PRACE NAUKOWE UNIWERSYTETU EKONOMICZNEGO WE WROCŁAWIU
RESEARCH PAPERS OF WROCLAW UNIVERSITY OF ECONOMICS AND BUSINESS

2019, vol. 63, nr 9

ISSN 1899-3192
e-ISSN 2392-0041

Halina Stoch-Chyc
Cracow University of Economics
e-mail: halina.stoch@gmail.com
ORCID: 0000-0002-6208-8656

CONDO HOTELS AS A WAY TO INVEST IN NEW MARKET CHALLENGES

HOTELE CONDO JAKO SPOSÓB NA INWESTYCJĘ W ASPEKCIE NOWYCH WYZWAŃ RYNKOWYCH

DOI: 10.15611/pn.2019.9.16
JEL Classification: R30, G11, L83, Z39

Summary: The Polish hotel market has been witnessing a continuous growth in the supply of condo facilities. Thanks to them, areas where investments are located benefit from them (infrastructure development takes place, region attractiveness increases, the city's budget is augmented by taxes) and also individual entrepreneurs investing in the purchase of premises. The aim of this paper is to identify the values generated by investments in condo hotels in Poland. The analysis covered selected facilities whose profit proposals were compared with the level of interest rates. The practical part, determining the costs and benefits of owning a condo apartment, was preceded by theoretical considerations on investment. The whole issue has been determined within the scope of behavioral economics which has a dominant influence on purchasing decisions. The paper is a result of the analysis of available literature sources, primary data obtained from condo operators and secondary data on investment issues.

Keywords: investments, condo hotel, real estate.

Streszczenie: Wzrost podaży condo hoteli następuje na polskim rynku hotelarskim od kilku lat. Dzięki przedsięwzięciom condo korzyści odnoszą nie tylko pojedynczy przedsiębiorcy, ale także zyskują obszary, na których zlokalizowane są inwestycje (następuje rozwój infrastruktury towarzyszącej, wzrost atrakcyjności danego regionu, miasto uzyskuje dodatkowe wpływy do budżetu). Celem artykułu jest analiza inwestycji w hotele condo w Polsce. Analizie poddano wybrane hotele, dla których porównano potencjalne zyski z poziomem stóp procentowych. Całość rozważań została osadzona w ramach teoretycznej ekonomii behawioralnej, która ma dominujący wpływ na decyzje zakupowe. Część praktyczną, ustalającą zyski z posiadania apartamentu condo, poprzedziły rozważania teoretyczne na temat inwestycji w nieruchomości. Artykuł jest wynikiem analizy dostępnych źródeł literaturowych, danych pierwotnych uzyskanych na podstawie informacji od operatorów obiektów condo oraz danych wtórnych dotyczących zagadnień inwestycyjnych.

Słowa kluczowe: inwestycje, condo hotele, nieruchomości.

1. Introduction

This paper consist of four sections: introduction, theoretical background, results of the study, and conclusion. The purpose was to analyze the development of condo hotels in Poland. In general they are a hybrid combination of a hotel with legally independent elements (apartments). A condo functions as a typical hotel within the legal meaning of the tourist services, but at the same time offers rental income to owners of rooms. The increase in the supply of this type of premises has become more intense on the Polish hotel market for several years. Those benefitting from condos are not only individual entrepreneurs, but also areas where these investments are located. An important factor was the increase trend to invest capital in the real estate market. Selected hotels operating in the mountains and the seaside were analyzed, in particular highlighting the dimension of investment. Information was obtained through inquiries to the sales departments of condo hotel developers such as Invest Nosalowy Dwór, and Zdrojowa Invest. Data received in the above manner do not take into account a number of exceptions and individual conditions negotiated by investors.

2. Theoretical background of the study

Everyone's income can be spent on an ongoing basis or saved for the future. The two indissoluble attributes that precede the decision to allocate it are the amount of risk and the achievable rate of return. An inherent element of asset portfolio management are investments, made consciously or subconsciously through the purchase of insurance policies, investment funds or real estate. The concept of investment is one of those economic categories which are assigned a very different meaning by virtue of the multiplicity of its elements [Mayo 1997]. The scope of this term also depends on the context and investment type. However, it narrows down to several fundamental elements: risk, expected rate of return and time-lag for benefits. The mere mention of a benefit is ambiguous and may refer to material, qualitative or image-related effects. This means that investments do not always have to be related to the achievement of financial benefits; for example, according to the definition proposed by M. Sierpinska and T. Jachna, an investment is a development project aimed to raise capital in order to achieve financial, image and quality effects delayed in time [Sierpińska, Jachna 2004]. Each type of investment has its own specificity. Nevertheless, the main objective of all is to commit resources in order to increase or maintain the capital held.

