.

IN 2022 THE HOTEL MARKET GREW BY CA. **352** HOTEL ROOMS

66
HOTELS

OK. 6 002
HOTEL ROOMS

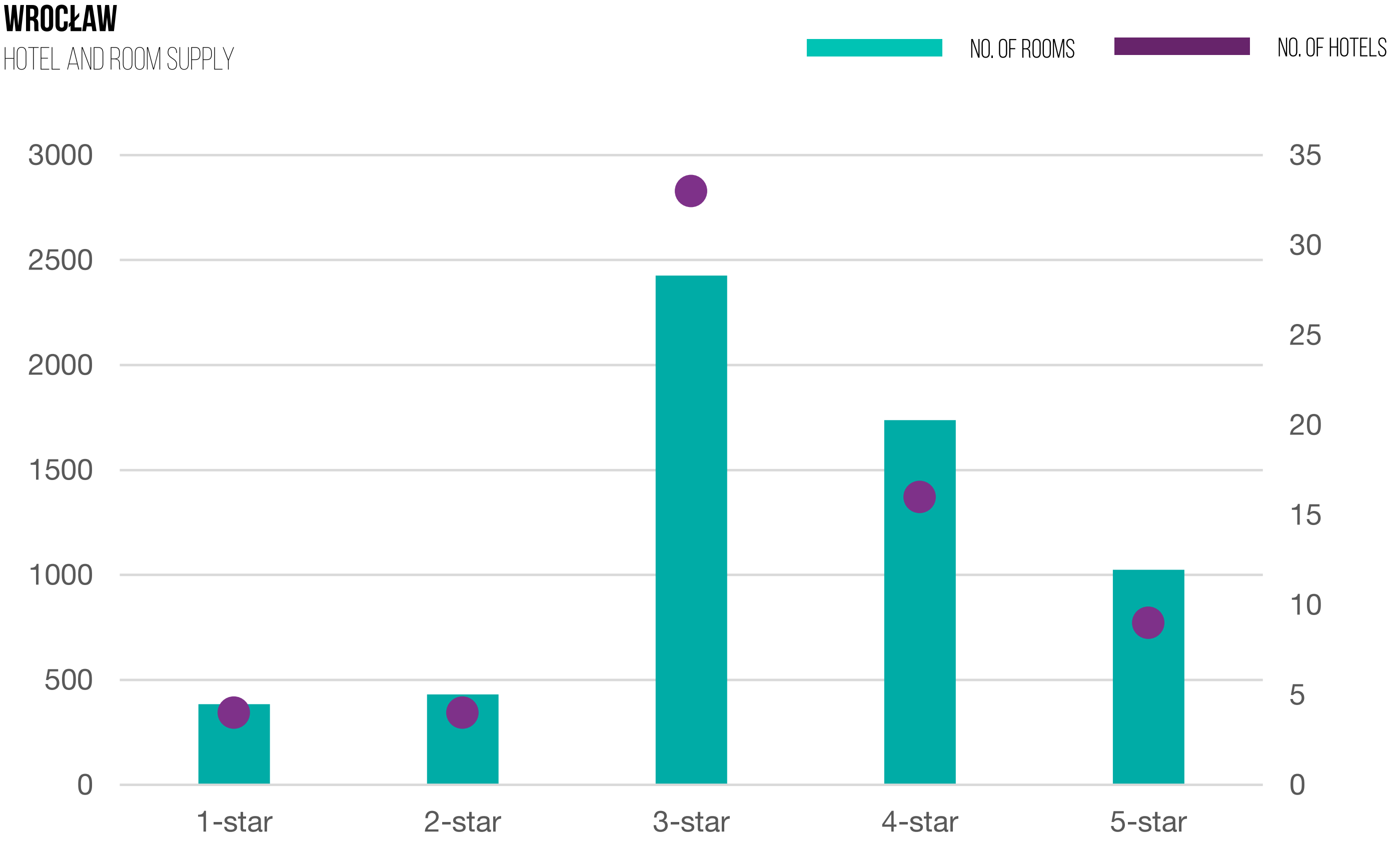
60%
BRANDED ROOMS

40%
HOTEL ROOMS

29%
HOTEL ROOMS

17%
HOTEL ROOMS

WROCŁAW
HOTEL AND ROOM SUPPLY

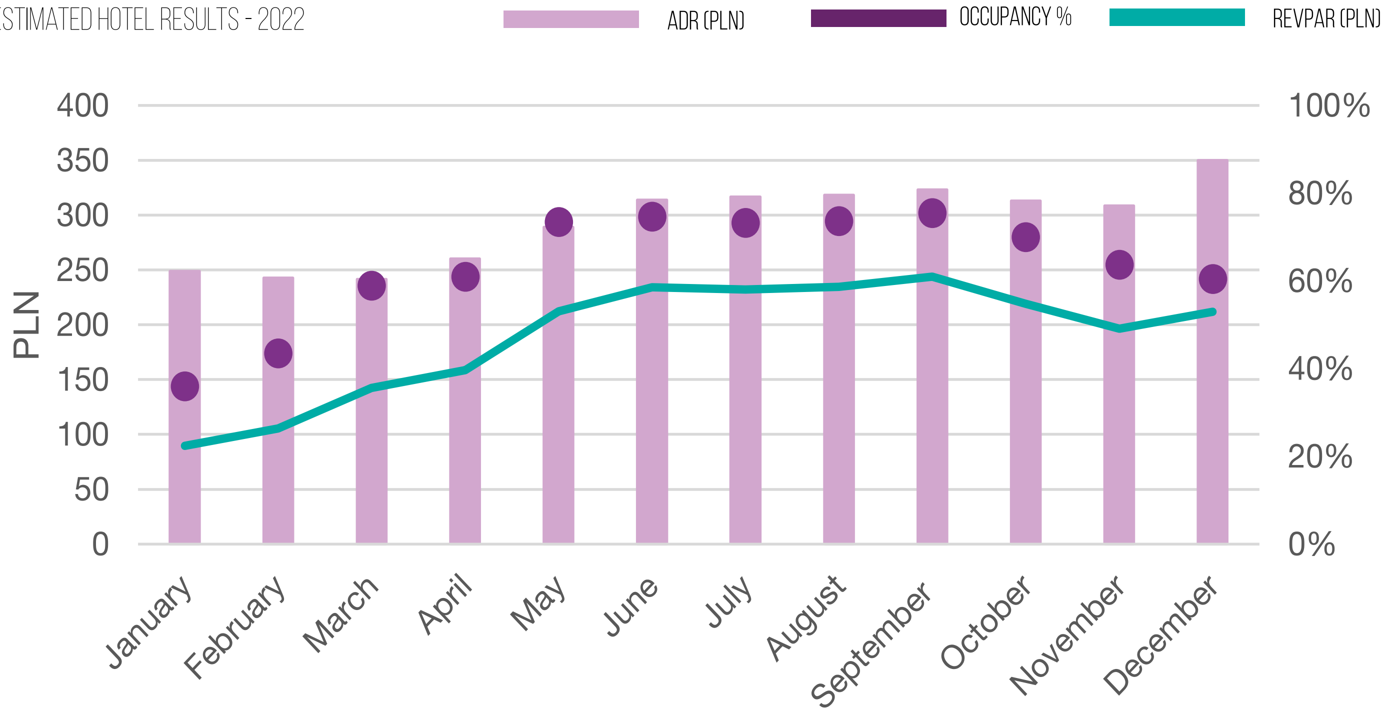


Source: Hotel Professionals Research Hub

AVERAGE OCCUPANCY, ADR & REVPAR

WROCŁAW

ESTIMATED HOTEL RESULTS - 2022



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

*Occupancy of mainly branded hotels

In 2022, Wrocław ranked second among Poland's largest cities in terms of occupancy, achieving a result of nearly 64% (only after Warsaw). Full year of 2019 achieved occupancy level of around 73%. In the analyzed period, the highest RevPAR was achieved in September and amounted to PLN 244. In comparison, RevPAR in September 2019 was PLN 214. Analyzing the monthly RevPAR results recorded in 2022 against the pre-pandemic results (achieved in 2019), a rebound in the Wrocław market can be observed. In the months from May till the endo of the year, Wrocław hotels recorded RevPAR higher than in the corresponding months of 2019, thanks to increased ADR rates. Full 2022 was better that 2019 in terms of RevPAR by about PLN 6.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2022, two new hotel properties opened in Wrocław: the 5-star Altus Palace and the 3-star Herbal Hotel. In the place of the former Sofitel Old Town Hotel, closed by Orbis at the beginning of the pandemic, a hotel under the Wyndham brand, new in Poland, has been launched. The hotel has been leased and is managed by the Latvian entity Mogotel Hotel Group. The Q Hotel opened in nearby Bielany Wrocławskie, offering 201 rooms in 4-star standard. In addition, Base Camp welcomed guests at the beginning of July (569 rooms are private student housing, while 206 rooms are offered on a short-stay basis). In 