

Intelligent Investment

2024 CEE Hotels

REPORT

CBRE RESEARCH
June 2024



Introduction

In recent years, the hotel sector in CEE & SEE has endured a very volatile period. However, we have witnessed that the hospitality industry is resilient and able to rebound quickly. The recovery is already underway and has surpassed most expectations.

The CEE & SEE's hotel and tourism sector continues its journey to full recovery, primarily driven by domestic and intra-regional leisure travel. It is expected that additional tailwinds will come from a rise in international long-haul leisure travel from Asia.

The industry has seen a steady growth in the number of tourists visiting the region, driven by an increase in the number of luxury and boutique hotels, as well as the expansion of existing hotel chains.

The sector has heavily invested in technology, implementing solutions such as mobile check-ins, digital room keys, and smart room features to enhance the customer experience. Sustainability has also become a major focus, with many establishments adopting eco-friendly practices and policies. Furthermore, the experience of the pandemic has led to the development of new health and safety standards within the market. The hospitality sector in CEE & SEE has thus adapted and evolved to meet the changing needs and expectations of the global traveller.



Hotel Investment Market

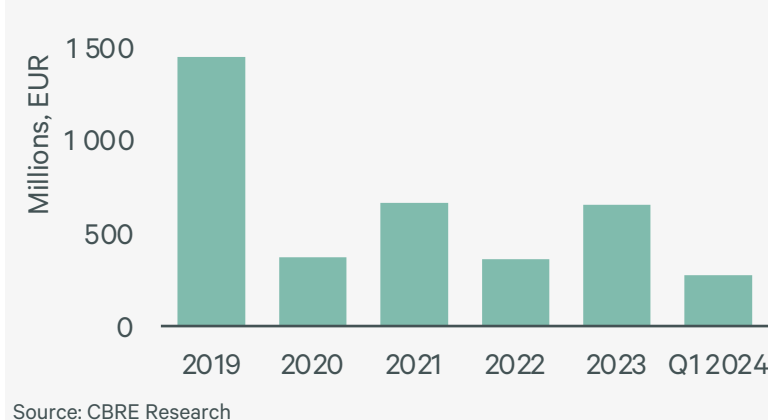
Since 2015, the CEE hotel market experienced an increase in activity, as investors sought attractive returns in key CEE cities compared to core European hotel markets. Notably, the prime hotel yield in the country sharpened by 120 basis points in most attractive CEE cities between 2015 and 2019. The sale of Prague’s InterContinental hotel set a new benchmark for a hotel yield, marking the largest hotel transaction of the year 2019 in CEE & SEE regions.

However, the impact of COVID-19 and the war in Ukraine caused hotel transactions to come to a virtual standstill. The uncertainty surrounding the speed of economic recovery and the rebound of the tourism and hospitality industries led investors to step back and reassess the associated risks.

Prior to the pandemic, investment volumes in 2020 were expected to be robust, with several large standalone transactions in the pipeline. However, investors adopted a cautious "wait-and-see" approach, resulting in delays or cancellations of early-stage transactions. While some transactions in advanced stages were completed in 2020, overall investment activity significantly declined compared to previous years. The weakened investment climate further pressured hotel yields and values.

Since 2023, there has been a shift in hotel transaction activity, with investors becoming more active in acquiring hotel properties or entering into joint ventures.

Figure 1: Hotel Investment Volumes in CEE, SEE & Baltics



In 2023, Suncani Hvar Hotels in Croatia was sold, making it the second largest hotel transaction in CEE & SEE since 2019. In Q1 2024, for example, CPI entered into a 50% joint venture with Best Hotel Properties, encompassing eight renowned Czech hotels, including Mamaison Residence Downtown Prague, Clarion Congress Hotel Prague, and Comfort Hotel Prague City East.

Since 2019, the highest investment volumes in the hotel sector were transacted in the Czech Republic, followed by Croatia and Hungary.

Figure 2: Hotel Yield Development in Top CEE Markets, Prime yield – leased

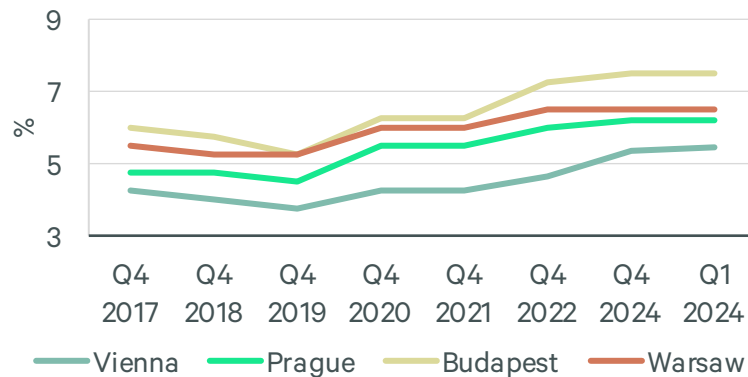
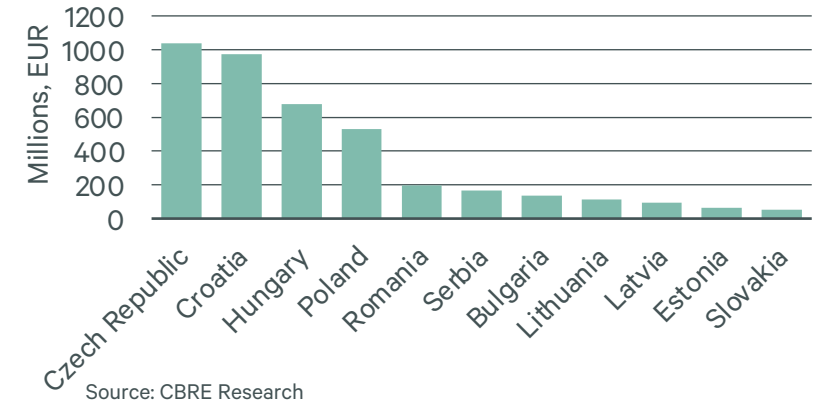


Figure 3: Hotel Investment volumes in countries, 2019 – Q1 2024



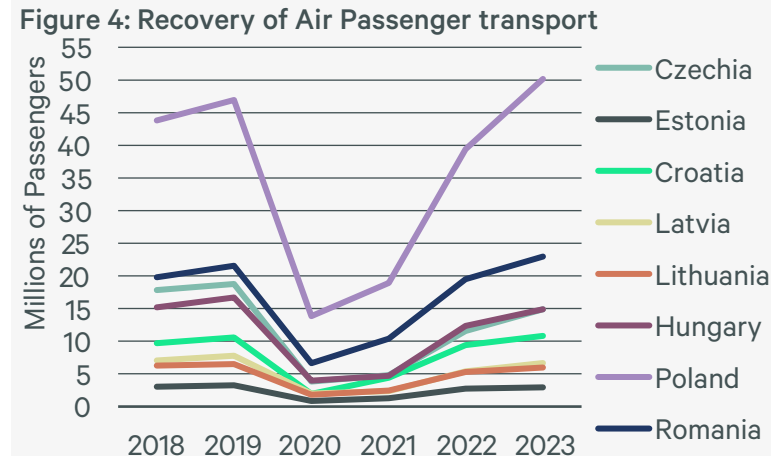
This report presents a comprehensive analysis of the current hotel market in the CEE & SEE region, with a focus on key cities such as Prague, Budapest, Warsaw, Kraków, Bucharest, Belgrade, Zagreb and the Croatian coast and including the Baltics as well.

Tourism structures in CEE and SEE are quite diverse due to the region's rich history, culture, and geographic variation. The share of international arrivals vary from 40% - 90% in selected cities. Prague is by far the most visited city with 5,850,000 international overnight visits in 2023, followed by Budapest (3,100,000) and Bucharest (2,400,000). However, none of these cities are expected to reach their 2019 levels. On the other hand, Belgrade has already exceeded their 2019 figures and cities such as Warsaw, Gdansk, and Sofia are expected to exceed the 2019 level of international overnight visits this year.

The average occupancy rate in the region in 2023 was hovering between 50% (Sofia) to 73% (Warsaw) and the pattern varied across the region.

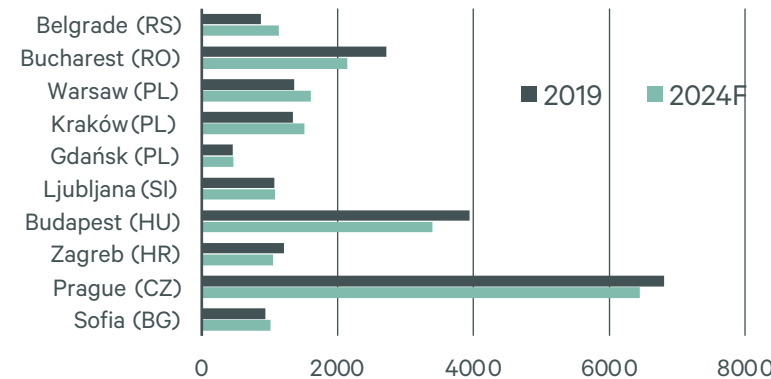
The average daily rate (ADR) has been continuously increasing across the region. In comparison with 2019, the ADR increased in all key cities by 12% (Bucharest) to 26% (Belgrade). Tallin is the only exception with a 3% decrease 2019/2023.

Revenue per available room (RevPAR) went up y-o-y in all key cities in 2023. We have recorded increases of from 18% to 38% y-o-y. All cities exceeded 2019 levels by 5 to 38%. The only exception was Tallin with a 9% decrease compared to 2019 levels, and Sofia and Bucharest which recorded only minor increases compared to 2019.



Source: Eurostat

Figure 5: International Overnights Visits, Thousands



Source: Tourism Economics

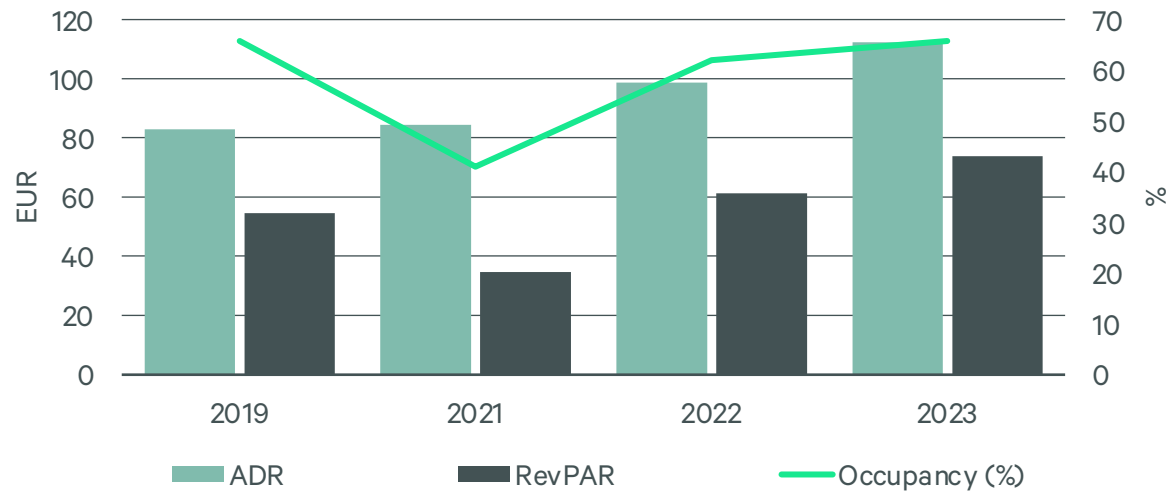


Belgrade

| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 3,453,132 (+9% y-o-y) |
| Annual guest nights (2019=100%) | 128% |
| Share of international arrivals | 86% |

Source: National Statistical Office

Figure 6: Belgrade Hotel KPIs



Source: STR



Tourism trends

According to the latest report of the UN Tourism Barometer, Belgrade is the first destination in the world in terms of the growth rate of income from foreign tourists compared to 2019.