The history of investments in condo hotels dates back to the 1970s, when the first condominiums in the United States were built in the ski areas of Colorado and in Hawaii. The concept rapidly spread to many other places such as Florida, Las Vegas, Chicago and New York. In recent years condos have become popular outside the

United States, especially in Mexico, the Caribbean and in Asia, e.g. China,and the United Arab Emirates. In Europe, condo hotels are developing in Italy, Great Britain, Spain, Slovakia and Poland. Usually they are built in famous resorts and centres of large cities where they can rely on foreign and business guests. The ownership structure of a condo hotel is similar to a normal block of flats. The investor owns the premises and participates in the common areas related to communication, while the manager (usually the developer) retains the right to other areas, such as restaurants, SPAs, recreation areas, etc. [Sheehan 2005].

2.1. Factors influencing the choice of investment

When selecting an investment, the possible options should be identified and their consequences should be anticipated. The necessary condition for this process is to have sufficient capital in the form of specific economic resources of all kinds. Most often this concerns financial resources, less frequently tangible goods and sometimes intangible goods [Biczywsko 2001].

The financing sources for investments may be equity or foreign capital. This division indicates the ownership of the funds' origin. The factor determining the choice is cost. The cost of foreign equity is lower if the interest paid on the debt is tax deductible. According to standard capital structure theories, using debt to finance investments minimizes the total cost of capital. Therefore, by increasing the share of foreign capital, the weighted average cost of capital is minimized [Shailaja 2008], which can be presented as the formula:

$$WACC = [(K_d)(1 - T)](w_d) + [(K_e)(w_e)],$$

where: T – tax rate; K_d – debt cost before taxation; K_e – cost of equity; K_d $(1 - T)$ – debt cost after taxation; w_d – share of foreign financing in the capital structure; w_e – share of equity in the capital structure.

Therefore the main advantage of using foreign capital is the possibility to achieve a higher return on investment than the cost of foreign capital, i.e. the so-called positive financial leverage effect. Financial market regulations specify the cost of capital from particular sources. This estimate is based on the determination of expected rate of return by the capital provider, whereby the higher the risk, the higher the possible rate of return [Jajuga, Jajuga 2012], see Figure 1.

The proportion of equity and debt may vary. This depends primarily on the size and complexity of the investment project. Small projects are often financed from a single source, as opposed to large investments requiring parent and supplementary capital [Michalak 2007]. The choice of the structure financing the project is a key element in making decisions on the investment process. The budgeting process determines which projects will be beneficial and which should be avoided [Jajuga, Jajuga 2012].

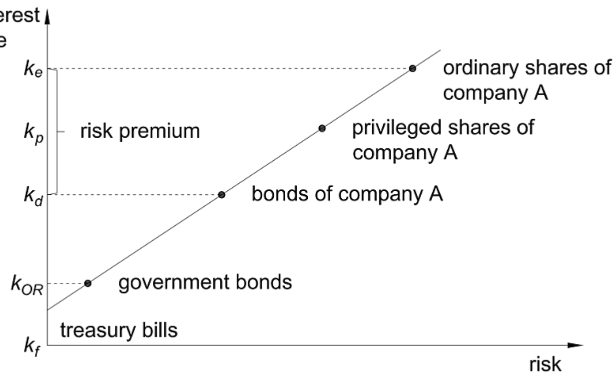

Fig. 1. Risk and return relations

Source: [Jajuga, Jajuga 2012, p. 341].

The amount of accumulated capital depends on the way it is invested and the scale of its multiplication [Biczywsko 2001]. The choice of investment method depends on the type and inclination to risk. In each case, there are two types of risk: systemic risk and specific risk. The former refers to the possibility of comparing profits from different investments. Its underlying factors are market risk, foreign exchange risk, interest rate risk, reinvestment rate risk and buyer power risk. The latter type of risk is closely related to the investor's specificity and current functioning. A distinction is made between financial risks associated with access to funds, and business risks. An important factor in choosing the type of investment, influencing the type and scale of risk, is also the ease of entry and exit from a given market [Mayo 1997].