2022, the Louvre Hotels Group chain signed an agreement to introduce hotels under its brands - Duet under Kyraid and Patio under Tulip Inn. Rafin announced the signing of a franchise agreement for a hotel under the Autograph Collection brand on a plot of land of the former Hatzfeld Palace. 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, the future of some of the projects in the planning stage in Wrocław, which were suspended due to the epidemic situation, is still unknown.

New hotel openings in 2022

Hotel	Category	Number of Rooms
Altus Palace	★★★★★	81
Herbal Hotel	★★★	66
Wyndham Wrocław Old Town (rebranding of Sofitel Wrocław Old Town closed in 2020)	★★★★★	205

Planned hotel openings in 2023-2026

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Kyriad – rebarding hotelu Duet	n/a	40	Tulip Inn – rebranding of Hotel Patio	n/a	50
Holiday Inn Express Wrocław South*	★★★	142	Autograph Collection (Pałac Hatzfeldów)	★★★★★	150
Hampton by Hilton Airport	★★★	100	Puro Hotel*	★★★★	337
Four Points by Sheraton Wrocław – rebranding of Hotel Wieniawa	★★★★	143	Hotel Vastint	n/a	116
Mövenpick Wrocław (rebranding of Hotel Grand)	★★★★	172	Hotel Lothus – expansion*	★★★★	113
Arche Klasztor	n/a	83	Indigo Wrocław Old Town*	★★★★	92
Blue Sky Hotel*	★★★★	105	-	-	-

Source: Hotel Professionals Research Hub
* investments suspended/delayed

POZNAŃ

The supply of Poznań hotel rooms amounts to 4 420 rooms located in 65 properties, 63% of which operate under the banner of a global, regional, or Polish hotel chain. There is a clear majority of rooms in the 3-star segment - they account for about 47% of all rooms in the city, of which about 28% are rooms affiliated with a global brand. In the second largest group, 4-star rooms, as many as 65% of rooms operate under brands of international hotel chains. Only 2 hotels with nearly 270 rooms represent the 5-star segment.

