

A Land of Opportunity
The Polish Hotel Market
Revealed



Introduction

Dear Readers,

We are happy to present our latest report on the Polish hotel market – the first of a series of upcoming publications looking at hotel market trends in Poland.

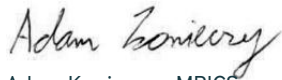
While CEE hotel markets may not be as mature as some of their Western European counterparts, they offer very high growth potential. What is more, as a number of Western European markets have recently seen very strong growth, some of the equity seeking commercially sound returns will invariably leave those markets and look for better value propositions in CEE, especially in Poland.

Investment opportunities arise from both the positive development of tourism in Poland's key cities as well as the country's increased significance as a MICE and business location.

This hotel market review will give you an insight into the fundamentals and trends of the Polish market.

We hope you will enjoy reading our report.

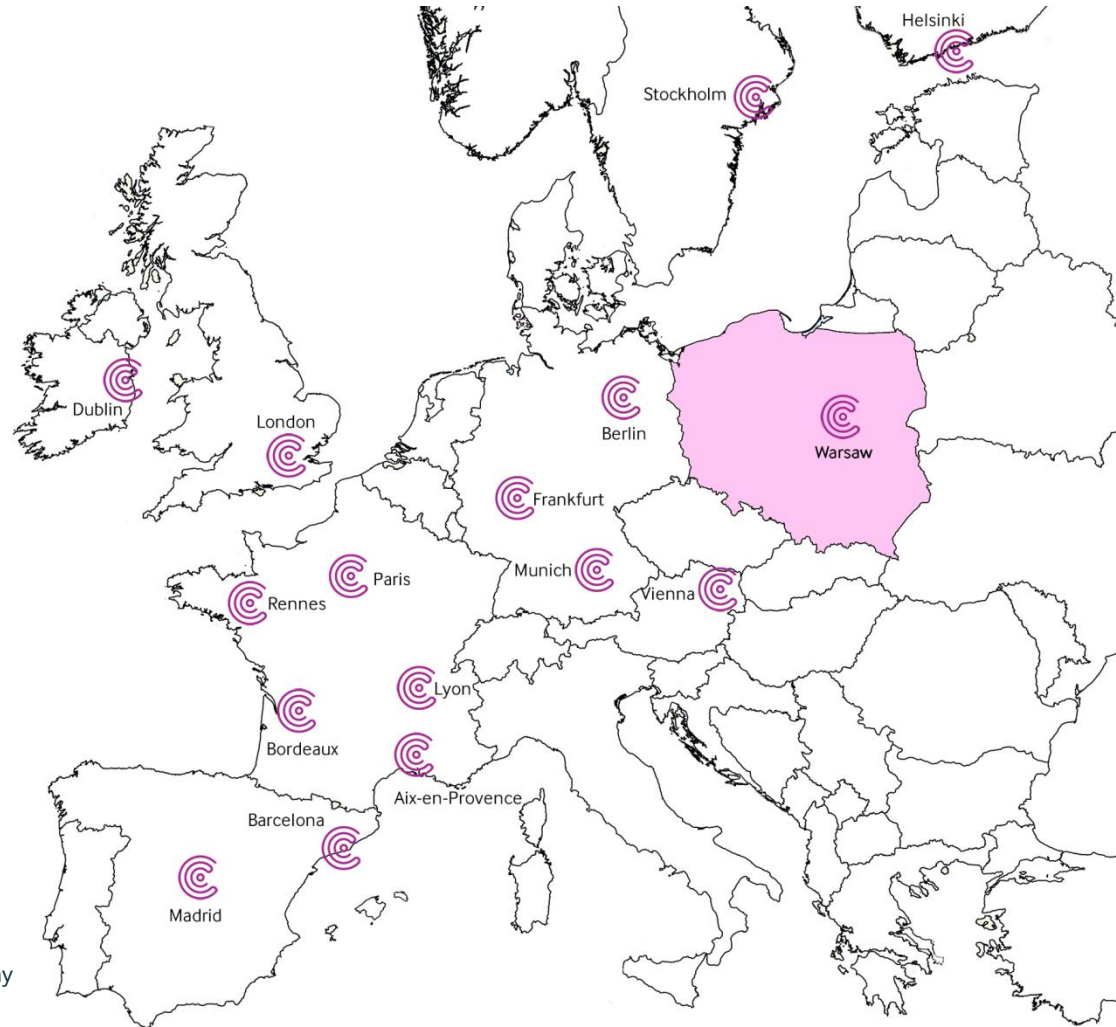
Best regards,



Adam Konieczny MRICS
Country Head Poland



Kay Constanze Strobl