Congress tourism has been in focus owing to the renovation of Sava Center in Belgrade, as well as the announcement of the construction of congress centers outside of Belgrade. The hotel market is heading in the direction of growth owing to the EXPO 2027 exhibition which has been announced.

Hotels in Belgrade are busiest on weekdays, when they record the highest number of business visitors staying for an average of two nights. International visitors outnumber domestic visitors in the capital, with the majority of recent visitors coming from Greece, Bulgaria, China and regional markets.

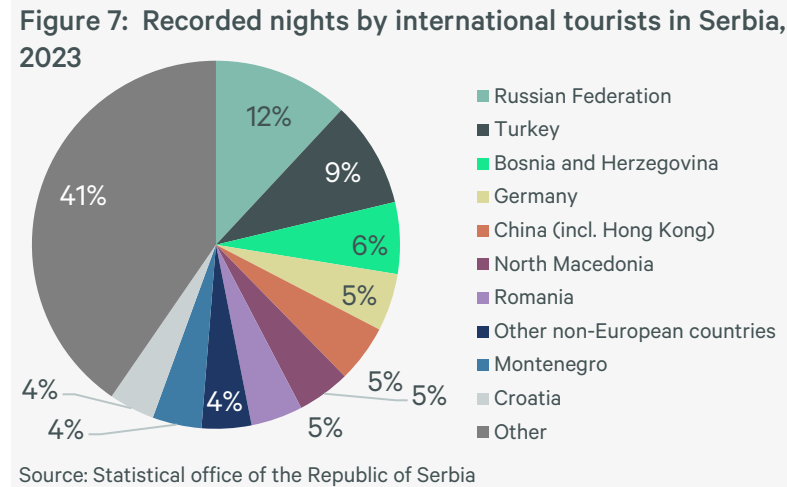
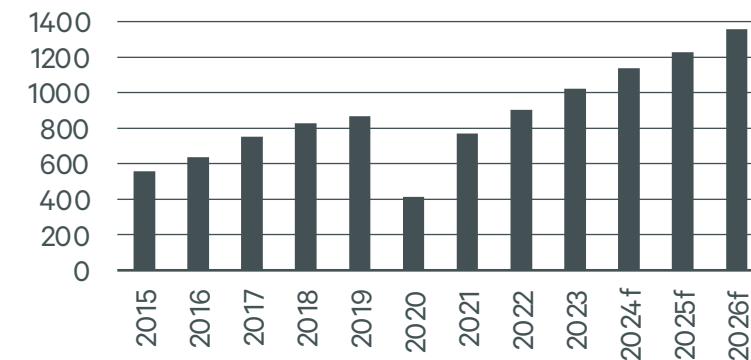


Figure 8: International overnight visits, Thousands, Belgrade



New developments

There is increasing interest from international hotel brands in the capital and other attractive tourist areas. In 2023, we registered one notable hotel opening. The 3-star Hotel Moxy opened in the centre of Belgrade, adding 131 rooms. In addition, the Radisson Red Hotel opened in the city centre in the first quarter of 2024. The 4-star hotel added 85 rooms and 3 suites to the hotel market. In addition, Hotel Bleecker Belgrade by Mercure opened, adding 95 accommodation units. All these additions are reconstructions of existing hotels.

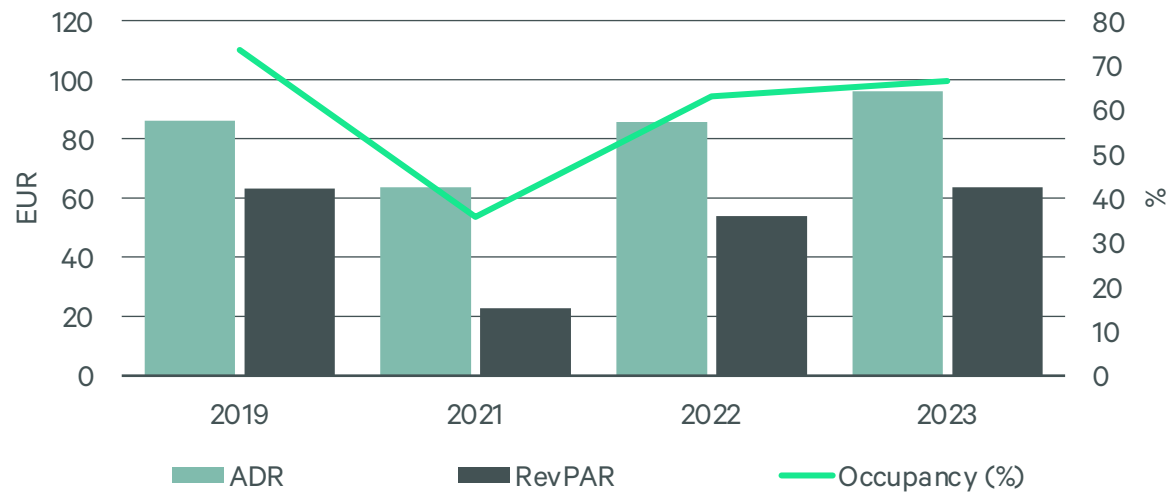
As far as the pipeline is concerned, there have been numerous hotel announcements recently, including the St Regis, which is expected to open shortly, as well as the InterContinental, AC Hotel by Marriott Belgrade, etc. In addition, the renovation of several important hotels has been announced, including Hotel Bristol, Hotel Mažestik, Hotel Slavija, Hotel Jugoslavija, etc.

Bucharest

| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 1,515,334 (+9% y-o-y) |
| Annual guest nights (2019=100%) | 90% |
| Share of international arrivals | 48% |

Source: National Statistical Office

Figure 9: Bucharest Hotel KPIs



Source: STR

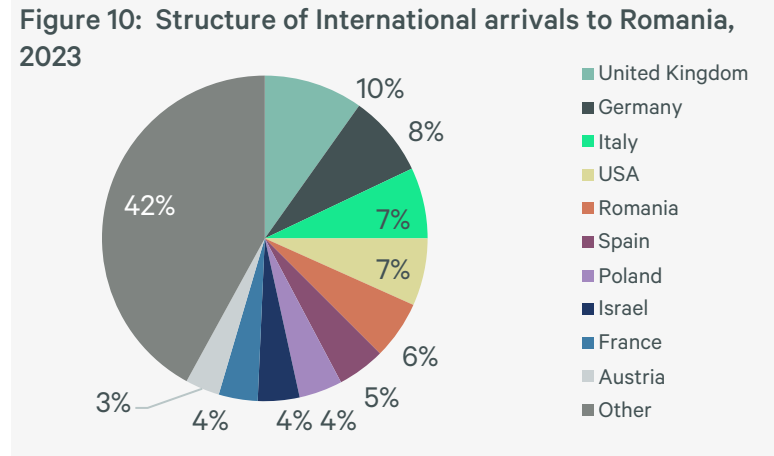


Tourism trends

Bucharest registered an overall 26% y-o-y increase of foreign tourist arrivals in 2023, the total share between local and foreign tourists being almost equal. Besides travelling for business purposes, the capital city attracts tourists for its fascinating architectural heritage and its cultural scene.

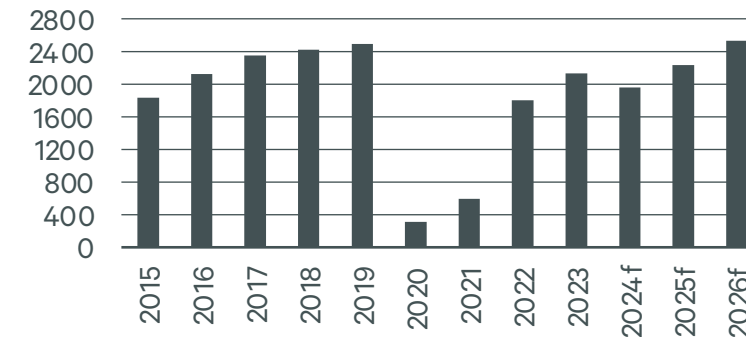
The growing digital nomad community attracted by the high-speed internet connections and the increasing number of coworking spaces provide a professional work environment and opportunities to connect with other remote workers. From 2016, Bucharest benefits from the largest thermal wellness centre and urban beach, Therme Bucuresti, located in the northern outskirts of the city.

When zooming out toward the regional cities, Romania is filled with a diverse range of tourist destinations from the mountains to the seaside. Attractions such as medieval castles like Bran Castle (often associated with Dracula), the stunning landscapes of the Carpathian Mountains, the beautifully painted monasteries of Bucovina, thermal spas, Danube Delta or Constanta’s County’s littoral attract international visitors. In addition, the country is famous for electronic music festivals such as Untold in Cluj - Napoca (which ranks in Europe’s top 3 festivals and 6th in the Top 100 Festivals in the world).



Source: National Institute of Statistics, Romania

Figure 11: International overnight visits, Thousands, Bucharest



Source: Oxford Economics

New developments

In 2023, we registered 2 new hotel openings with around 120 rooms in Bucharest. On the short term, meaning up to three years, there are another 8 hotels jointly offering circa 1,000 rooms expected to open in Bucharest. Found in different stages of development, from incipient planning or the commencement of construction works, all of them are within the upscale category.

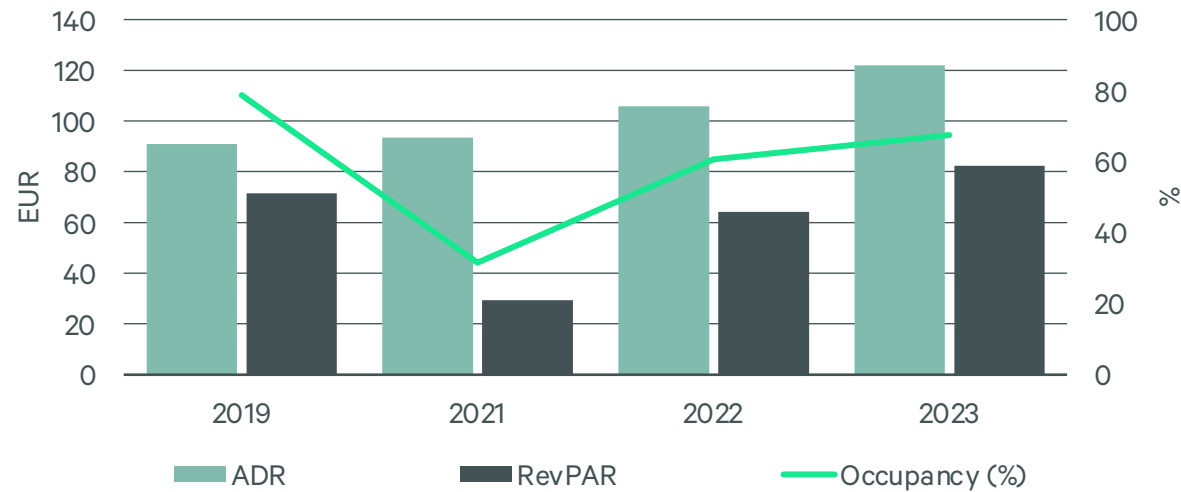
New entries in Bucharest include: Ennismore, The Crest Collection, Corinthia, Swissôtel and Handwritten Collection. Amongst the future new hotels there is one former office building, also a historical monument that will be redesigned into a five star hotel located in the city centre, in the proximity of kilometre 0.