IN 2022 THE HOTEL MARKET GREW BY CA. **328** HOTEL ROOMS

65
HOTELS

OK. 4 420
HOTEL ROOMS

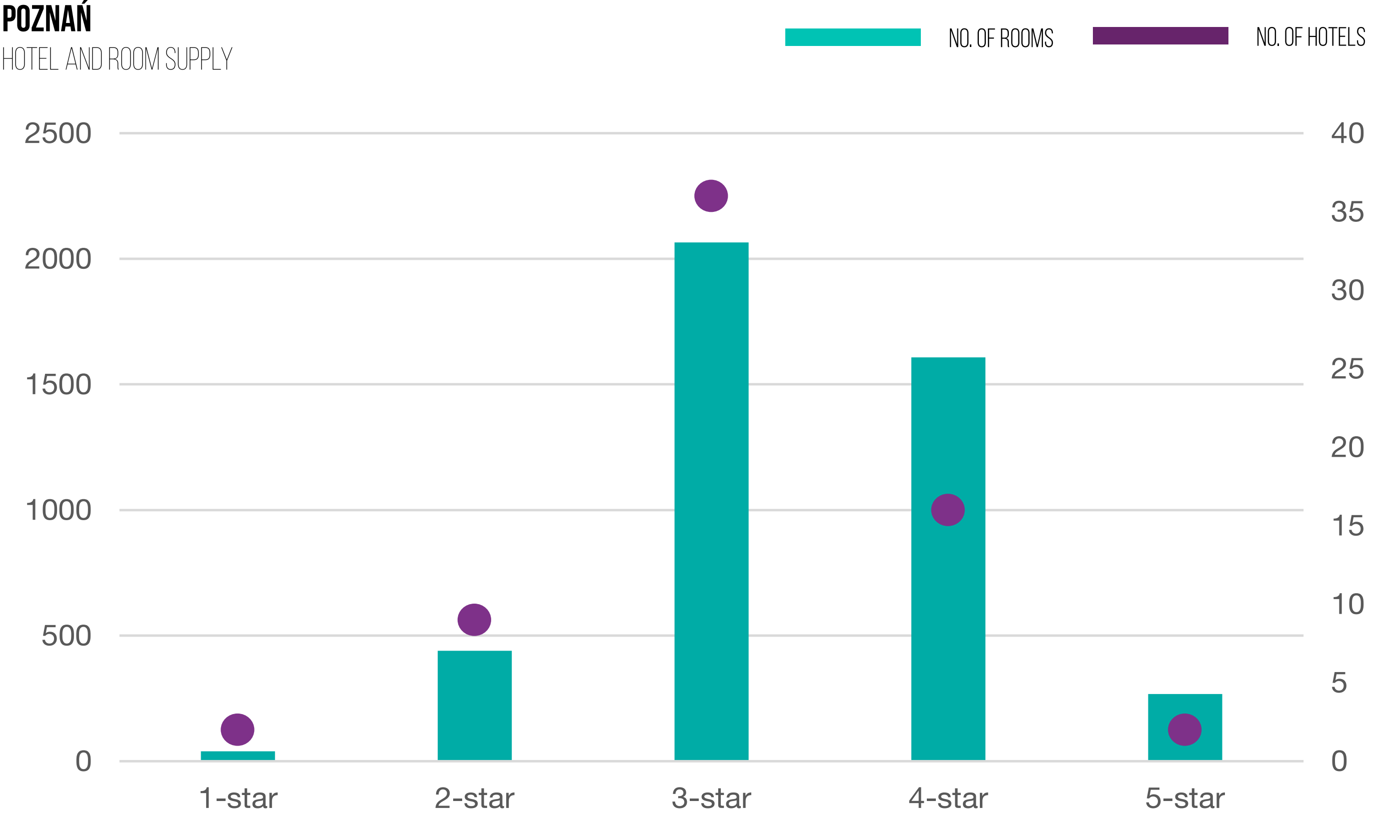
63%
BRANDED ROOMS

47%
HOTEL ROOMS

36%
HOTEL ROOMS

6%
HOTEL ROOMS

POZNAŃ
HOTEL AND ROOM SUPPLY

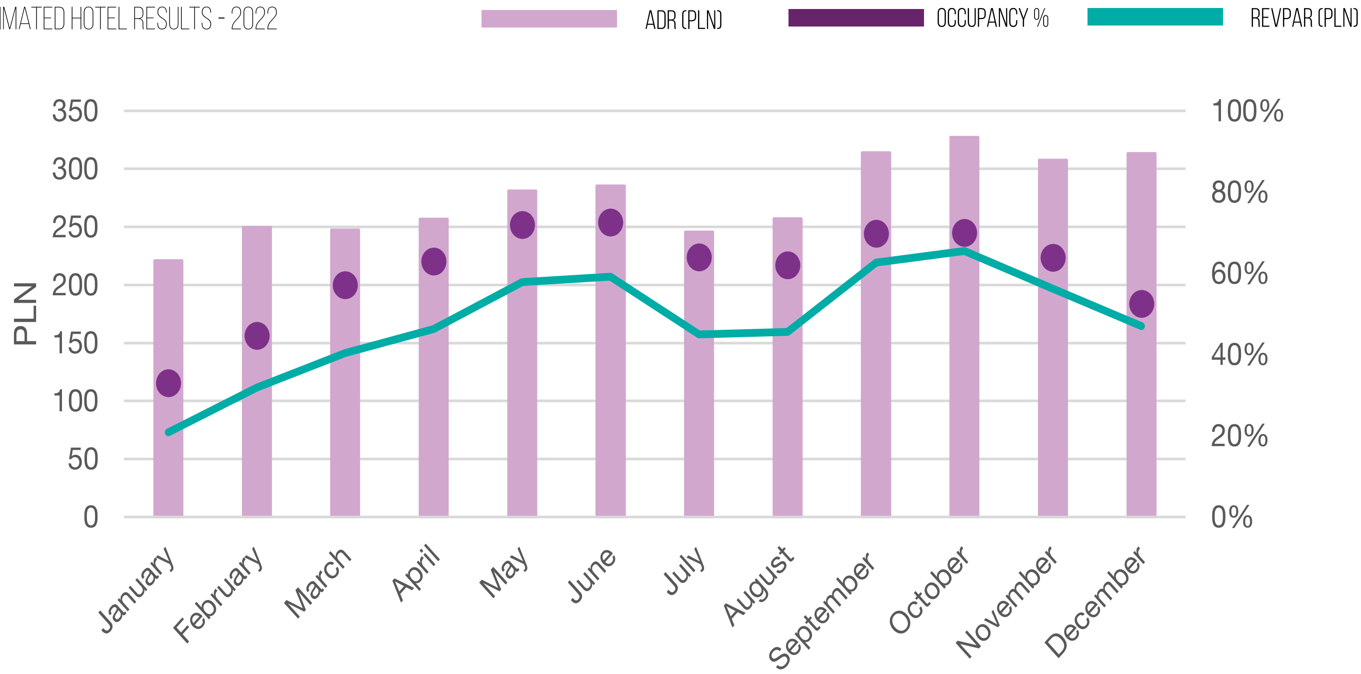


Source: Hotel Professionals Research Hub

AVERAGE OCCUPANCY, ADR & REVPAR

POZNAŃ

ESTIMATED HOTEL RESULTS - 2022



Source: Hotel Professionals Research Hub based on own data and STR
*Occupancy of mainly branded hotels