2.2. Investment behaviour and behavioural economics

It is worth noting that investment behaviour requires a psychological analysis of risk preferences and the influence of personality on the choices made [Pera 2011]. The assumptions of classical economics reject these aspects. However, these issues are at the core of behavioral economics research, which is the verification result of the behaviour of economic operators in market [Brzezińska, Wiśniewski 2013]. In the subject literature, important behavioral factors influencing the functioning of the investment market were emphasized. Its non-economic aspects, in particular its psychological and social aspects, often lead to irrational behaviour.[1] Investors have a consistent and targeted preference for choice, shaped by their life experience and the environment in which they live. They can make investment decisions under the influence of high pressure on profits, satisfaction with investment success, availability

[1] More specifically, irrational behaviour is the result of decision-making under pressure, resulting in different usability.

of products, herding effect, overconfidence, prejudice, etc. Another important issue is the uncertainty and risk resulting from the difficulties in forecasting future market conditions, especially since the loss is more than twice as noticeable than satisfaction with a similar amount of profit [Sagan 2013]. Due to the different personalities of investors (e.g. openness, aversion to risk, imagination about future conditions that have not been experienced yet), the investment decision is shaped by factors characteristic for him/her and the accompanying emotions [Tan, Entrekin, Butler 2018]. From the normative point of view, behavioral modelling helps to prepare a proper range of offered investment products for a selected group of recipients. However, the consequence of taking into account behavioral aspects when making investment decisions is the lack of precise estimation of the return rate [Diamod, Vartiainen 2007].

Behavioral economics analyses additional psychological and sociological factors that shape economic decision-making. Nevertheless, although investors' decisions are largely determined by their emotional mood, they tend to choose projects that may bring lower but faster returns and less risk taking, resulting in lower transaction costs. Thus the criteria determining the choice of investment are expected return, assumed risk and capital held.

3. Results of the study

The trend to buy real estate has been observed in Poland for several years. This is helped by the economic recovery, increasing the level of remuneration, the continuing low interest rates that affect the cost of mortgages and progressive globalization [*Analizy statystyczne GUS* 2018]. What is more, there is an increased interest in travelling, including short-term trips [Rapacz (ed.) 2011]. At the same time there has been improvements in issues of quality and the individualization of products and services [Łobos, Puciato 2013]. The investment market provides new opportunities to allocate funds. Thanks to the increased access to information, investors are becoming much more aware of the available products. As the offered range of hotels with ownership apartments is growing, more and more investors from all over the country are learning about this product and following it. The answer to these challenges is investment in condo properties which is characterized by an emotional approach [Haight, Singer 2005], as material investments are valuable not only because of their type, but because of internal, subjective experiences [Buczyńska-Garewicz 1975].

The sale of condo apartments depends on the high level of income in the target market. Despite predictions of economic slowdown the real estate market in Poland does not currently show any signs of weakness. However a downturn in real estate markets can occur very quickly, as the real estate cycle is impulsive, as are consumers and investment markets. Currently, property developers and hotel operators are seeing the benefits of creating mixed-use properties and trying to meet the growing demand in this regard.

3.1. Capital investment in condo hotels as a trend on the Polish investment market

In the last few years, the historically lowest interest rate levels have been recorded in Poland. Bank deposits are characterized by very low interest rates (Figure 2).