Budapest

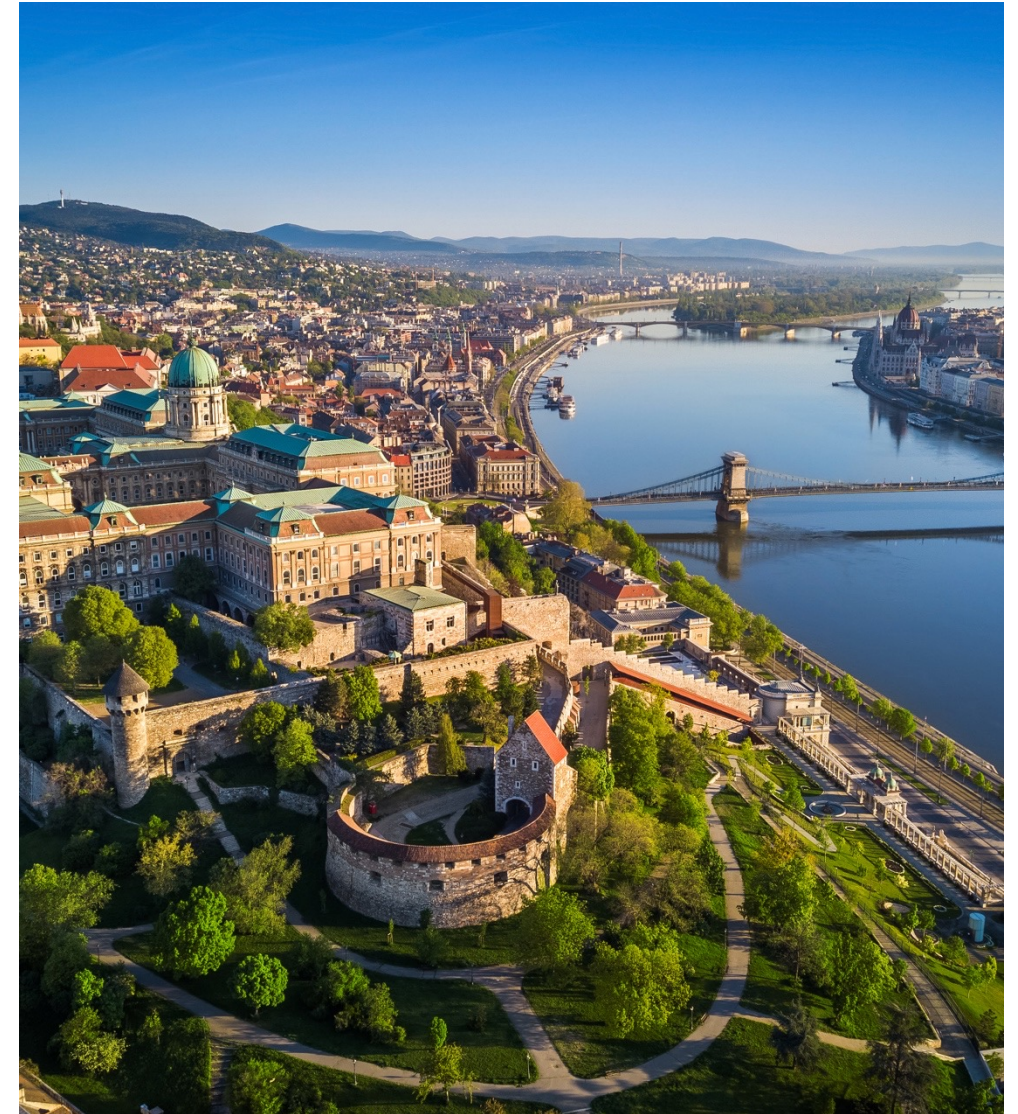
| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 14.2 mln (+18% y-o-y) |
| Annual guest nights (2019=100%) | 83% |
| Share of international arrivals | 85% |

Source: National Statistical Office

Figure 12: Budapest Hotel KPIs



Source: STR



Tourism trends

Budapest is the uncontested leader among tourist destinations in Hungary with ca. 10 million guest nights registered in commercial accommodations in 2023 - 34% of all guest nights and over 60% of all foreign guest nights spent in Hungary were registered in Budapest. Outside of the capital, tourism is mostly driven by local leisure demand, concentrated around Lake Balaton (30% of total guest nights, excluding Budapest) and the spa towns such as Hévíz, Hajdusoboszló or Zalakaros.

World-class heritage architecture, a vibrant social scene and the return of large-scale international events are driving Budapest's continuous visitor expansion. The Sziget Festival and the Formula-1 Hungarian Grand Prix draw masses of tourists to Budapest each August.

Hotels in Budapest recorded 7.8 million guest nights in 2023, up 28% from the same period in 2022, but still ca. 17% below pre-pandemic levels. This is mainly due to the absence of Chinese, Israeli and Russian tourists, once important source markets for Budapest.

Looking to 2024/25, we expect guest nights to reach pre-pandemic levels in Budapest, supported mainly by the resurgence of Chinese tourists. A further ADR increase in hotels is also anticipated, although to a smaller extent than in previous years. A strong FDI in nearby regional cities (i.e. Debrecen) increases demand for hotels and serviced apartments, particularly in regional locations where there is a shortage of high-quality supply. We anticipate seeing more branded hotels to open outside of Budapest.

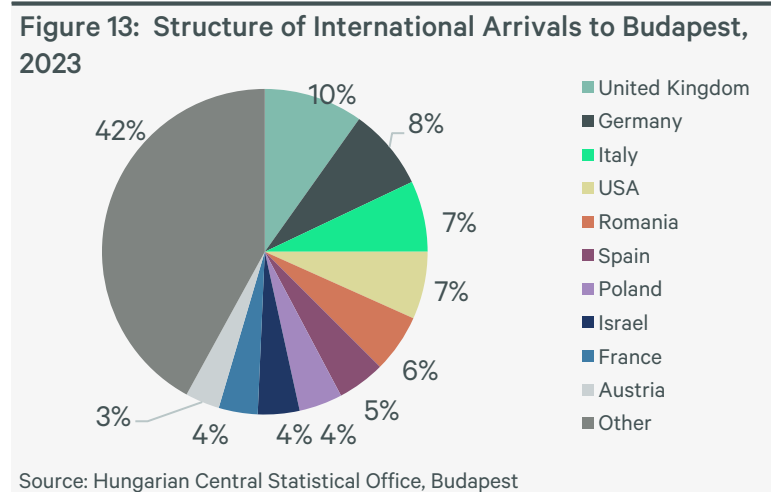
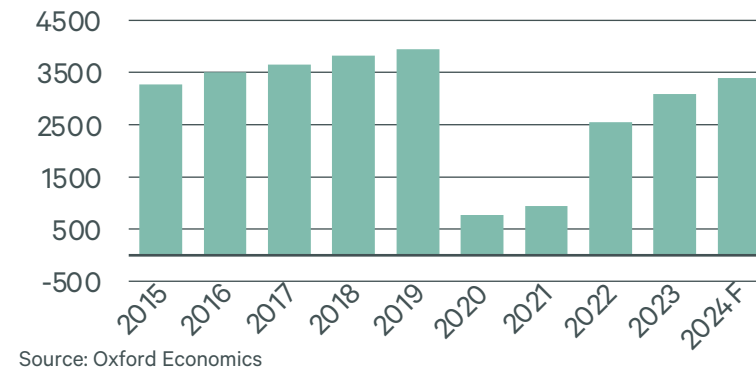


Figure 14: International overnight visits, thousands, Budapest



New developments

In 2023, 10 hotels with ca. 1,500 rooms were delivered in Budapest, representing 70% of the new hotel supply in Hungary. Several new brands have been introduced to the market including the Hampton by Hilton Budapest City Centre (219 rooms), Radisson Hotel Budapest BudaPart (198), Tribe Budapest Stadium (166) or the Four Points by Sheraton Budapest Danube (105).

In addition, the hotel scene in Budapest has been enriched by prestigious new hotel openings such as the W Hotel or the Dorothea Palace, Autograph Collection by Marriott. Both hotels were opened following the refurbishment of iconic landmark buildings in the UNESCO-protected historic city centre. SO/ by Accor will follow in 2026, following the refurbishment and rebranding of the former Hotel Sofitel Chain Bridge.

We are seeing strong interest from international hotel operators across all segments who are constantly looking to introduce new concepts in Budapest. The growing trend of "bleisure" tourism is driving up demand for serviced apartments - currently representing only 4% of the total hotel room supply - in Budapest. Consequently, we expect more extended-stay products to appear in the near future. In addition, Budapest has a clear tourism strategy which relies on a higher quality offer targeting more affluent travellers. This goes hand in hand with the expansion of the upper-upscale and luxury segments in new hotel supply, driving up prices.

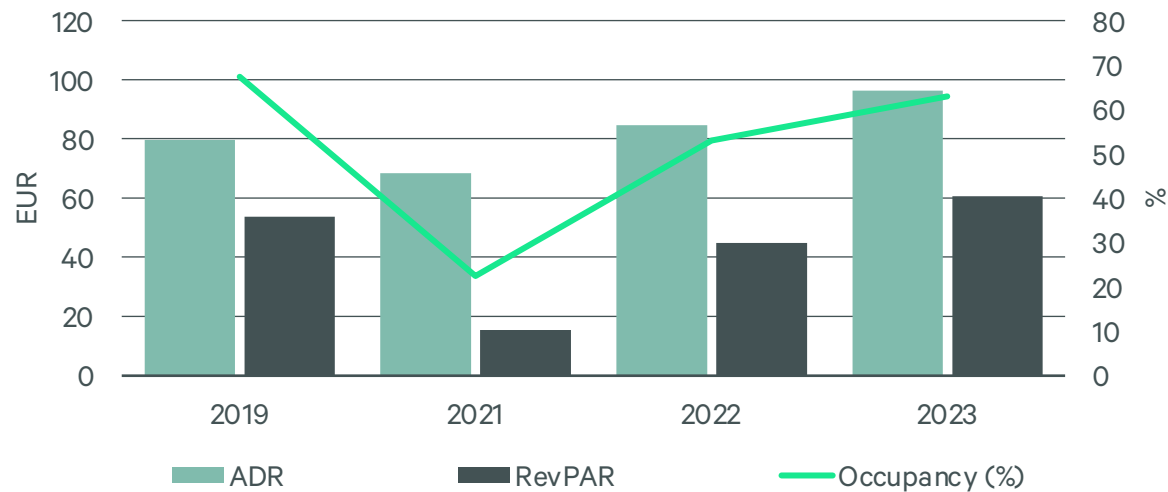
The hotel development pipeline remains strong. By 2025, ca. 1,600 new hotel rooms are expected to appear on the market, including prominent developments such as the 127-room Kimpton Hotel and the 102-room St. Regis Hotel.

Bratislava

| | |
|---------------------------------|------------------------|
| Annual all guest nights 2023 | 2,192,925 (+28% y-o-y) |
| Annual guest nights (2019=100%) | 77% |
| Share of international arrivals | 62% |

Source: National Statistical Office

Figure 15: Bratislava Hotel KPIs



Source: STR



Tourism trends

Bratislava is unique within Slovakia in that it is visited evenly throughout the year. While during the summer months tourists come to Bratislava to get to know it, the rest of the year the accommodation facilities are filled mainly with guests due to work matters.

As part of the recovery of tourism after a two-year slump, Bratislava is achieving figures similar to the European average.

Unlike other tourist destinations in Slovakia, the capital city is sought after by foreign visitors to a greater extent. It is pleasing that Slovaks are also spending more nights in Bratislava than last year. The most frequent visitors to Bratislava are Czechs, Austrians, Germans, Poles and the British.