Poznań's hotel market in 2022 ranked fourth in terms of average occupancy, recording results better only than Kraków, and fifth in terms of RevPAR. Apart from the first quarter, it recorded its lowest results in July and August. Poznań ended the year with an average occupancy level of 60%, which is close to the result for 2019 (61%) and an average rate of around PLN 280 (in 2019 it was PLN 269). The future performance of hotels in Poznań depends largely on the calendar of trade shows and their frequency.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

In 2022, one the properties of the B&B Hotels chain was opened in Poznań. In September 2022, hotel IBB Andersia joined Radisson Individuals. In May 2022, RIMC Hotels & Resorts became the new operator of the facility. Ultimately, the hotel is to operate as Radisson Blu. Most of the projects in pipeline remain at the planning or early stage of implementation, and as such part of them may be suspended, postponed or not implemented at all.

New hotel openings in 2022

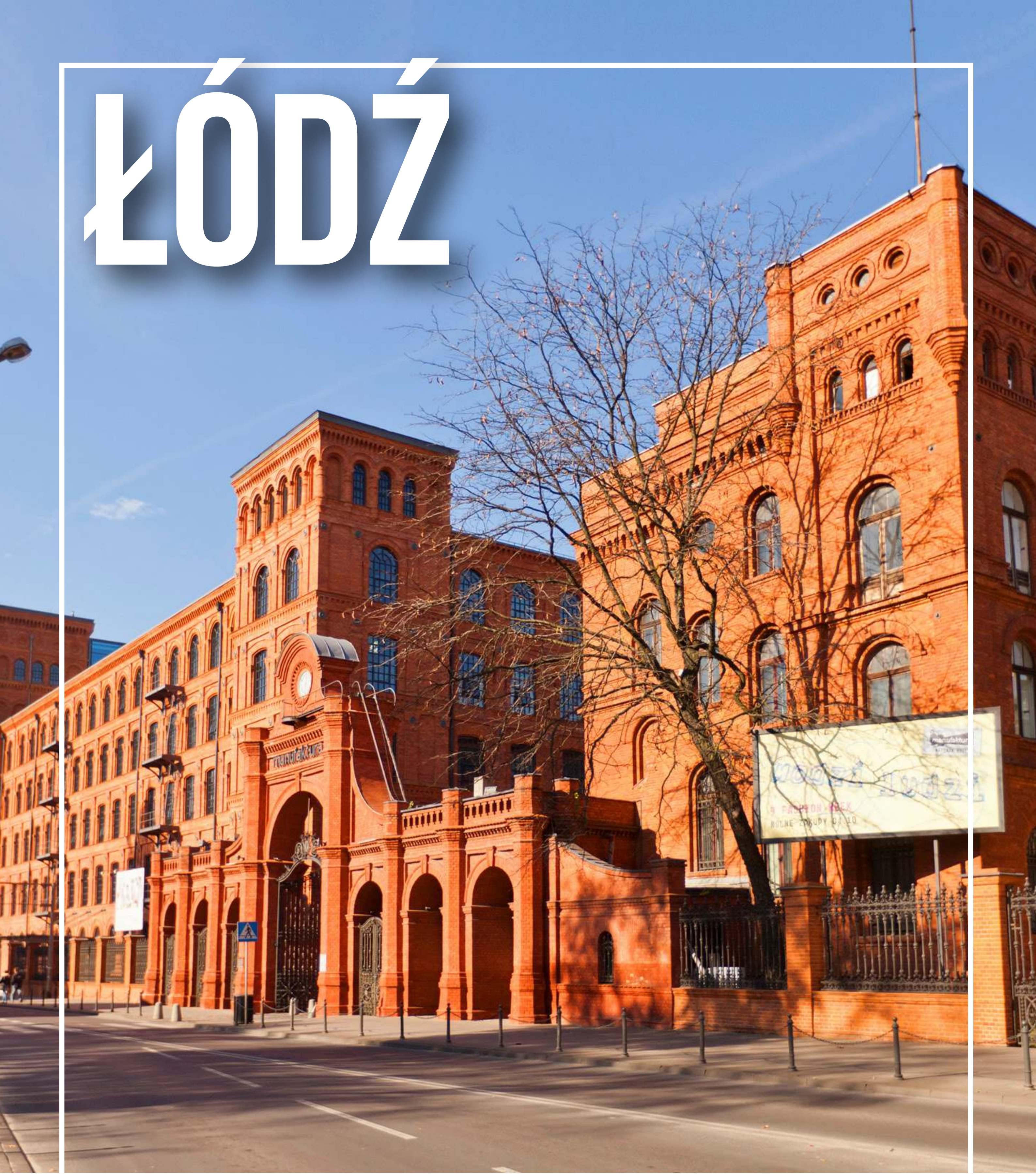
Hotel	Category	Number of Rooms
B&B Poznań Old Town	★★★	156
Rebranding - Andersia Hotel & Spa Poznań, a member of Radisson Individuals	★★★★	172

Planned hotel openings in 2023-2026

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Sure Hotel by Best Western Poznań	n/a	40	Four Points by Sheraton – rebranding and renovation of Ikar Hotel	★★★★	ca. 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
* investments suspended/delayed

ŁÓDŹ



There are currently 36 hotels operating in Łódź. Of the approximately 3.2 thousand hotel rooms, about 58% belong to hotel chains. Łódź does not offer any 5-star hotels. Market is dominated by rooms in the 4-star segment, which accounts for 40% of the city's room supply, while the 3-star room segment accounts for about 36% of the supply of rooms in the city.