Head of Advisory & Valuation Services Germany



Poland Overview

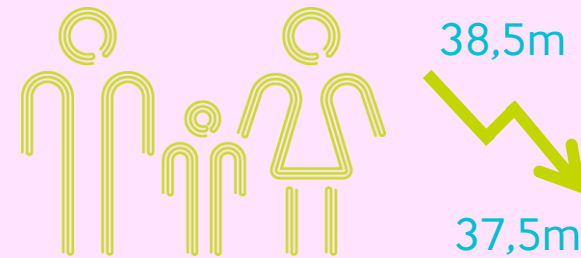
Socio-demographic & Economic Framework

The overall demographic evolution of Poland shows a continuous slight decline since 2012. While 38.538 million inhabitants were reported in 2011, a population of 37.479 million inhabitants was recorded in 2014. However, this trend does not seem to apply to Poland's central region, as well as larger cities where population numbers continue to record a visible increase.

Unemployment has declined in recent years. Since 2013 the rate has dropped to 9.8%. In 2015, a sheer number of 13,862 new jobs was recorded which places Poland in third place in the European comparison behind the UK and France.

With a GDP of circa USD 545 billion Poland ranks 11th in Europe. A large contribution to Poland's economy can be ascribed to its service sector. Over the past years the GDP has constantly increased and shows that the Polish economy is expanding at a fairly healthy rate.

Population 2011 vs. 2014



Unemployment Rate



GDP US \$54.5 bn

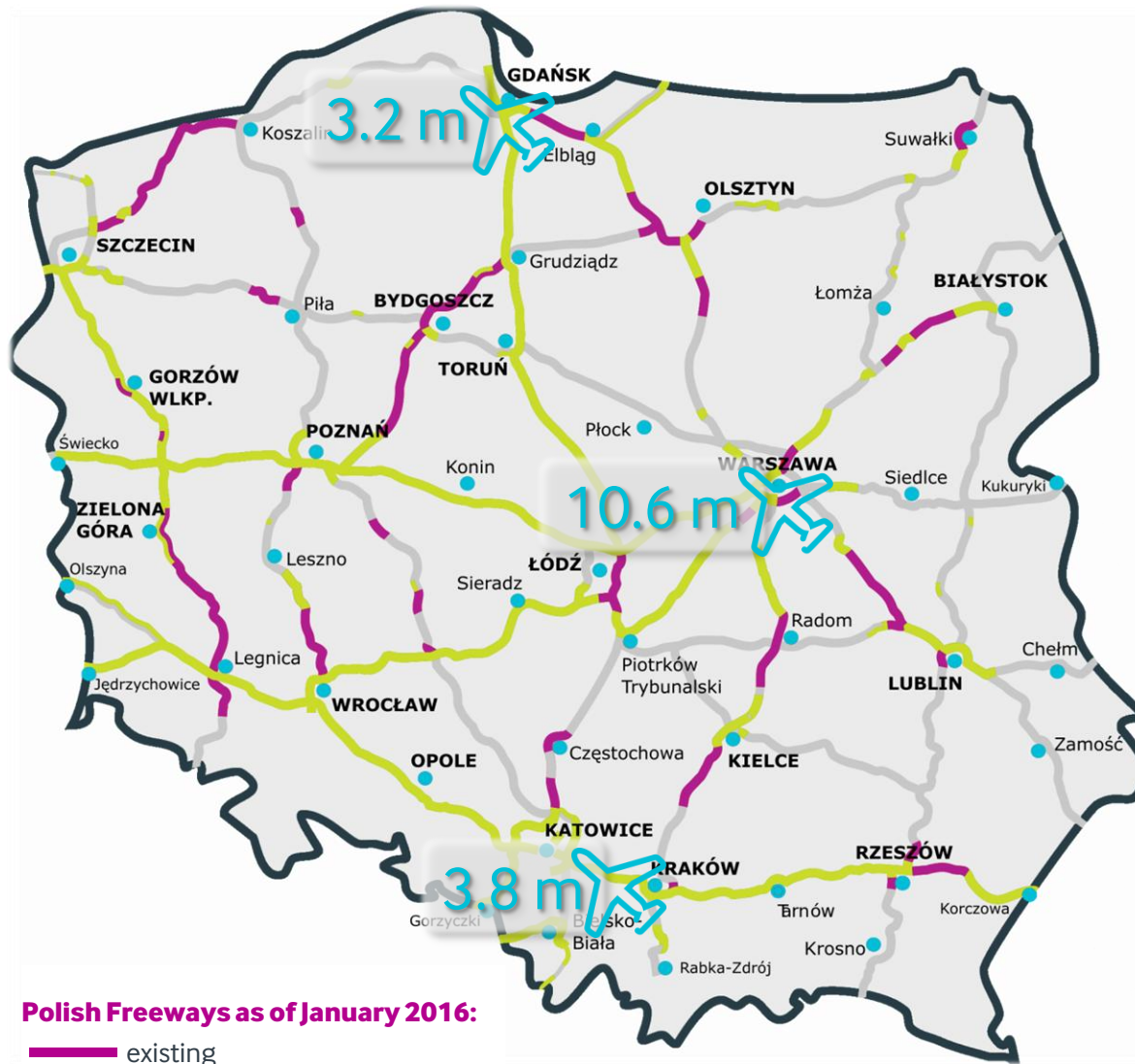
Source: GUS Central Statistical Office of Poland