Figure 16: Structure of International Arrivals to Slovakia, 2023

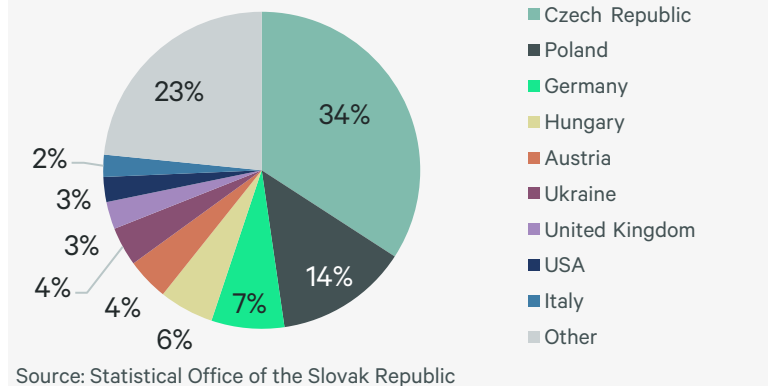
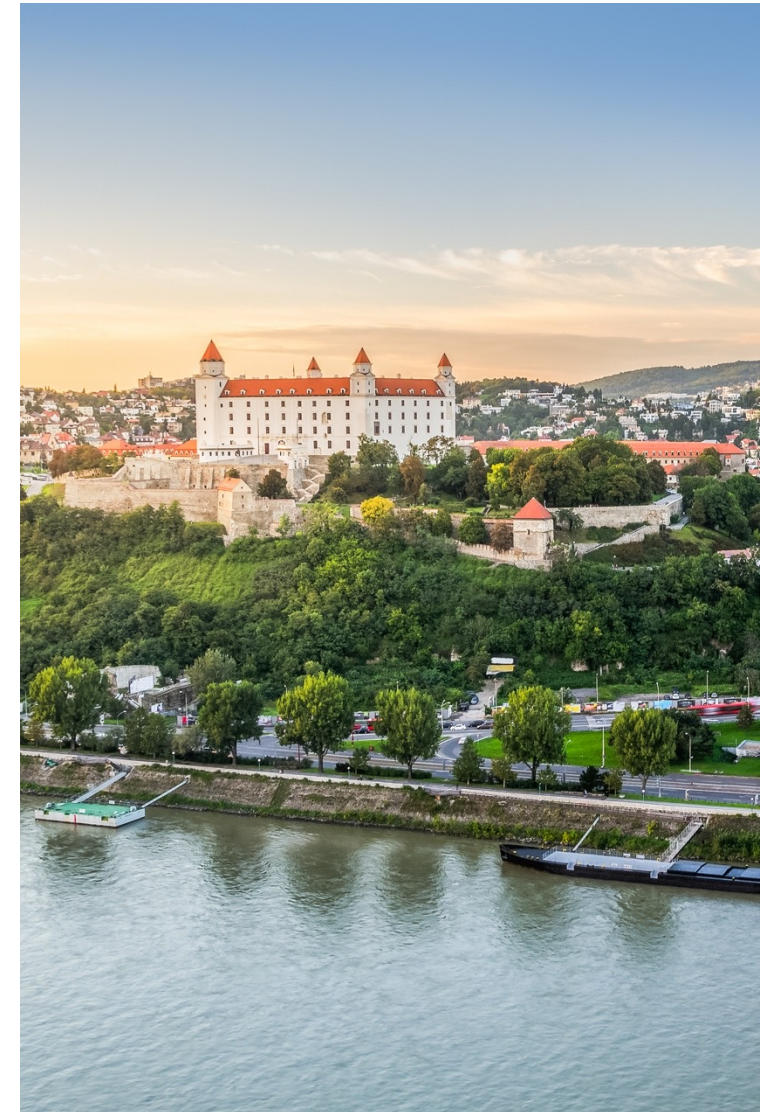
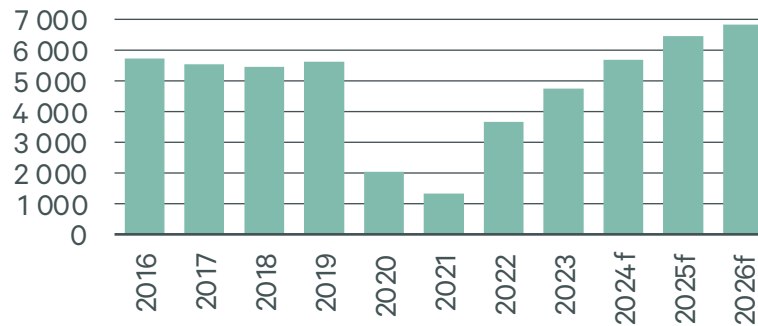


Figure 17: International overnight visits, Thousands; Slovakia

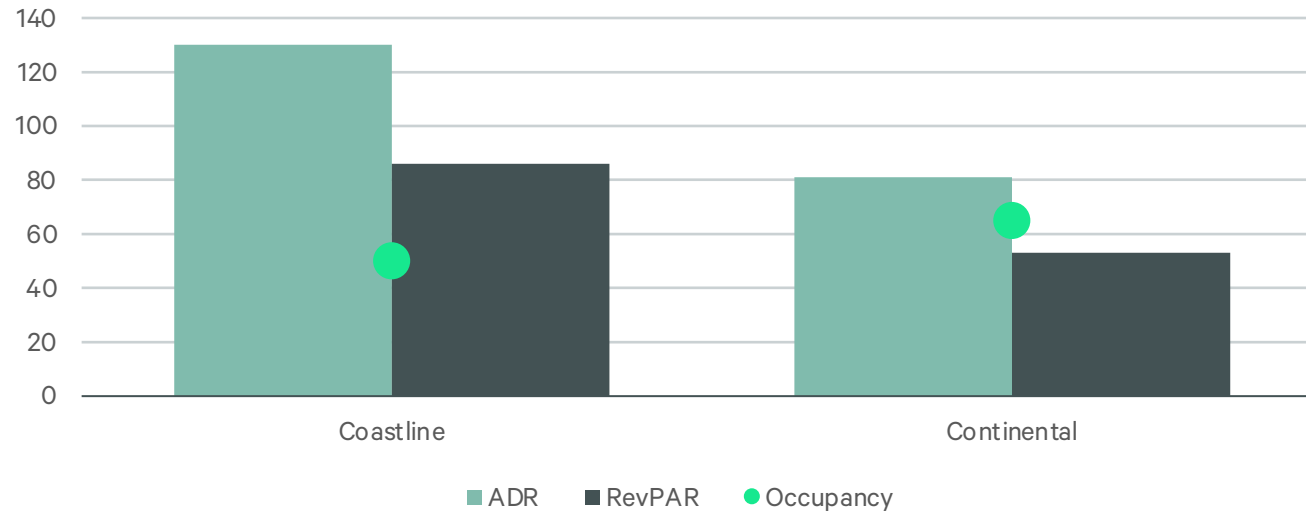


Croatia - Zagreb and coastline

| | Coastline | Zagreb |
|---------------------------------|------------------------|------------------------|
| Annual all guest nights 2023 | 87,351,814 (+2% y-o-y) | 2,507,454 (+14% y-o-y) |
| Annual guest nights (2019=100%) | 83% | 95% |
| Share of international arrivals | 89% | 80% |

Figure 18: Croatian Hotel KPIs

Source: National Statistical Office



Source: STR, Benchmarking (Coastline - Istra, Kvarner, Dalmatia)



Tourism trends

The hotel market has been very volatile over the past decade, with a limited number of larger properties delivered in the capital, while the development of larger assets remains present in the coastal area.

The market in Zagreb is highly dependent on the supply of small to medium-sized accommodation, mainly in core city locations, developed by local investors. The presence of foreign investors and global hotel chains in the capital is still limited, but growth is expected in the coming years, with several projects announced.

A significant feature of the Croatian coastal tourism market is its narrow season, which is largely limited to June to September. Due to the high seasonality of tourism, both the government and private hotel owners are working to develop more content and attract more tourists in the off-season. A goal of the tourism sector and an initiative of the government is to extend Croatia's visitor season through more transport routes, better resorts, complementary attractions such as golf and the marine sector.

Therefore, many Croatian destinations are working on extending the tourist season by attracting not only leisure travellers, but also business travellers. In fact, Croatia has become an attractive destination for both foreign and domestic companies wishing to hold congresses, seminars, team-building events, etc. Although congress tourism in Croatia is still in its infancy, in recent years it has developed into a first-class business travel destination.

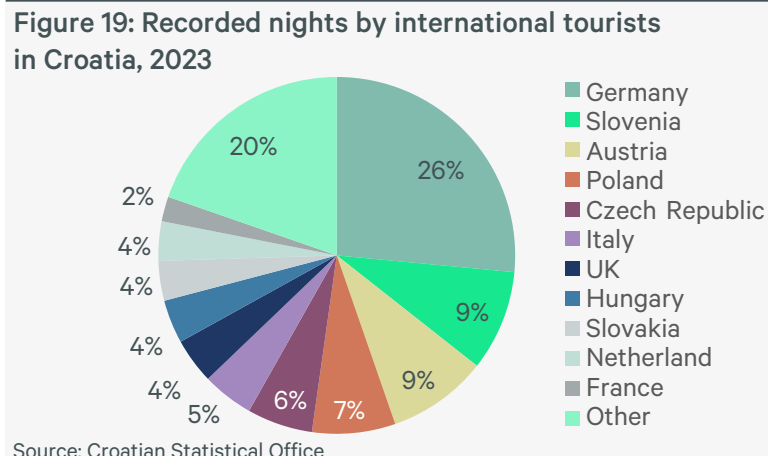
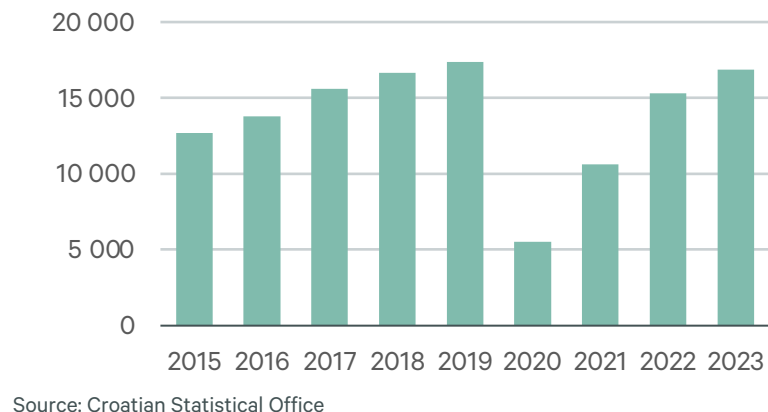