IN 2022 THERE WERE NO NEW HOTEL OPENINGS ON THE MARKET

36
HOTELS

OK. 3 24
HOTEL ROOMS

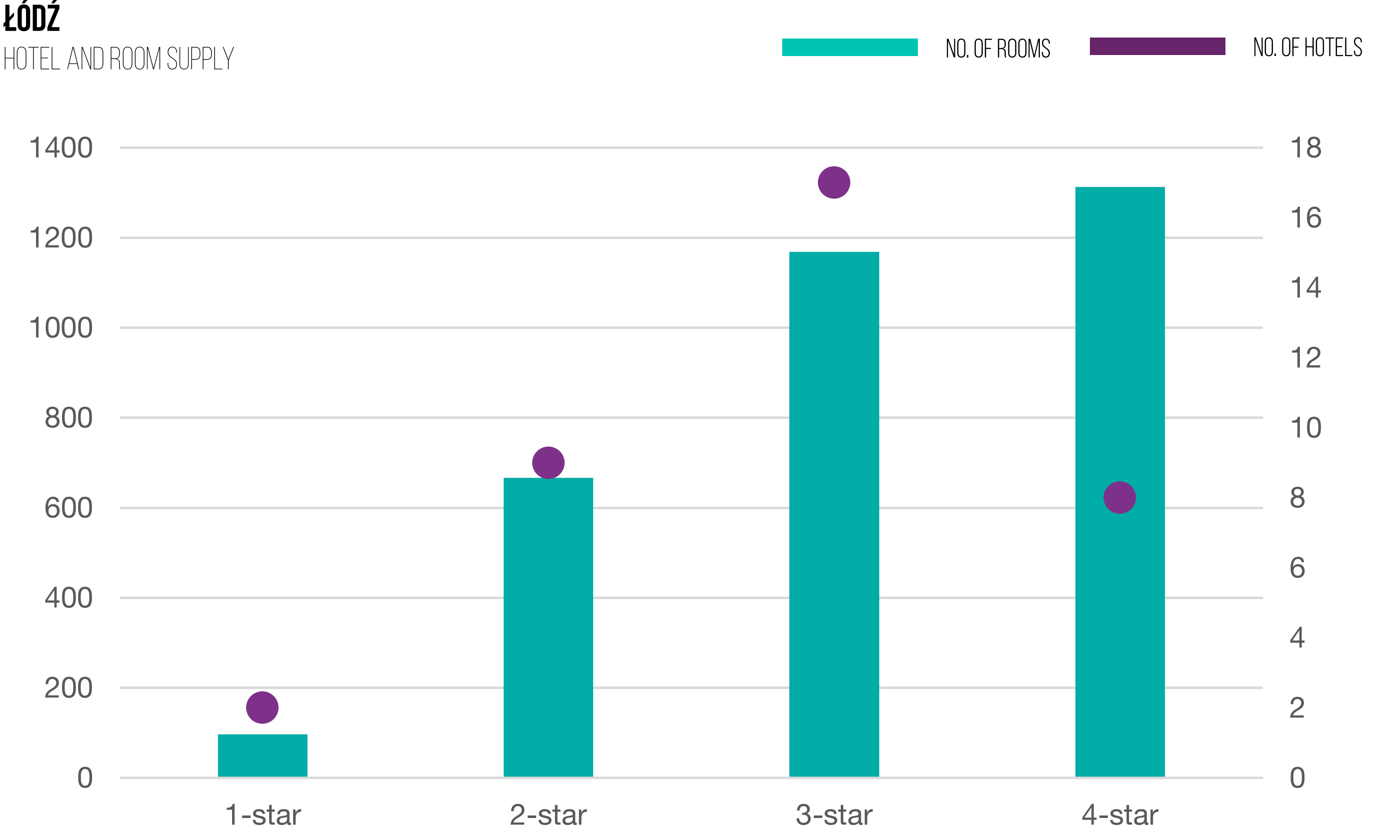
58%
BRANDED ROOMS

36%
HOTEL ROOMS

40%
HOTEL ROOMS

0%
HOTEL ROOMS

ŁÓDŹ
HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub

AVERAGE OCCUPANCY, ADR & REVPAR

The year 2022 was a remarkably good one for Łódź. The increased interest in visiting the city could be seen by analyzing hotel occupancy rates. In the period of January-November the occupancy was at the level of around 60%. In 2021, the occupancy was at 37% in the same period. The opening of the Orientarium, the Light Move Festival, sports events and concerts at Atlas Arena attracted a record number of visitors - Łódź was visited by ca. 2.5 million tourists in the past year.

Autumn period was particularly good for Łódź. In September, hotels in Łódź reached record occupancy level of around 80%, while October closed at 76.5%. That's respectively 30,8% and 21,2% higher than in the same months of 2021. These results are also better than in most cities in Poland - with the exception of Warsaw.

The Łódź market, which has no 5-star hotels, still records the lowest ADR among the largest cities. In October, the ADR was PLN 299, but thanks to high occupancy, hotels managed to achieve RevPAR of nearly PLN 229, which was higher than in Wrocław and Poznań and only by PLN 7 lower than in the Tricity.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

Two hotels opened in Łódź in 2022 - the long-awaited Hampton by Hilton Łódź City Center in the Hi Piotrkowska complex, and a 4-star hotel - The Loom. The Hotel Pietryna at 40 Piotrkowska Street is under construction - its opening has been postponed to Q1 2023. Finishing works on the renovation of the Grand Hotel are still in progress. Work is scheduled to begin in Q1 2023 on the modernization of the Reymont Hotel, which is to operate under the new Aiden by Best Western brand. Even before the pandemic, several other hotel investments in Łódź were announced, but their status remains unchanged - we are still waiting for new information regarding their implementation.