Poland Overview

Transport & Infrastructure

There are 15 airports spread throughout the country. According to 2014 passenger numbers, **Warsaw Chopin Airport** ranks first (10.575 million passengers), followed by **John Paul II International Airport Kraków-Balice** (3.807 million) and **Gdańsk Lech Wałęsa Airport** (3.238 million).



Infrastructure in Poland has continuously improved over recent years, not only due to the organisation of the UEFA Euro 2012. Large investments have been made in **road development** as well as **expansion of airports** and modernisation of **railway stations and lines**. As a country located at the cross-roads of Europe, Poland benefits from its developed infrastructure through commonly used import/export routes.



Poland Hotel Market

Hotel Supply

Poland's hotel market shows a continuous growing trend with extensive investments in this sector. The **number of accommodation** facilities in Poland has increased from 6,694 facilities in 2006 to 10,024 in 2015 with a compound annual growth rate of 4.6%. This increase amounts to a change of **c. 50%**. An even more significant change was noticeable in the number of hotels. In the span of ten years the **number of hotels almost doubled**, from 1,295 in 2006 to 2,316 in 2015, which adds up to a change of **c. 79%** (CAGR 6.7%).

	2006	2015	Growth
 Accomodations	6,694	10,024	+50% CAGR 4.6%
 Hotels	1,295	2,316	+79% CAGR 6.7%

Hotel Segmentation

Over the past five years it has become evident that the **3-star segment**, with a total of 1,108 hotels and a market share of 47.8% in 2015, represents the majority of the hotel market supply. It currently holds close to 100,000 bed places which makes up to 42.4% of the 235,582 bed places in total. **5-star hotels** compose the minority of the entire hotel stock, with only 57 hotels nationwide. The **upper midrange segments** continue to grow while 1-star establishments recorded ongoing declines of on average -2.4%. 3-star hotels had an annual growth rate of 7.0% and 4-star establishments even 15.6%.