Figure 20: International overnight visits, Thousands; Croatia



New developments

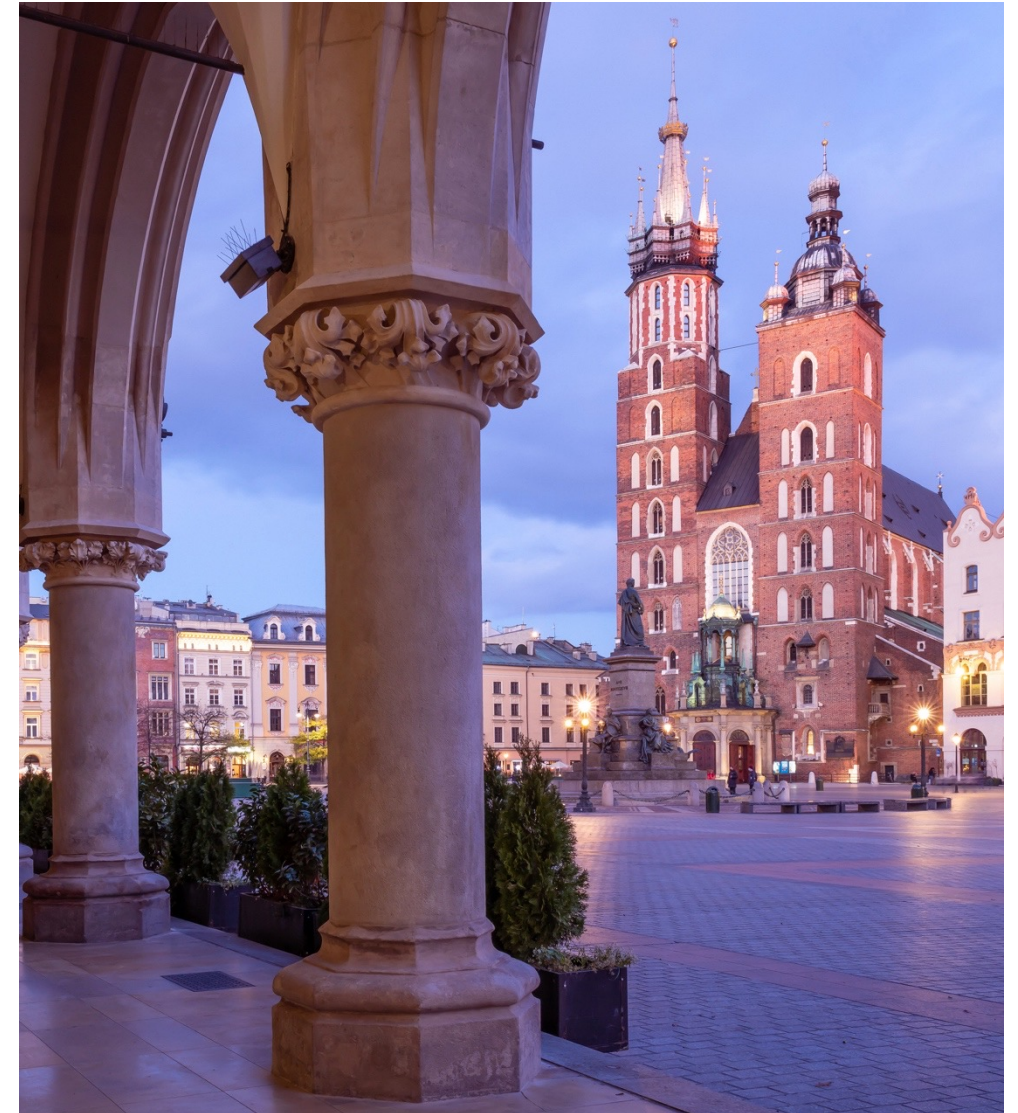
Numerous domestic and foreign investors have expressed interest in entering the Croatian hotel market. Several hotels opened in Zagreb in 2023, and some were renovated. Among the most notable was the renovation of the four-star Zonar Hotel, which has 299 units. In April, the renovated four-star Grand Hotel Zagreb was completed, adding 159 units to the hotel market. In October, the five-star Met Boutique Hotel on Praška Street opened with 26 rooms. Arena Hospitality Group also opened the Art'otel Zagreb, a historic hotel with 110 rooms, including 5 suites. The most notable recent hotel announcement in Zagreb is the Accor Hotel, which will be located in the large Buzin City Island complex. The hotel will add around 190 rooms to the hotel stock and will have numerous facilities such as a restaurant, bar and conference rooms.

In Split, the AC Hotel Marriott was opened in the Westgate Tower, with 210 rooms, a wellness centre, a fitness centre and a conference room. On the island of Ugljan, construction has recently begun on a Hilton Hotel, which will have 65 accommodation units by the end of 2025. The Marjan Hotel in Split is currently being renovated and is expected to open in 2025/2026. The Accor group has announced the construction of a Mövenpick hotel in the Žnjan area of Split, which will have 156 rooms. In Poreč, Istria, Valamar is planning to build the five-star Pical Hotel, which will have around 510 rooms and is expected to be completed by the end of 2025. A 120-room Four Seasons Hotel and 60 private apartments are also planned for Hvar.

Kraków

| | |
|---------------------------------|------------------------|
| Annual all guest nights 2023 | 5,741,775 (+17% y-o-y) |
| Annual guest nights (2019=100%) | 94.4% |
| Share of international arrivals | 52.4% |

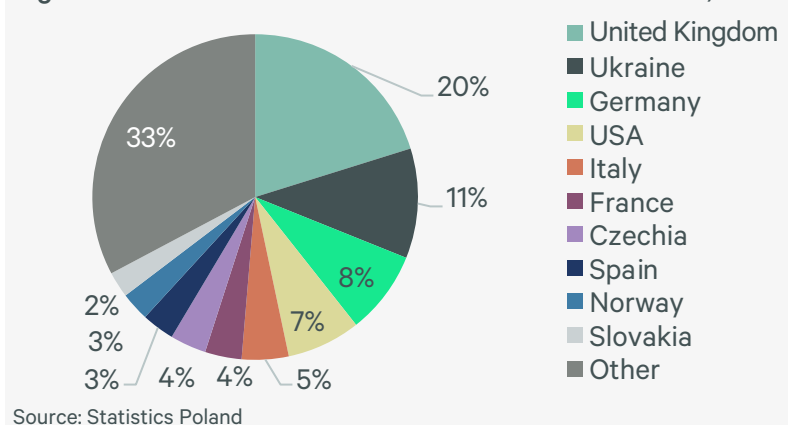
Source: National Statistical Office



Tourism trends

Krakow is one of the most popular and recognisable tourist destinations in Poland. As the 2nd largest city in terms of population and one of the oldest cities in Poland, Krakow is also one of the leading centres of Polish academic, economic, cultural and artistic life. Krakow often appears at the top of tourist destination rankings, appreciating the diversity of its historical attractions, the atmosphere of the Old Town as well as affordability compared to other popular cities in Europe. There are many tourist attractions in Krakow that visitors can explore ranging from UNESCO heritage sites, museums, and memorial sites to green areas for rest, and modern conference and event venues. The most recognisable places include: the Old Town with the Central Square, Cloth Hall and St Mary's Basilica, Wawel Royal Castle, and Kazimierz District. Krakow can also be a convenient starting point for exploring the entire region, with many natural and historical attractions, and even an amusement park. For this reason, Krakow enjoys a high share of foreign guests (around 50%), who on average spend even slightly more time there than domestic guests (2.4 nights vs. 1.9). Foreign guests come to Krakow mainly from Great Britain, Ukraine, Germany and the USA. International hotel chains are eager to locate their hotels in Krakow. 7 new openings are planned in the next two years.

Figure 21: Structure of International arrivals to Kraków, 2023

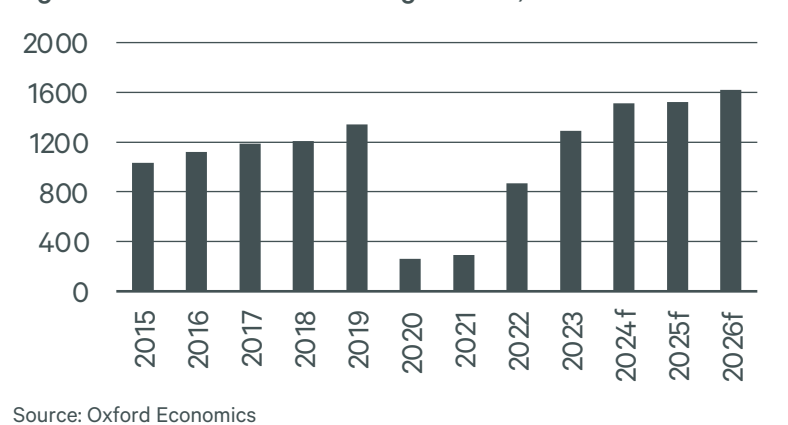


Krakow tourism relies heavily on international visitors. While domestic overnight stays in 2023 were higher than pre-pandemic levels, overall annual overnight stays were still below 2019 due to reduced international demand. However, in 2023, international overnight stays rose 45% y-o-y. CBRE forecasts that market fundamentals will remain strong, and the market is expected to rebound in the medium term, driven by leisure demand.

New developments

Recent openings in Krakow include 5 hotels in 2023: Stradom House Autograph Collection by Marriott (125 rooms); The Crown Krakow Handwritten Collection (44 rooms in art deco style); Meininger Hotel Krakow Centrum (507 beds in 135 rooms, from double to 6-bed rooms), Campanile Krakow South Hotel (220 bedrooms) and Unicus Palace (36 bedrooms). In 2024, 2 hotels: Radisson Red Krakow (227 rooms) and H15 Luxury Palace, The Luxury Collection Hotel (Marriott chain) are planned to be opened. The pipeline for 2025 consists of 5 hotels, with 592 rooms in total.

Figure 22: International overnight visits, Thousands

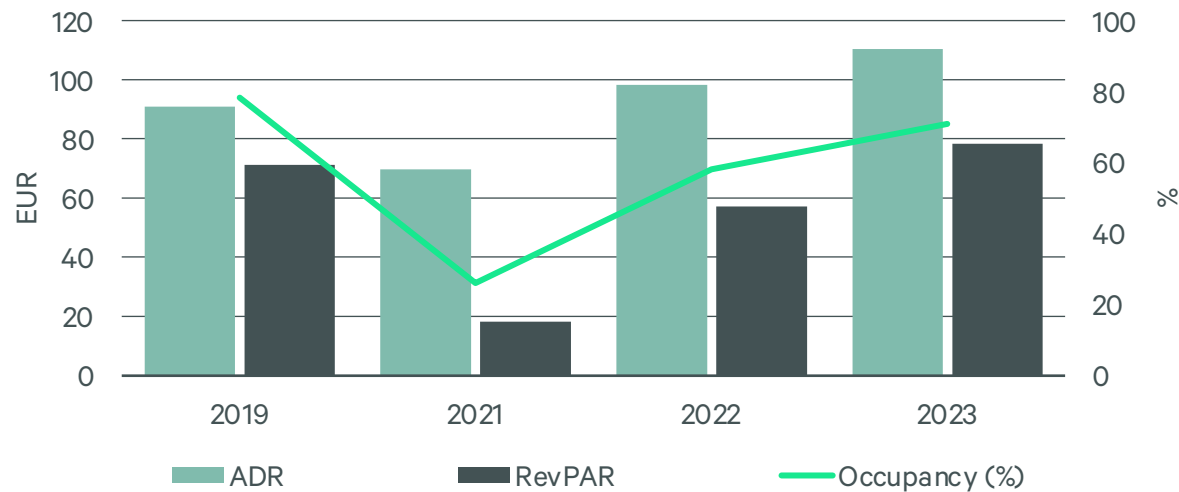


Prague

| | |
|---------------------------------|------------------------|
| Annual all guest nights 2023 | 16.861 mln (25% y-o-y) |
| Annual guest nights (2019=100%) | 93% |
| Share of international arrivals | 79% |

Source: National Statistical Office

Figure 23: Prague Hotel KPIs



Source: STR



Tourism trends

Since 1992, Prague’s historical city centre has been listed as a UNESCO World Heritage site.

Although Prague has not yet caught up with 2019 in terms of the total number of guests, 2023 was a very successful year in the capital for inbound tourism. Demand for overnight stays in Prague’s hotel market is largely driven by the international market. In 2023, Prague recorded the fourth highest number of arrivals and overnight stays since 2012.

As a MICE destination, Prague does make the top 10 list of global cities in the ICCA rankings, placing 5th in 2022 (after Vienna, Lisbon, Paris and Barcelona). The MICE segment has been widely accepted as a target growth market for Prague and the Czech Republic, with others including the Spa and Golf Tourism markets. The number of conferences held in Prague in 2023 has recovered and was up 24% y-o-y and in line with the 10Y pre-pandemic average.