New hotel openings in 2022

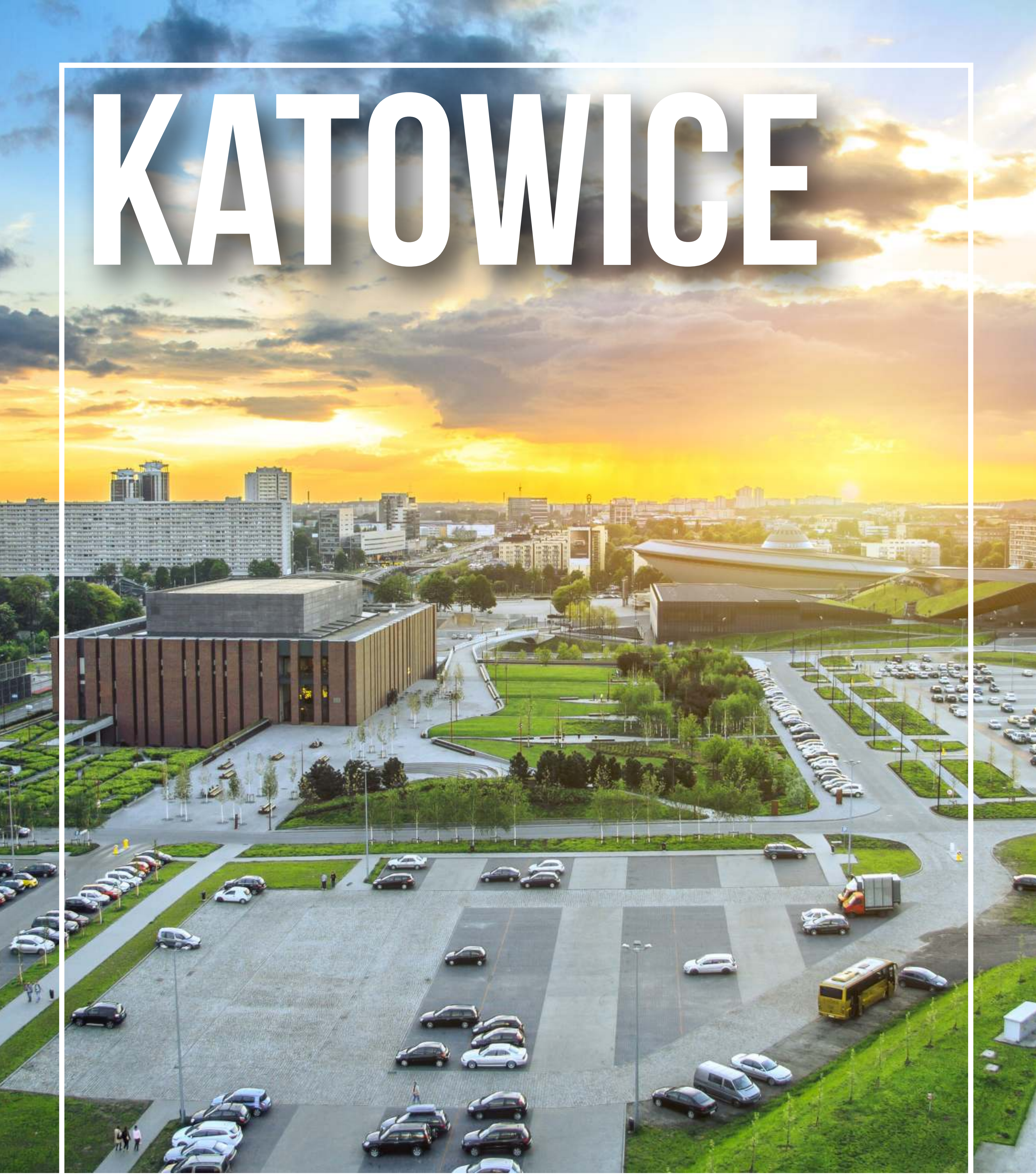
Hotel	Category	Number of Rooms
Hampton by Hilton Łódź City Center	★★★	149
The Loom	★★★★	76

Planned hotel openings in 2023-2026

Hotel	Category	Number of Rooms	Hotel	Category	Number of Rooms
Hotel Pietryna	★★★	61	Center Hotel at Piotrkowska street	★★★★	156
Grand Hotel	★★★★★	200	Aiden by Best Western Reymont – rebranding of Reymont Hotel	★★★	72
Hotel in old synagoge at Pomorska street*	★★★	129	Breath-In Hotel	n/a	52

Source: Hotel Professionals Research Hub
* investments suspended/delayed

KATOWICE



No new hotels opened in Katowice in 2022. In total, there were 22 hotels in the city at the end of 2022, offering about 2.5 thousand rooms. Katowice's hotel market is dominated by 4-star rooms, about 62% of all rooms positioned in this segment. 2-star rooms make up the second largest segment - about 16% of the total room supply. Approx. 12% of the rooms available in the city are in the 3-star segment. The vast majority of rooms in Katowice are offered by chain hotels - about 80% of the total supply.