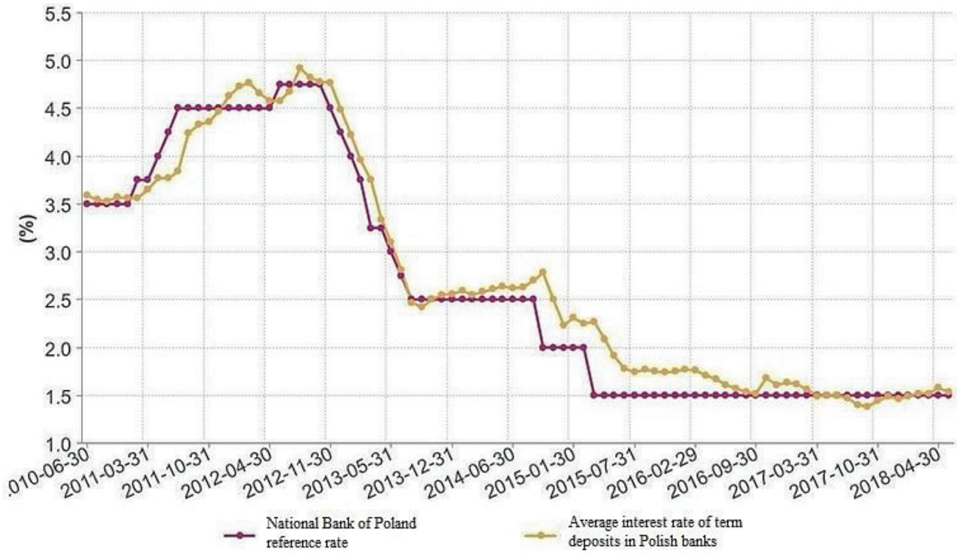

Fig. 2. Average interest rate of term deposits in Polish banks compared to the NBP reference rate

Source: https://najlepszelokaty.pl/stopy-procentowe-w-polsce-2018 (4.03.2019).

This encourages people with monetary capital to invest in other forms of investment. In particular, areas that are more profitable and at the same time less risky are selected. The purchase of real estate becomes a frequent variant. It is a relatively safe form of investment and, additionally, low interest rates on loans encourage obtaining additional financing. The real estate market is currently experiencing a visible revival. There is a trend towards both owning one's own flat and investing capital in a rented property. The latter investment not only protects the capital against inflation and has functional advantages in the form of rental income, but also gives the possibility to deduct expenses on the repayment of interest on the loan. An attractive option in this respect has become the apartments in condo hotels[2] available in Poland since the end of the first decade of this century, which are an alternative to retail and office properties.

[2] A condo apartment is understood to be a privately owned room in a hotel run according to the condo system. The terms dwelling, living unit and room will be used interchangeably with this term.

The improvement of road infrastructure and network of air connections, the increasing number of foreign tourists (including business guests), the more frequent organization of various sports and cultural events, as well as the good economic situation, declining unemployment and rising wages, resulting in an increase in private consumption and domestic demand also for travel (including weekends, or several days), have caused the expansion of hotel facilities [*Sytuacja na rynku hotelowym w Polsce* 2018]. Over the last ten years, the number of hotels in Poland has almost doubled, see Figure 3. It is estimated (although there are no official data from the Central Statistical Office) that in 2018 there were over 70 condo hotels (some of them are still under construction) [*Rynek hotelarski w Polsce…* 2018].

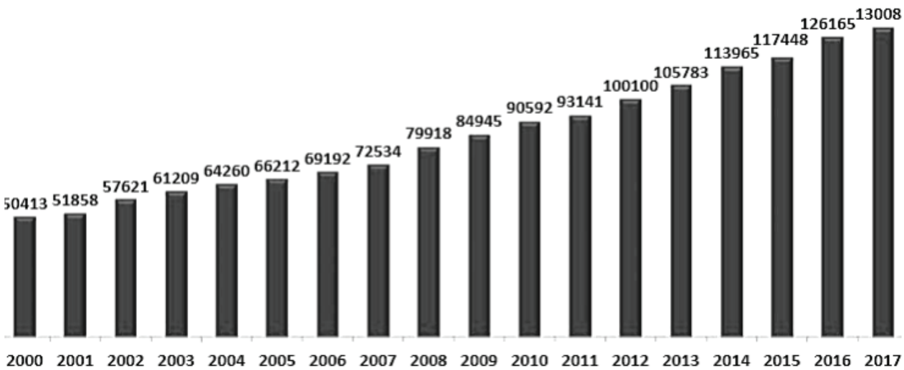

Fig. 3. Increase in the number of hotels in Poland in 2000-2015

Source: [*Rynek hotelarski w Polsce...* 2018].

Condo hotels combine the social desire to invest in real estate with the tourism industry. In the majority of cases a hotel of this type is a facility managed and administered by a hotel operator, who is most often also the developer responsible for its construction. Individual premises are owned by natural or legal persons [Ramirez 2006]. This is a hybrid combination in which the buyer owns the property with all tax, insurance and administrative obligations and in return receives the rental income and the right to stay for a specified number of days (weeks) per year [Qian, Cahn, Choy 2013] (if the buyer integrates it into the hotel system, as he/she may also live there permanently him/herself[3]). For the rest of the time, the property is a hotel room managed and operated by a hotel operator. The tourist who uses it is unaware that it belongs to a private person and not to a hotel company [Marquez 2018].

[3] Condo hotels are not a good place for people looking for a permanent place to stay because the neighbours can change every day.