In 2023, Prague attracted the most guests from European countries, whose share in the total number of visitors from abroad amounted to 76%, followed by Asians (12%) and guests from North America (8%).

Figure 24: Structure of International arrivals to Prague; 2023

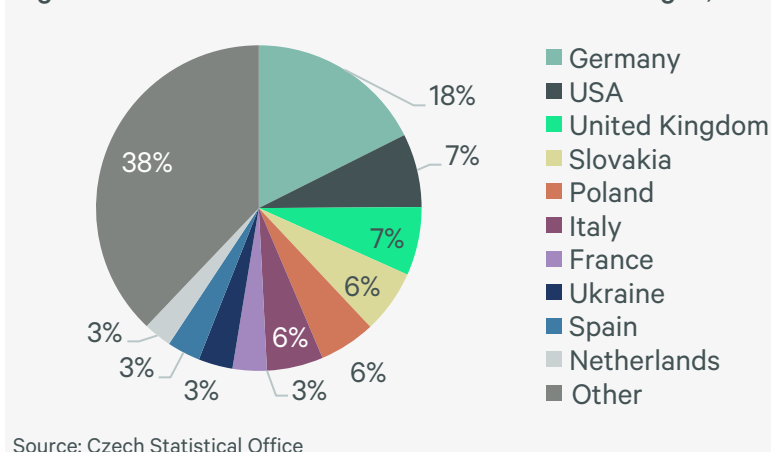
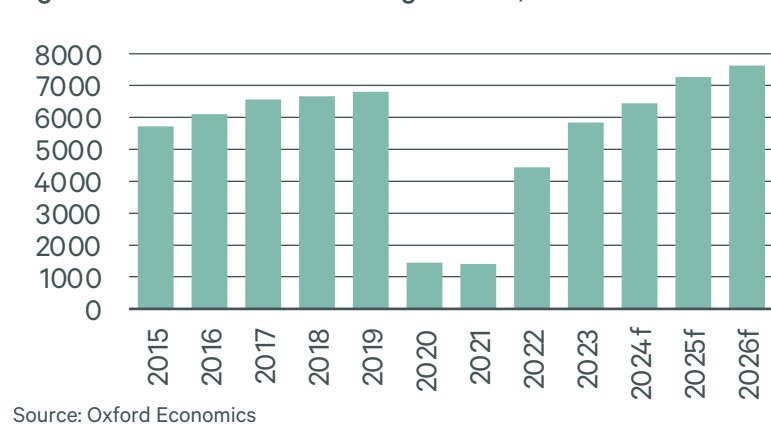


Figure 25: International overnight visits, Thousands



New developments

Recent hotel openings in Prague include Almanac X with 204 rooms (2023) and Andaz Prague with 179 rooms (2022) from the luxury segment or The Julius Prague serviced apartments with 168 rooms (2022). Zleep Hotel Prague with 166 rooms represented a more economy addition to the Prague hotel stock in 2023.

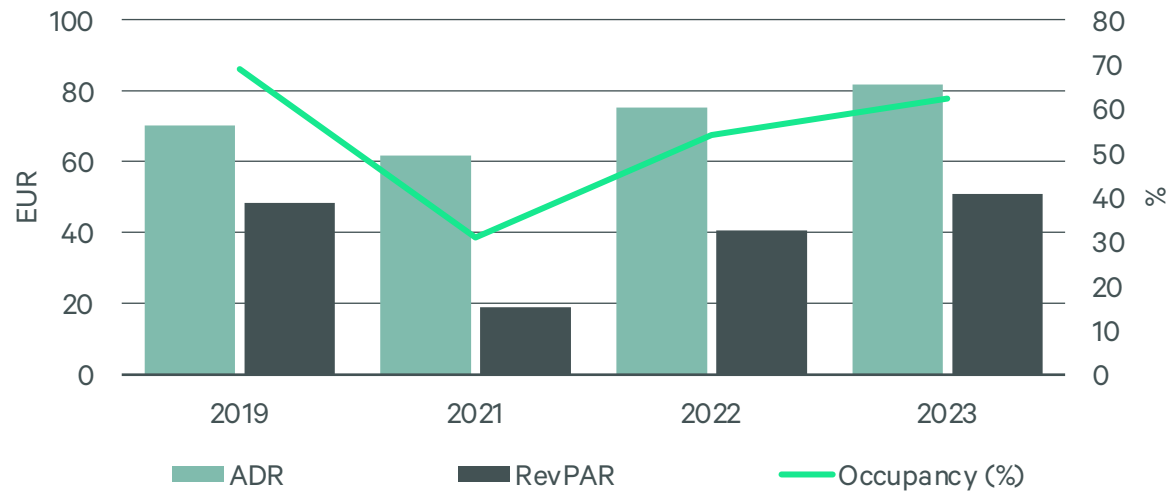
For 2024, openings of the luxury hotel W Prague with 154 rooms, or Fairmont Golden Prague with 372 rooms are planned, as is the opening of the economy hotel Motel One Masaryk with 382 rooms. These new luxury openings should have a positive impact on further increases in Prague hotels’ performance going forward.

Riga

| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 2,303,364 (18% y-o-y) |
| Annual guest nights (2019=100%) | 69% |
| Share of international arrivals | 79% |

Source: National Statistical Office

Figure 26: Riga Hotel KPIs



Source: STR



Tourism trends

Last year, the number of nights spent by guests in Latvian hotels and other tourist accommodation establishments increased by 12.6% compared to 2022, reaching 4.371 million. In Riga, the number of tourists in 2023 surpassed one million for the first time since 2019, reaching 1.2 million visitors. The number of tourists staying overnight in Riga hotels increased by 22% compared to 2022.

Among Riga's visitors, the fastest growth was observed in visitors from Finland (38%), Sweden (30%), and Poland (30%). In total, 980,000 visitors stayed in hotels, and just over 200,000 visitors stayed in apartments. The number of visitors from neighbouring countries in 2023 exceeded pre-pandemic levels, with 22.9% more visitors from Lithuania and 6.1% more from Estonia compared to 2019.

Riga was ranked 6th among the top 20 best European Christmas markets and Trails of Light, as well as 6th in the europeanbestdestinations.com "Best European Destinations 2024" list, where over one million travellers from 172 countries voted for their favourite destinations in Europe. Riga also ranked 1st in the postoffice.co.uk Top Christmas Markets.

Figure 27: Structure of International arrivals to Riga, 2023

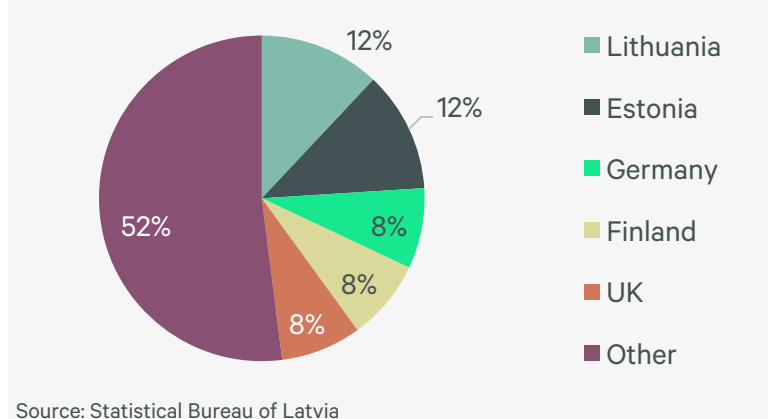
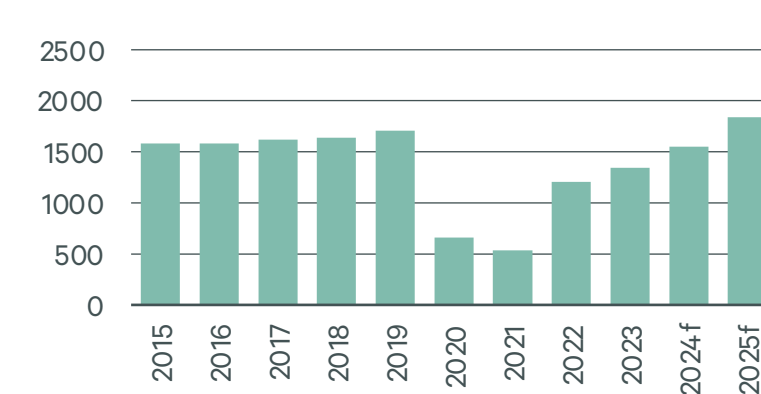


Figure 28: International overnight visits, Thousands, Riga



New developments

Riga's hotel industry has seen notable developments. The historic Hotel Metropole, a business-class hotel since 1871, reopened in 2023 with a new concept centred around art and history, offering 93 rooms.

In 2023, a new hotel entered the scene – the Upper Midscale Aston Hotel, which opened its doors in May following a €12 million reconstruction of the existing building. Offering 54 rooms, a restaurant, a roof terrace, a bar, a fitness centre, a car park, and meeting rooms, it provides a range of amenities for guests to enjoy.

In 2024, TRIBE Riga City Centre replaced Hotel Valdemars Riga, marking the 16th hotel under the TRIBE brand worldwide and it is the first in the Baltic States. The updated rooms seamlessly blend the historic Art Nouveau architecture of the building with modern interior features.

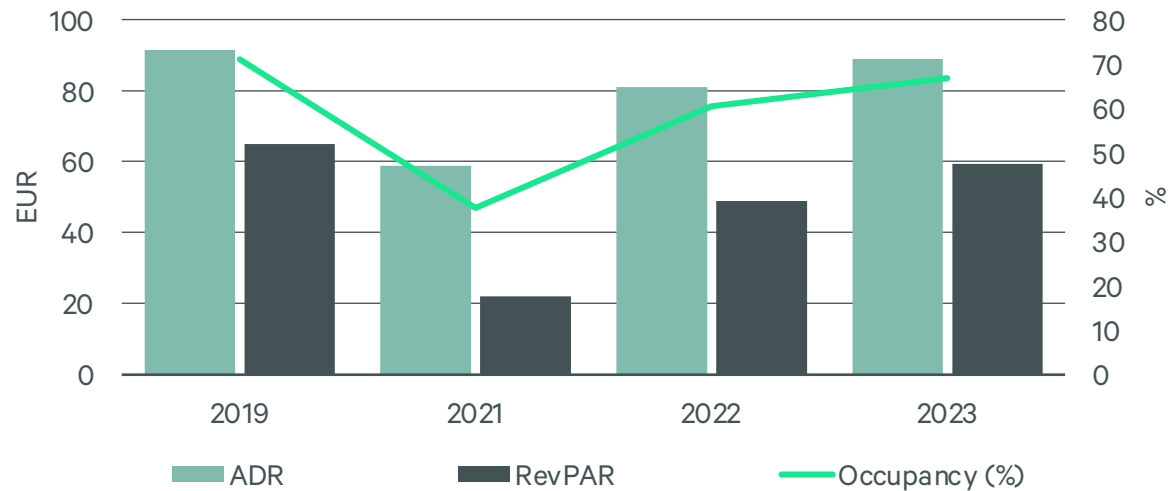
There are no plans to open new hotels for the rest of the year in Riga. The biggest pipeline project is in the new Preses Nama quarter, with stage 1 currently under construction. According to the latest news, the completions expected this year have been postponed to 2025. The hotel building will be constructed in stage 2, in a preserved and refurbished former press building, which will house a 4-star Holiday Inn Hotel with 305 rooms.