IN 2022 THERE WERE NO NEW HOTEL OPENINGS ON THE MARKET

22
HOTELS

OK. 2 532
HOTEL ROOMS

80%
BRANDED ROOMS

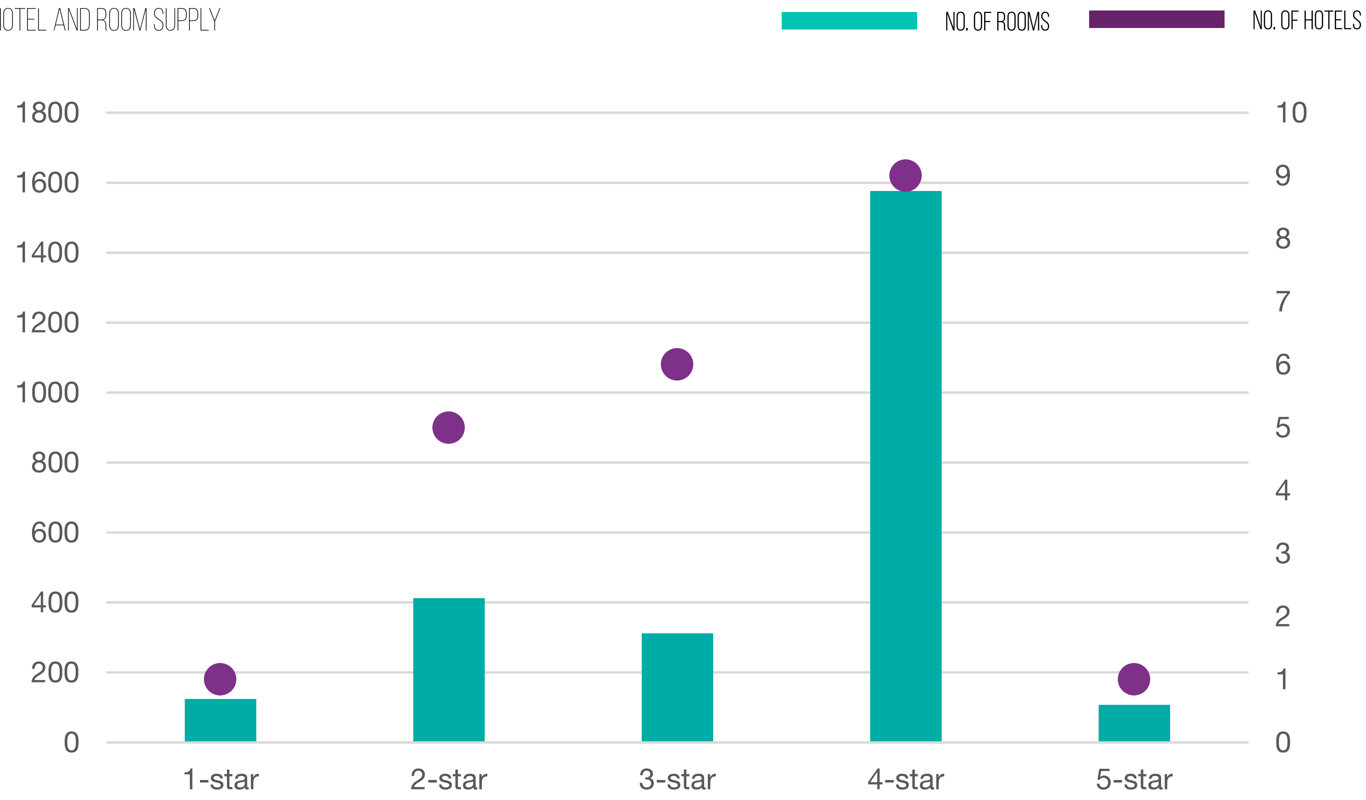
16%
HOTEL ROOMS

62%
HOTEL ROOMS

4%
HOTEL ROOMS

KATOWICE

HOTEL AND ROOM SUPPLY



Source: Hotel Professionals Research Hub

AVERAGE OCCUPANCY, ADR & REVPAR

According to the market data, in 2022 many hotels in Katowice managed to achieve results close to 2019 levels. Increased traffic was particularly noticeable in the third and fourth quarters.

Hotel traffic was driven primarily by the MICE segment, the rebound of which could be seen especially in the second half of 2022. Katowice hosted, among others, the European Economic Congress, the World Urban Forum and the PRECOP 27 conference, as well as the Men's World Volleyball Championship at the end of August. The activity of the International Congress Center and Spodek, attracting larger and smaller cultural, business or sports events to the city, is an important factor affecting occupancy levels of hotels in Katowice.

Corporate clients and business travelers are gradually returning to Katowice, and individual tourist traffic is also rebounding.

In addition to the MICE segment, the opening of new business locations such as the Global Office Park and the ongoing commercialization of KTW2 are also having a major impact on the region's performance growth. According to PTWP Event Center's CEO, a total of 200 events for more than 230,000 attendees were held at the company's managed venues in the first half of 2022, including the World Urban Forum with more than 10,000 guests.

HOTEL INVESTMENTS COMPLETED, UNDER DEVELOPMENT, PLANNED

Construction of the Qubus hotel resumed in 2022 after a roughly two-year suspension, with a new projected opening date of Q4 2023. Construction of the Puro hotel remains on hold for an unspecified period, as does the procedure for selecting a general contractor for the Moxy hotel. The rebranding of the Katowice Hotel remains in the planning stage. Execution of the former Vienna House R.evo project (now of the Wyndham chain) is also on hold until further notice. As of today, a possible timetable for the continuation of the project has not been determined. The status of the two-brand Kyriad and Premiere Classe project is also unknown at this point.

Planned hotel openings in 2023-2026

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 – modernization - rebradning of Hotel Katowice	★★★★★	161	Kyriad + Premiere Classe *	★★★/★	204
Wyndham (R.evo) Katowice*	★★★★	203	-	-	-

Source: Hotel Professionals Research Hub

* investments suspended/delayed

CONDO AND APARTHOTEL MARKET IN 2022

SITUATION OF CONDO AND APARTHOTELS IN POLAND IN 2022

Over the past few years we have witnessed dynamic development of the condo hotel market. New investments have been announced regularly, and one could choose from the condo offers, although not for too long, as there was no shortage of applicants. The boom in the condo investment market was the result, among other things, of banks almost completely blocking financing for hotel investments after the outbreak of the pandemic, which pushed the market to look for alternative forms of project implementation.

On the other hand, the large amount of cash on the market, record low interest rates on loans and the lack of alternatives for investing capital, as well as the post covid trend of "escaping to nature" systematically stimulated demand for this type of apartments, located mainly in top tourist destinations, outside the big cities. According to data reported by Emmerson Evaluation, by August 2022 there were more than 35,000 condo apartments in operation in Poland, with another 5,000 units under construction. The largest supply can be found in the coastal belt, in places such as Kołobrzeg, Międzyzdroje and Ustronie Morskie. In mountainous areas, on the other hand, Szklarska Poręba, Szczyrk and Karpacz led the way.