45		57
180		321
845		1,108
518		565
174		158
2011	Stars	2015

Source: GUS Central Statistical Office of Poland

Poland Hotel Market

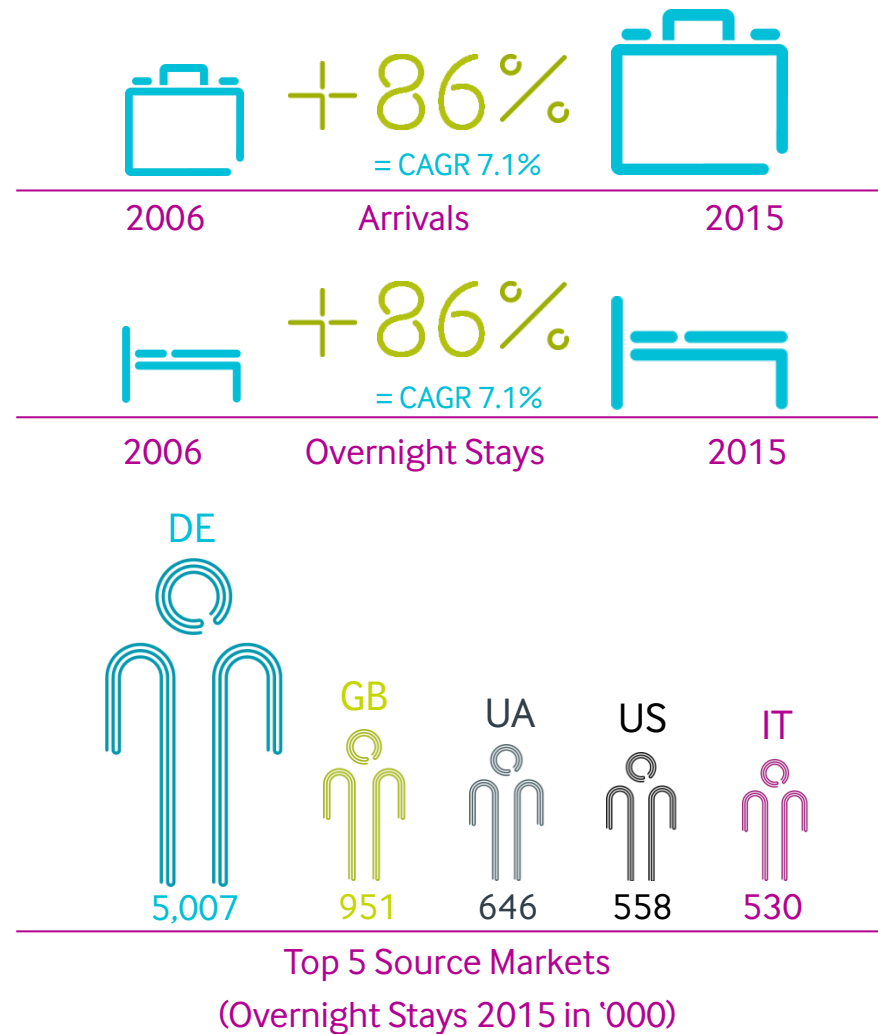
Hotel Demand

The positive development of hotel demand was affected by the worldwide financial and economic crisis in 2008. However, the number of arrivals and overnights recovered quickly and in 2010 pre-crisis levels could be exceeded.

From 2006 to 2015 the number of **tourism arrivals** in hotels increased by 86% to reach 17.5 million. This represents a compound annual growth rate of 7.1%.

The number of **overnight stays** in hotels grew from 17.6 million in 2006 to 32.7 million in 2015 by 7.1% per year. The average length of stay in 2015 was about 2.6 days.

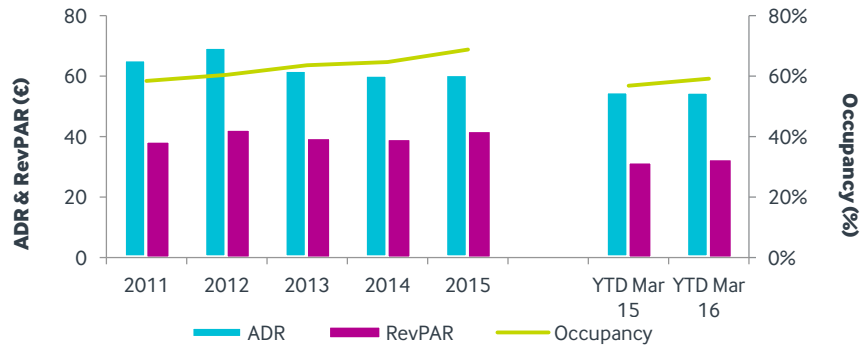
Poland is generally a **year-round destination**. Over the past 10 years circa 20% of all overnight stays were generated by foreign visitors. Key international source markets include Germany, Great Britain, Ukraine and the US.