There are several types of condo hotels. Given the way in which profits are distributed between the operator and owners of apartments, the most widespread are [Wittenburg 2018]:

- owners receive an annual pre-determined percentage of the initial purchase price of the apartment (fixed annual rate of return on investment),
- allocation of revenues from the rental of hotel rooms is defined as a percentage between the operator and owners of the apartments (variable rate of return on investment).

In the first solution, the fixed rate of return for a period specified in the contract (5-10 years) is usually in the range of 6.0-8.5% per year with annual indexation by the indicator of goods and services given by the Central Statistical Office. Such solutions are used by condo hotels of the largest companies (in Poland Zdrojowa Invest and Invest Nosalowy Dwór). Compared with available deposits, where interest rates vary from 0.50% to 2.00% per year, an investment in condo property has a significant advantage.

The second model is a share in rental income. The profit of apartment owners in the total hotel revenues from the rental of rooms ranges from 35-50%. Most often it depends on the level of occupancy of only condo rooms – the profit generated by other hotel areas, such as restaurants, is not taken into account. In many cases, the rate of return on investment is determined individually with the condo owner on the basis of previous cooperation and future relations. Those who systematically invest in condo properties are more likely to be able to negotiate their profit rate. Some buy several apartments in one hotel, treating it only as a capital investment; others invest in apartments located in the mountains and by the sea, thus allowing them to spend their holidays in different locations. Another solution is to purchase premises for own needs, i.e. without a rental agreement with the operator, which is fully voluntary. Sometimes the models are combined within the facility and one part of the building is for rent and the other part is only for owners living in apartments. Tourists staying at such a hotel have access to all amenities and in no way feel any difference between a traditionally managed hotel stay and a condo hotel stay [Butler, Maisnik 2005].

Condo hotels are built from scratch, as well as adapted to old historic buildings in the centres of large cities [Miller, Washington 2008]. They attract investors, but also tourists using their services, especially their unusual location. The competitiveness of this region consists of many elements created on various levels, but it is the location, which is attractive in terms of tourism, that gives a strategic advantage. It takes into account the most frequently available communication infrastructure in the region, natural (including landscape) and cultural values, but also subjective factors (fashion, prestige) and the legal regulations of spatial development [Rapacz (ed.) 2013]. Thus, for example, in the United States the largest number of such facilities is located in Florida and Las Vegas. They belong to the most popular hotel chains, such as Starwood's St. Regis&W, Mariott's The Ritz Carlton or Hilton's Conrad, which means that the costs of service and management of not only a luxury room, but also, what is important, by a luxury brand, are very high, so the price paid by the tourist is the so-called prestigious price. Condo facilities usually also offer other desirable values, such as views from the windows of the premises, tennis courts, golf courses, fitness facilities, swimming pools, conference rooms, casinos, etc. [Bodgas 2005].

In Poland the first condo hotels appeared at the end of the first decade of this century. Over the last few years, their number has increased rapidly and continues to grow steadily. Currently, as already mentioned, there are about 70 facilities of this type, although geographically the market is very narrow – most of them are located in the mountains and by the sea. These are such places as: Kołobrzeg, Ustronie Morskie, Świnoujście, Kudowa, Ostróda, Kiermusy, Szklarska Poręba, Karpacz, Sienna, Czarna Góra and Zakopane [Hotelarz 2017]. At present, the supply of this product is reflected in demand. So far, the idea of condo hotels in Poland has proved its worth. These projects have revived hotel properties, changing the panorama of cities, mainly in the north and south of Poland.[4] The choice of this location was determined by several variables, i.e. [Zastempowski 2010]:

- geographical location, having a decisive impact on the number of customers and their distribution in time; hence the vast majority of condo type investments are in the most popular tourist destinations, while if the hotels located in the south (especially in popular locations such as Karpacz or Zakopane) have little problem with seasonality, the facilities located by the Polish sea attract tourists mainly in the summer; the way to meet this limitation is the quality and complexity of the offer in the facility; in recent years, the needs of people taking holidays have changed; at the end of the 20th century it was desirable to locate the accommodation as close to the beach as possible and at a low price, now it is important to have comfort and high standard of accommodation and a wide range of additional services;
- political and legal conditions relating to restrictions and requirements of construction law, environmental protection and tax burdens;
- social and cultural determinants, influencing mainly the type and style of construction;
- labour resources, given that the sale of condo hotel accommodation is highly dependent on knowledge and human potential in qualifications, skills and experience.