Tallinn

| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 3,047,073 (15% y-o-y) |
| Annual guest nights (2019=100%) | 93% |
| Share of international arrivals | 76% |

Source: National Statistical Office

Figure 29: Tallinn Hotel KPIs



Source: STR



Tourism trends

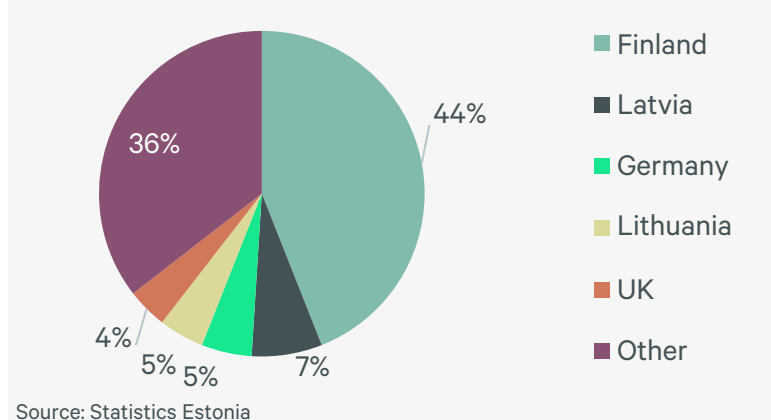
Last year, Estonia's tourism sector saw a notable increase, with the number of tourist arrivals to hotels and other accommodations rising by 5.3% compared to 2022, reaching 3.426 million. This figure is just 9.6% below the levels seen in 2019. Tallinn, in particular, experienced a significant boost in tourism, with 1.6 million arrivals in 2023 - surpassing the 1.5 million mark for the first time since 2019. Overnight stays in Tallinn hotels increased by 12.3% compared to 2022.

The fastest growth in visitors to Tallinn came from Japan (241%), China (195%), and Australia (107%). Notably, visitor numbers from some neighboring countries exceeded pre-pandemic levels, with Latvia showing a 28% increase and Lithuania a 3.6% increase compared to 2019, while visitors from Finland decreased by 5.8%.

Tallinn's growing popularity is reflected in recent accolades and rankings. The city was ranked 12th among the top 24 best Christmas markets in Europe for 2024 and was named the European Green Capital for 2023 by the European Commission. Additionally, Wanderlust travel magazine awarded Tallinn as Europe's second Most Desirable City in 2022. Visitors particularly admired Tallinn's Old Town, and its Christmas Market was highlighted as one of the major attractions, even being voted the second Most Desirable Christmas City.

In 2024, Tallinn is set to host various events, such as the Tallinn Street Food Festival, Tallinn Craft Beer Weekend, International Music Day, and the Tallinn Christmas Market, among others, which are expected to attract many tourists. Additionally, the Michelin Guide, featuring 25 of Tallinn's restaurants, will help promote the city's culinary scene to a wider audience.

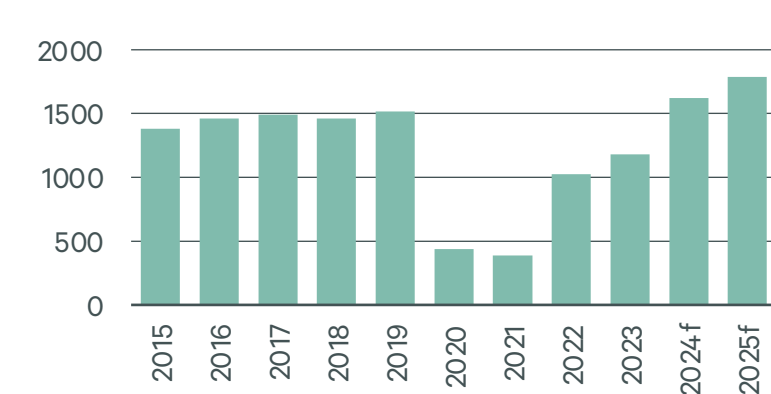
Figure 30: Structure of International arrivals to Tallinn, 2023



Source: Statistics Estonia

Source: National Statistical Office

Figure 31: International overnight visits, Thousands, Tallinn



Source: Oxford Economics

New developments

During the pandemic, while hotels were forced to close, many existing hotels took the opportunity to undergo refurbishments and renovations, offering a fresh start. Some international brands have decided to strengthen their presence in the market.

In 2023, three hotels were completed in Tallinn, with two of them undergoing extensive refurbishments. One hotel, formerly known as L'Embitu, was taken over by Accor Hotels and transformed into the four-star Mövenpick Hotel, featuring 125 rooms. This centrally located hotel now offers a city-view restaurant, a spa and relaxation area, and a rooftop conference centre. Another four-star hotel, Mercure Tallinn, with 132 rooms, also managed by Accor Group, was refurbished in 2023. Located near Tallinn Airport and Lake Ülemiste, it offers a restaurant, lobby and night bars, and a conference centre.

Additionally, a private developer completed the Nunne Boutique Hotel, which has 74 rooms. Situated in Tallinn's old town, this hotel features a French restaurant and a spa.

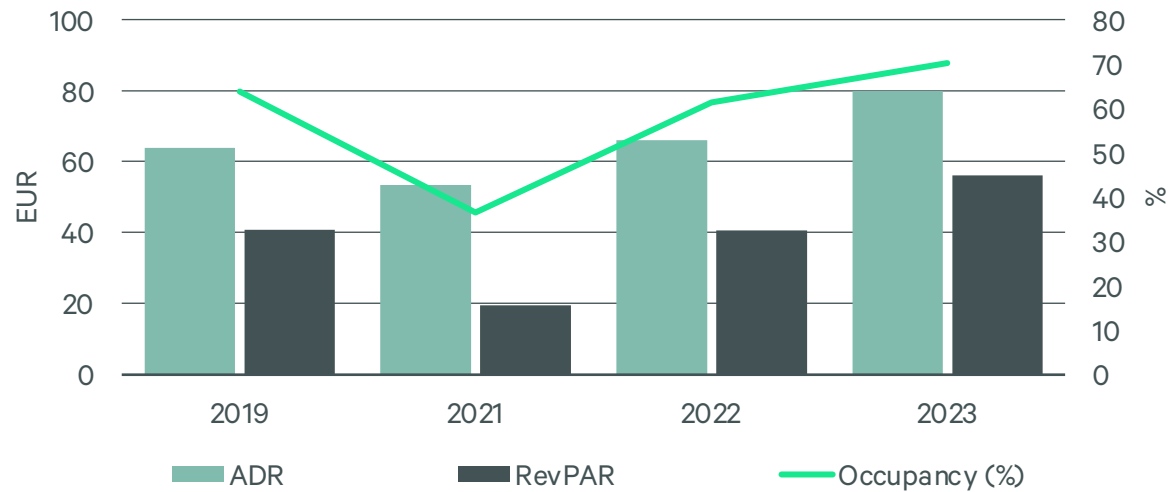
As of the end of 2023, two more hotels are under construction in Tallinn. The three-star Hampton by Hilton, with 185 rooms, is expected to be completed by the end of 2024. While the four-star Hyatt Place Hotel will be completed in 2025 and will offer 168 rooms.

Vilnius

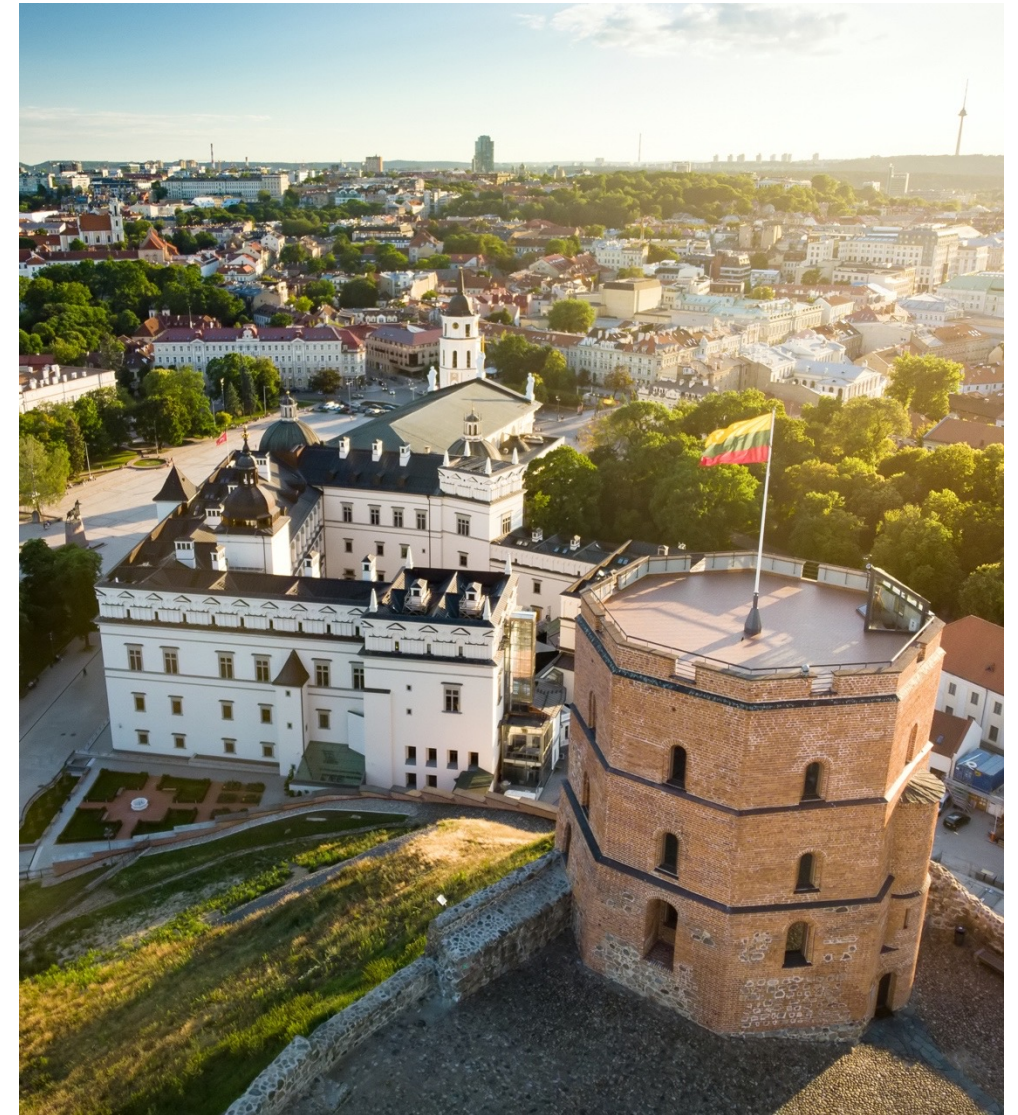
| | |
|---------------------------------|----------------------|
| Annual all guest nights 2023 | 2,197,690 (6% y-o-y) |
| Annual guest nights (2019=100%) | 88% |
| Share of international arrivals | 68% |

Source: National Statistical Office

Figure 32: Vilnius Hotel KPIs



Source: STR



Tourism trends

Last year, the number of tourist arrivals to Lithuanian hotels and other tourist accommodation establishments increased by 4.6% compared to 2022, reaching 3.99 million – just 1.2% shy of 2019 levels. In Vilnius, the number of tourists who have spent some time in accommodation facilities in 2023 surpassed 1.3 million and the number of tourists staying overnight in Vilnius hotels increased by 15.5% compared to 2022. The average stay in Lithuania remains 2-3 nights, while the most preferred accommodation type is 4-star hotels (almost half of the stays in 2023).

Among Vilnius’s visitors, the fastest growth was observed in visitors from Luxembourg (172.5%), Croatia (86%), and the Czech Republic (71%). The number of visitors from neighbouring countries still did not meet the pre-pandemic levels, with 13.4% less visitors from Latvia and 6.6% less from Poland compared to 2019.