LARGEST CONDO/APARTHOTEL OPENINGS IN POLAND IN 2022

OVER 100 ROOMS

Name of investment	Chain	City	Address	No. of rooms	Standard
Aqua Resort (in the Bel Mare complex)	Private	Międzyzdroje	1 Bursztynowa Street	300	n/a
Mercure Szklarska Poręba	Accor	Szklarska Poręba	17 Okrzei Street	140	4*
Royal Tulip Warsaw Apartments	Louvre Hotels Group	Warszawa	51 Grzybowska Street	312	5*
Elements Hotel & SPA	Górskie Resorty	Świeradów-Zdrój	20a Zakopiańska Street	291	5*
Belmonte Hotel & Resort	Private	Krynica-Zdrój	23 Piękna Street	251	5*
Saltic Resort & Spa Łeba	Private	Łeba	23A Nadmorska Street	126	4*
Król Plaza Spa & Wellness	Private	Jarosławiec	16 Bałtycka Street	226	5*
Wave Międzyzdroje Resort & SPA	Private	Międzyzdroje	70 Gryfa Pomorskiego Street	100	5*

In 2021 - 2022, the geopolitical situation, including the war in Ukraine, as well as the macroeconomic condition cooled and revised this red-hot market. Material costs rose overnight, construction costs became almost impossible to predict, inflation skyrocketed, wage pressures increased, energy costs shot up - all this did not escape the condo sector. In addition, the regular increase in interest rates, which rose from 1.75% to a record 6.75% in just a year, drastically reduced the creditworthiness of Poles (according to BIK data, in 2022 the number of mortgage inquiries fell by about 60-70% compared to 2021) and effectively scared off some potential buyers. The dynamics of apartment sales declined, although due mainly to cash customers, it did not stop completely. Nonetheless, the number of condo/aparthotel units is forecast to continue to grow by another several thousand in the coming years. Of course, a large part of these investments are the finale of developments started back in those "good" times for the sector, nevertheless, new investments are still being announced and will continue to be so until the banking sector reopens to financing hotel facilities.

The largest increase in rooms and apartments in the next few years will be seen mainly in holiday resorts, i.e. Kołobrzeg, Szklarska Poręba, Ustroń Morski, Szczyrk. More and more investments are also appearing in the Mazury region.

Approximately 15 hotels and condo developments are announced to open between 2023 and 2025, offering a total of about 3,200 rooms/apartments under the banner of global brands including InterContinental Hotels Group, Accor, Radisson Hotel Group, Hilton Worldwide and Louvre Hotels Group.

GLOBAL CONDO/APARTHOTEL PIPELINE IN POLAND IN 2023-2025

Name of investment	Chain	City	Address	No. of rooms	Stars	Phase	Opening date
Holiday Inn Resort (Horizon Hotel & Resort)	IHG	Szklarska Poręba	Dolna Street	87	4*	Under construction	2023
Radisson Blu Ostróda	Radisson Hotel Group	Ostróda	Turystyczna Street	241	5*	Under construction	2023
Staybridge Suites Warszawa Ursynów	Accor	Warszawa	333 Puławska Street	190	4*	Under construction	2023
Kyriad Karkonosze	Louvre Hotels Group	Wojcieszyce	231 Wojcieszyce	108	3*	Under construction	2023
Crowne Plaza (Baltic Wave)	IHG	Kołobrzeg	3/5 Kołłątaja Street	468	5*	Under construction	2023
Hilton Garden Inn (in the building together with Pinea Apartments)	Hilton Worldwide	Pobierowo	82a Grunwaldzka Street	156	4*	Under construction	2023
(Hotels & Preference) Grand Hotel & SPA Hotels & Preference	Louvre Hotels Group	Szklarska Poręba	Kilińskiego Street	267	4*	Under construction	2023
Sanssouci Karpacz MGallery Hotel Collection	Accor	Karpacz	Karkonoska Street	110	5*	Planned	2023
Movenpick Piemonte Hotel & Resort	Accor	Karpacz	Obrońców Pokoju Street	130	5*	Under construction	2023
Mercure Szczyrk Resort	Accor	Szczyrk	28a Wrzosowa Street	453	4*	Under construction	2023
Movenpick Imperial Zakopane	Accor	Zakopane	Oswalda Balzera Street	142	5*	Planned	2023

Name of investment	Chain	City	Address	No. of rooms	Stars	Phase	Opening date
Radisson Blu Resort Międzywodzie	Radisson Hotel Group	Międzywodzie	3 Szkolna Street	435	5*	Planned	2024
voco InterContinental Szklarska Poręba	IHG	Szklarska Poręba	Dolna Street	100	4*	Planned	2025
DoubleTree by Hilton (in the building together with Harmony Resort)	Hilton Worldwide	Kołobrzeg	16 Morawskiego Street	128	5*	Planned	2025
Radisson Resort&Suites	Radisson Hotel Group	Ustronie Morskie	5 Ku Morzu Street	276	n/a	Planned	2025
			TOTAL	**3 291**			

SUMMARY

Double-digit inflation and rapidly rising costs have negatively impacted the efficiency of the hotel business, which, despite the really good seasons in terms of revenue, has directly translated into lower than expected levels of income earned by condo buyers.

The covid years, the war in Ukraine, and, to put it bluntly, the economic crisis faced by almost the entire world, also verified the business offer of condo investments. The widely offered fixed return on investment of 7 or even 8% in many cases turned out to be a pie in the sky. Covid and subsequent lockdowns made it impossible to pay the guaranteed amounts owed to condo owners, resulting in a wave of contract renegotiations, and the condo sector itself once again found itself in an imageally awkward position. In the case of new developments, the sudden and, above all, significant increase in the assumed cost of construction makes it difficult, and sometimes impossible, for developers to create a financial buffer for the payment of guaranteed "payouts" during the start-up period of the facility.

It therefore became necessary to chalk out a new, realistic offer that, on the one hand, would allow the developer to meet its obligations, and on the other hand, would still be attractive to potential investors. In investment offers, in the context of "revenue" or "return" the word "guaranteed" has been replaced by "declared," and a number of alternative settlement models with buyers have emerged, including: share purchase, profit sharing, revenue sharing, or hybrid forms. While not so long ago "guaranteed return" could boldly be called a standard, the sector, which is currently in the process of adaptation and transformation, is looking for a new solution - one that is safe for all parties involved.

The high and growing supply of facilities in the most popular destinations is slowly saturating the condo market, although there is still plenty of room for new solidly prepared developments. In addition to location, scale, or an appropriately planned offer, such aspects as an effective architectural design that makes every square meter work, the use of modern energy-efficient technological solutions that will reduce energy costs, or the provision of an experienced operator who, with his know-how, will optimize the facility's operations, are becoming crucial to the economic success of the facility.

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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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