Optimal location is the factor that provides strategic advantage. The complexity of the product offer minimizes the seasonality of tourist traffic. This is beneficial for the region itself, as evidenced by the increase in income, the reduction in unemployment and the development of infrastructure. A hotel base of various standards and additional services is created [Panasiuk 2013].

[4] The opposite is e.g. Chicago, where this business model did not meet expectations. The reason was an excessive accumulation of investments in the hotel market in the city centre. Another problem was the sales prices offered by developers, which did not reflect the actual values. See [Gallun 2006].

3.2. Distribution of benefits and investment costs in condo properties

Investment in a condo hotel is associated with a large capital outlay. Nevertheless, many people think that it is a perfect combination of the possibility to own an apartment in a region where they often go on vacation themselves with investment for the future. Condo hotels have the potential to provide lucrative investment opportunities outside the traditional residential market. It is an attractive form for the buyers of premises as the initial capital expenditures are relatively small, because they can invest in the early stages of hotel construction. The cost of purchasing the premises is spread over several tranches, most often related to the implementation of subsequent stages of the project. When buying a pre-sale property, it is possible to count on a price lower than the real value. On the Polish real estate market, this form of financing is known for its residential construction. It is different in the United States of America, where it is non-standard. The local residential real estate market is characterized by the fact that the buyer purchases a fully finished flat only after the completion of construction [Esfahani 2006]. Moreover, the costs associated with owning and using the premises are relatively low compared to those not covered by the condo system. The operator often manages a larger number of hotels, which results in lower operational and insurance costs [Parets 2005].

One of the indicators of good value of an investment project in a condo hotel is the range of additional services. This attracts wealthy private investors who get their own apartment with a sense of luxury (e.g. the Plaza Hotel in New York or the famous Fountainbleu in Miami), with access to all amenities and services, and special treatment at every part of the complex. They not only buy a physical place, but also an unusual lifestyle that is not accessible to everyone. They receive a unique image package [Sheehan 2005]. Thus, compared to the classic forms of investing in real estate for rent, condo apartments offer a variety of intangible benefits, such as prestige, satisfaction and personal ambition, see Table 1.

Table 1. Benefits and costs of purchasing a condo unit

Advantages	Disadvantages
• **Prestige, satisfaction, achievement of ambition** • **Creating a specific image, lifestyle** • **Security of capital investment** • **Possibility of stay** • **VAT deductibility** • **Diversification of the investment portfolio** • **Possibility to sign rental agreement – no need to look after the property**	• High capital intensity • Low liquidity • Risk of failure of the project, incurring losses • Relatively higher purchase prices than traditional housing • Lack of control over real estate • Unexpected inflation (risk of increasing the loan instalment) • Oversupply of real estate on a given market • Political and legal changes

Source: own elaboration.

As already mentioned, condo projects are characterized by high capital intensity, both for the developer during the construction process and for the investor buying the premises [Newman 2008]. The basis for investment decisions is, in both cases, the profitability [Sierpińska, Jachna 2004]. The key measure in this respect is the payback period expressed in years. Another tool is the percentage ratio of the average annual ratio of profit earned to initial expenditure [Biczywsko 2001]. However, the risks should not be ignored. Investing in hotel condo apartments carries a risk, which is mainly related to the long construction period. Therefore, it is advantageous to choose a place not only through the prism of location, but also from well-known, highly valued hoteliers and developers. This minimizes the risk of investment failure. However, some of the large hotel operators approach condo projects with caution and distance. The Conrad by Hilton brand owns most of the facilities in a condo system, yet it is very cautious and carefully analyses whether a given project will be effective as a condo hotel [Bodgas 2005].

It should also be taken into account that investments in hotel properties (similarly as in apartments for rent) are usually long-term projects. Therefore, it may turn out that the high resources necessary to purchase a property can lead to a problem with its marketability. This is influenced by immanent characteristics of real estate such as: indivisibility, diversity (purpose, plot size, usable area, style of construction), unchanged location (significant accompanying infrastructure) and low liquidity (rare purchase and sale transactions) [Wiśniewska 2011].

In addition, for owners with variable rate contracts based on room rental income, there is a risk of a shortage of customers that may result in a reduction in the value of owning such property. This applies especially to places where the tourist season is relatively short [Newman 2008]. As far as systemic risks are concerned, they are practically non-existent, as the value of real estate increases as inflation increases [Mayo 1997].