Source: GUS Central Statistical Office of Poland

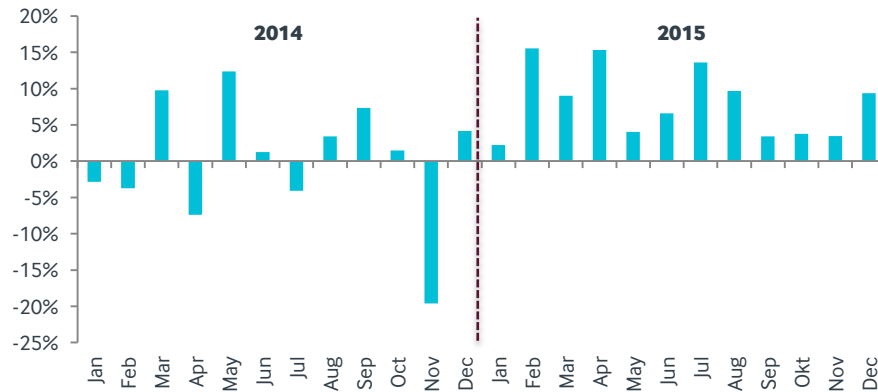
Poland Hotel Market Performance

Historic Operating Performance (€) 2011-YTD March 2016



Note: Slightly different samples may be used YoY, which can have some effect on the results.
Source: STR Global, Ltd. Reproduction or other re-use of this data without the express written permission of STR Global is strictly prohibited.

Monthly YoY-Change RevPAR



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Due to an overall increase of overnight stays, the **occupancy** rate was able to improve over the last 5 years, generating a compound annual growth rate of 4.2%. With 59.2% the YTD March 2016 occupancy rate was on average significantly higher than last year during the same period.

The **Average Daily Rate** (ADR) fluctuated quite a bit in recent years. While a jump of 6.3% was recorded between 2011 and 2012, which can be explained by the UEFA EURO 2012, the ADR suffered a decline of more than 10% in 2013 and continued to drop in 2014 by another 2.5%. Though it was able to recover minimally last year by 0.3%, it stays far behind the initial level of 2011. With -1.9% the compound annual growth rate from 2011 to 2015 was negative.

The **Revenue Per Available Room** (RevPAR) is highly occupancy driven. It was able to improve from 2011 to 2015, generating a compound annual growth rate of 2.2%. While, correlating to the UEFA EURO 2012, RevPAR increased by 10.2% in 2012, it dropped in 2013 and 2014, but was able to recover in 2015, although it was still lagging behind 2012's level. Yet, RevPAR figures YTD March 2016 outperformed those of the same period in 2015 by 3.7%.

Monthly **year-on-year RevPAR** changes showed a very positive development overall. While 2014 figures revealed several drops compared to the previous year, 2015 set new performance standards.

Transactional Activity

Growing Interest from Foreign Investors

Poland's **hotel investment market** is still in its infancy, but there are many reasons why investors are convinced of the country's potential. Factors include the improvement of hotel indicators, more international hotel chains, the enhancement of the country's meetings and conference industry, improving road and rail infrastructure, as well as favourable property prices in comparison to key European markets such as London, Paris or Munich.

There is rising interest in **hotel acquisitions** from German, French, British and US investors. In general, investors are mainly looking for branded, well-established business hotels, with chain-affiliated city-centre hotels proving to be particularly successful.

In general, **all kinds of hotels** from the budget to luxury segment were in demand. There were a number of notable transactions in the past years, such as the hotel project Holiday Inn Warsaw - City Centre which is still under development and expected to open in 2018; the Radisson Blu in Wrocław; and the Sheraton Hotel Warsaw.



Selected Hotel Transactions Poland

Year	Hotel	City	Category	Rooms	Price (in €)
2016	Mercure Mrongowia	Mrągowo	Midscale	215	4,800,000
2015	Mercure	Lublin & Zamość	Midscale	164	5,200,000
2015	andel's by Vienna House	Łódź	Upscale	278	45,000,000
2015	B&B Wrocław Centrum	Wrocław	Budget	140	undisclosed
2015	Holiday Inn City Centre	Warsaw	Midscale	254	undisclosed
2015	Radisson Blu Hotel	Wrocław	Upscale	162	25,000,000
2015	Sheraton Hotel	Warsaw	Luxury	350	undisclosed
2014	Hampton by Hilton City Centre	Warsaw	Economy	300	45,000,000
2014	The Westin	Warsaw	Upscale	361	undisclosed
2013	Hotel Bristol	Warsaw	Upscale	206	60,000,000
2013	Sheraton Hotel	Cracow	Luxury	232	38,000,000
2013	Mercure Zakopane Kasprowy	Zakopane	Midscale	288	56,400,000
2012	Hotel Polonez	Poznań	Midscale	369	undisclosed
2012	InterContinental	Warsaw	Luxury	326	100,000,000
2011	Le Méridien Bristol	Warsaw	Luxury	205	19,500,000
2011	Mercure Chopin	Warsaw	Midscale	250	31,000,000
2011	Radisson Blu Sobieski	Warsaw	Upscale	435	50,000,000