The major influence on the Vilnius hotel market in 2023 was related to the organised NATO summit, which resulted in exceptionally good summer results. The slower pace of annualised tourism statistics, compared to the pre-pandemic numbers, has partially been related to the ongoing tensions in the nearby geographic regions.

The Ministry of Economy and Innovation of the Republic of Lithuania predicts that the number of tourists will grow by 24% year-on-year in 2024 and will fully recover by 2026. The increasing number of tourists are now coming to Lithuania from overseas, especially Asia and the US.

Figure 33: Structure of International arrivals to Vilnius, 2023

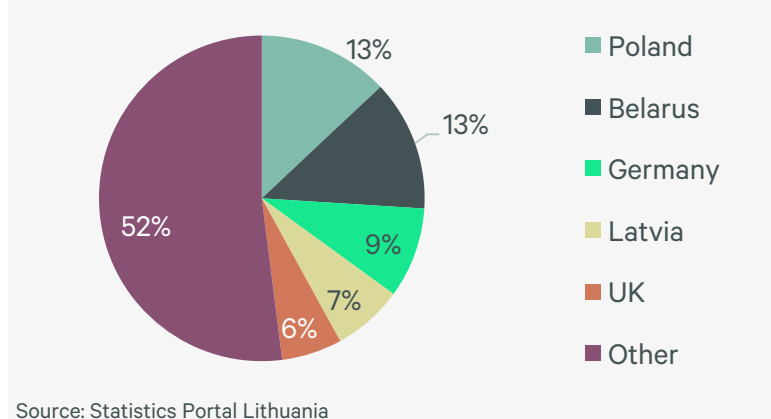
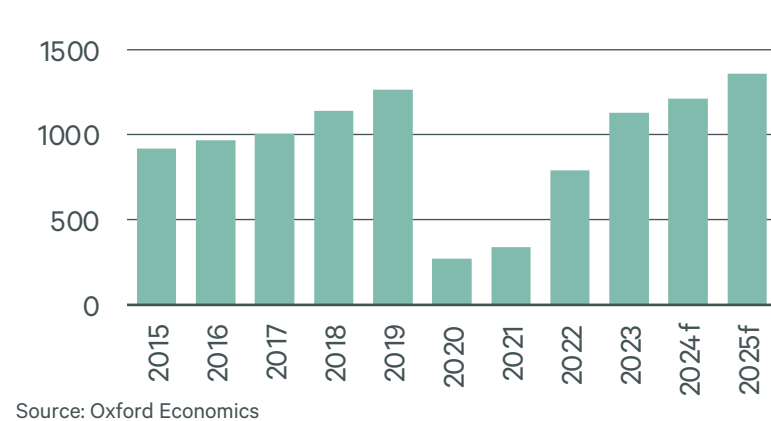


Figure 34: International overnight visits, Thousands, Vilnius



New developments

In Vilnius, there have been significant changes in the hotel industry recently. Some local hotel owners have rebranded their operations, while others have temporarily halted their expansion plans. This uncertainty has led to some developments being repurposed for office or residential use.

In 2023, Vilnius welcomed the completion of the Conti Hotel, a four-star establishment in the city's old town. The hotel offers 79 rooms, a restaurant, a bar, and a conference centre.

Two well-known hotels, the three-star Panorama Hotel and the five-star Astorija Hotel, underwent renovations during the year under the management of Mikotelgroup and Apex Alliance Hotel Management, respectively.

A significant change occurred in the heart of Vilnius city centre, where the Kempinski network discontinued operations at the flagship old town hotel. Hilton took over operations and established the Curio Collection by Hilton brand - the first of its kind in the Baltics. With planned renovations in 2025, Apex Alliance announced plans for approximately €10 million investment.

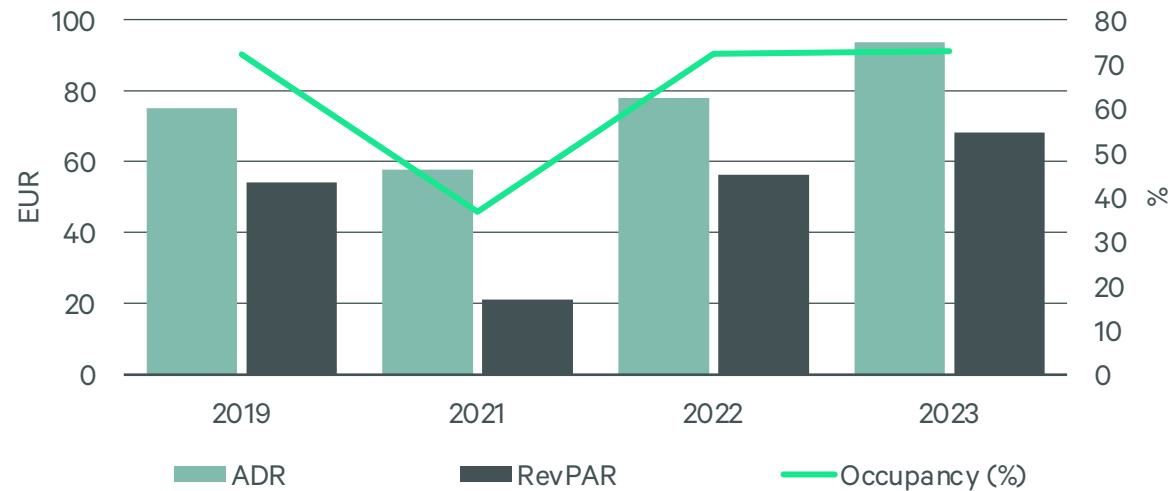
Recently, construction began for a few new hotels, set to bring ca. 300 additional rooms to Vilnius' hotel scene over the upcoming years. One of the most significant developments by the largest local fund - Lords LB Asset Management - is awaited nearby Vilnius historic Lukiskiu square, which will expand the market with a 272-room 4-star hotel establishment and a 400-place conference hall, becoming the second largest hotel in Vilnius.

Warsaw

| | |
|---------------------------------|-----------------------|
| Annual all guest nights 2023 | 7,461,291 (+2% y-o-y) |
| Annual guest nights (2019=100%) | 113.9% |
| Share of international arrivals | 33.9% |

Source: National Statistical Office

Figure 35: Warsaw Hotel KPIs



Source: STR



Tourism trends

Warsaw is an important business centre in the entire CEE region. The 9th largest city in the European Union and the largest agglomeration in Poland consistently ranks among the top global destinations for foreign direct investments. The demand for accommodation from business guests is one of the most important factors driving the development of the hotel market in the city.

However, most of the demand is created by domestic customers. The share of international overnight stays in total overnights in Warsaw in 2023 amounted to 34%. Most foreign guests come to Warsaw from Ukraine, the USA, Germany and Great Britain.

Visitors to Warsaw spend on average less than two nights here. The length of stay confirms the business nature of most visits and Warsaw's status as a city-break destination. The city's recognition on the tourist map of Europe is growing. In 2023, Warsaw won first place in the European Best Destination ranking. The most famous attractions of the city include: the Old Town (UNESCO World Heritage Site), Royal Łazienki Museum, Palace of Culture and Science, Palace at Wilanów, Museum of the History of Polish Jews Polin, and Vistula Boulevards. The city also hosts many international events, including the Warsaw International Film Festival and the International Chopin Piano Competition attracting visitors from around the world.

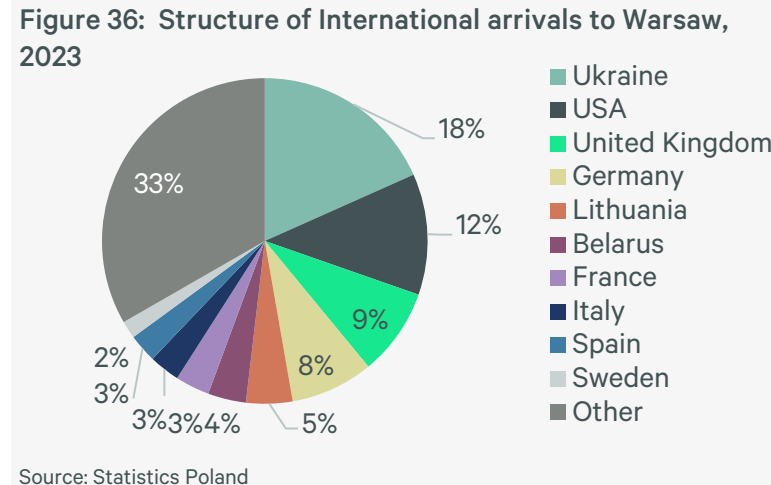
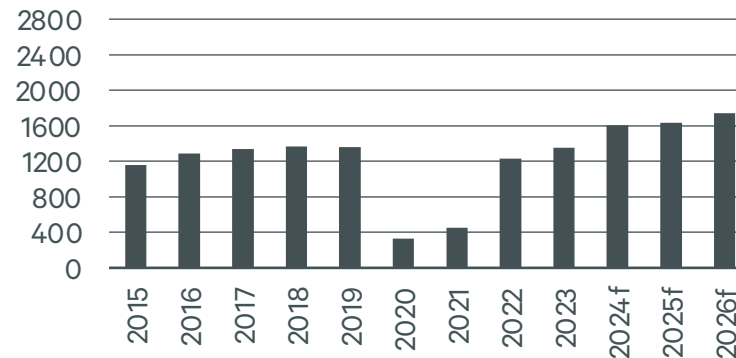


Figure 37: International overnight visits, Thousands, Warsaw



New developments

Warsaw attracts international hotel chains that plan further expansion here, with an extensive pipeline, especially for 2025. CBRE forecasts a sustained increase in demand with the return of pre-pandemic seasonal trends, solidifying Warsaw as a business-driven destination while also enjoying a thriving leisure season in the summer.

In 2023, three new hotels opened in Warsaw: Barceló Warsaw Powiśle (158 rooms, amenities include a sky bar with swimming pool), Hotel Sante (52 rooms, the hotel claims to have "the first hydrogen SPA in Europe") and Stay Inn by Frost Warsaw (89 rooms).

For 2024, the openings of 2 hotels (Boutique Praski Hotel with 99 rooms and PURO Warsaw with 192 rooms) are planned. There are another 11 openings planned for 2025, with a total of 2,272 beds.

Contacts

CEE Hotels

Jakub Stanislav

Head of Investment Properties Czech Republic
jakub.stanislav@cbre.com

Marta Abratowska-Janiec

Head of Hotels & OpRE, Poland
marta.abratowska@cbre.com

Zoran Danilović

Associate Director, Investment Properties SEE
zoran.danilovic@cbre.com

Balazs Csorget

Senior Hotel Consultant, Hungary
balazs.csorget@cbre.com

Iulia Szabo

Investment Properties, Consultant, Romania
iulia.szabo@cbre.com

Marian Mlynarik

Senior Director, Investment Properties Slovakia
marian.mlynarik@cbre.com

Denis Rein

Director, Investment&Advisory Services, Baltics
denis.rein@cbre.lt

CEE Research

Gábor Borbély

Head of Research CEE & Hungary
gabor.borbely@cbre.com

Jana Prokopcová

Research Czech Republic
jana.prokopcova@cbre.com

Daniela Gavril

Research Romania
daniela.gavril@cbre.com

Agnieszka Mikulska

Research Poland
agnieszka.mikulska@cbre.com

Jana Jovanović

Research SEE
jana.jovanovic@cbre.com

Peter Slovák

Research Slovakia
peter.slovak@cbre.com

Ieva Vitaityte

Research Baltics
ieva.vitaityte@cbre.lt

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.