Source: Christie & Co Research

Poland City Overview



	Warsaw	Cracow	Tri-City	Wrocław
Inhabitants	1,740k	763k	747k	634k
Hotels	73	133	68	49
Keys	12,094	9,206	4,713	4,389

Source: GUS Central Statistical Office of Poland, Status: 2015

Year to Date - April 2015 vs. 2016											
OCC 67.5%	+ 4.1%	OCC 70.2%	OCC 65.4%	- 0.0%	OCC 65.3%	OCC 51.0%	+ 17.5%	OCC 59.9%	OCC 54.7%	+ 12.6%	OCC 61.5%
ADR € 63.26	- 0.2%	ADR € 63.12	ADR € 57.54	+ 1.3%	ADR € 58.31	ADR € 62.06	- 4.4%	ADR € 59.33	ADR € 48.01	+ 3.1%	ADR € 49.48
RevPAR € 42.68	+ 3.9%	RevPAR € 44.33	RevPAR € 37.61	+ 1.3%	RevPAR € 38.10	RevPAR € 31.63	+ 12.3%	RevPAR € 35.53	RevPAR € 26.24	+ 16.0%	RevPAR € 30.45
Warsaw			Cracow			Tri-City			Wrocław		

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Christie & Co's Poland & CEE Team

Considerable Experience in Hotel Real Estate throughout Central Eastern Europe



Lukas Hochedlinger has been responsible for the successful expansion of the company in Austria and CEE since 2010. In 2015 he was also appointed Managing Director for Germany with the aim of strengthening and growing the brand in this European core market with regard to hotel transactions. Previously, Lukas worked amongst others at KPMG Real Estate, Leisure & Tourism CEE. He successfully completed more than 100 advisory mandates including valuations across Europe, feasibility studies, market and product analysis as well as operator searches and hotel transactions. Lukas is a Member of the Royal Institution of Chartered Surveyors (RICS) and a RICS Registered Valuer.



Adam Konieczny joined Christie & Co in 2012 as Country Head Poland and is responsible for identifying hotel opportunities across Poland as well as for the development and expansion of the company in the country. With the annual conference Spotlight Hotel Investment Poland & CEE Adam helped to successfully establish a platform for players in this emerging hotel market. Adam worked several years as a Senior Consultant in the hospitality arena, amongst others at DTZ's hospitality department in Warsaw, where he focused on hotel investment transactions, valuations and feasibility studies. He is a Member of the Royal Institution of Chartered Surveyors (RICS). Hesse.



Kay Constanze Strobl joined the team as Head of Advisory & Valuation Services in January 2016 from Deloitte und Touche GmbH Wirtschaftsprüfungsgesellschaft where she spent nine years, most recently supervising the department Real Estate & Hospitality in her role as Manager, focusing largely on hotel feasibility and profitability studies, hotel valuation, operator and investor search as well as transaction support. Previously, Kay worked for gato ag, where she contributed to the conception and realisation of large-scale tourist projects. Kay also acts as lecturer at the University of Applied Sciences in Munich, Department of Tourism.



Simon Kronberger is based in our Vienna office and is responsible for working on hotel deals in Austria and CEE. In his role he is supporting hotel owners and investors and is at the same time responsible for establishing relationships with our key clients. Prior to joining Christie & Co in October 2014, he gained experience as Cluster Sales Manager Corporate at Austria's largest hotel, the Hilton Vienna. Simon started his sales career as Sales Manager at Austria Trend Hotel & Resorts in Vienna.



Marvin Kaiser joined Christie & Co's Vienna office as Consultant Investment & Letting for Austria & CEE in February 2015. Back in 2013, he completed a 6-month internship at Christie & Co. Other work experience gained during his studies included internships both in the hospitality and the property industries, namely at Hyatt Regency Mainz, the property firm Martello Immobilienmanagement GmbH & Co. KG in Aachen and Architekturbüro Andrae, an architect's office in Hesse.

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