3.3. Bank deposit and investment in a condo hotel in Poland

Table 2 presents exemples of profits from owning a condo hotel in Poland.

It is worth noting that the current return rate on the secondary market for condo apartments in the Marine Hotel is between 3.77-4.53%. The interest rate at Sand Hotel is higher at 4.12-5.01%. For comparison, Table 3 presents the current interest rates on the market of bank deposits in Poland.

Analyzing the above data, the average interest rate on a bank (standard) deposit is about 0.71%, which enables to achieve PLN 710 profit for PLN 100,000 invested. In order to obtain net profit, the income tax in the amount of 18%, which gives the amount of PLN 582.20, must be deducted.

On the other hand, investing in the purchase of a condo property, profit can be achieved from 5-8% using a fixed rate of return. From every PLN 100,000 invested, it is possible to obtain PLN 5,000-8,000 per year. In this case, there is a gross profit

Table 2. Profits from owning a condo apartment in Poland

Hotel	Category	City	Return rate	Profit per year (based on the example of the purchase price of PLN 400,000)
Rezydencja Nosalowy Dwór	*****	Zakopane	7%	PLN 28,000 gross
Rezydencja Nosalowy Dwór II	*****	Zakopane	variable allocation of net income from rental of apartments 35/65	
Nosalowy Park (Hotel Art. & Spa)	****	Zakopane	6%	PLN 24,000 gross
Paryski Art & Business	****	Zakopane	variable allocation of net revenues from hotel activity 50/50	
Green Mountain Hotel & Apartments	*****	Karpacz	7-8%	PLN 28,000 – 32,000 gross
Marine	*****	Kołobrzeg	4.50-6.50%	PLN 18,000 – 26,000 gross
Dune Hotel & Resort	*****	Kołobrzeg	5 to 7% in the first two years, 50% share in rental income in subsequent years	
Sand	****	Kołobrzeg	4.50-6.50%	PLN 18,000 – 26,000 gross
Jantar Spa	***	Kołobrzeg	4.50-6.50%	PLN 18,000 – 26,000 gross
Radisson Blu Resort	*****	Świnoujście	do 7%	up to PLN 28,000 gross
Willa Port Conference Resort & Spa	****	Ostróda	variable allocation of total rental income from all apartments in a hotel 50/50	
Platinum Hotel & Residence Wilanów	***	Warszawa	8%	PLN 32,000 gross
Arche Hotel Częstochowa	****	Częstochowa	profit = income 5% (management commission for ARCHE); the entire profit is divided among all the property owners, in proportion to the space they own	

Source: own elaboration.

Table 3. Interest rates on standard bank deposits in Poland in July 2019

Bank Pekao SA	PKO Bank Polski	Alior Bank	ING Bank Śląski	BGŻ BNP Paribas	Santander Consumer Bank	Bank Millenium	mBank	Getin Bank
1%	0.90%	1%	0.75%	0.60%	0.50%	0.50%	0.50%	0.65%

Source: own elaboration based on internet data of 04.07.2019.

from which the expenditure necessary to pay rent, taxes, fees, insurance and other administrative costs, as well as income tax, must be deducted. Nevertheless, as can be easily seen, an investment in condo premises proves to be at least several times more profitable than holding funds on a bank deposit.

4. Conclusion

Condo hotels are a relatively new form on the Polish hotel market, which is developing very dynamically. There are many factors contributing to this, including among others a sudden increase in property prices, a trend towards having a 'second home' or holiday property in a prestigious location, the possibility of a quick return on invested capital or a shortage of hotel beds in a given city. Therefore, the purchase of condo property is considered to be one of the best investments, all the more so as it secures the capital against inflation and gives functional advantages. Currently, there is a strong demand for condo apartments in Poland, thus it can be expected that in the next several years there will be no liquidity problem. However, there is a specific risk that may result in a reduction in the property's value. This applies mainly to owners with rental agreements with a variable return rate based on hotel revenues. As a rule, hotels located in the Polish seaside attract tourists mainly in the summer season; less problematic are the facilities located in the south, especially in popular destinations such as Karpacz or Zakopane.

In conclusion, investments in condo hotels generate certain values, understood as the difference between the benefits obtained and the costs incurred of a different nature. The value in the real estate market can refer to the sphere of exchange value, usability, economic and the market value of the transaction. The analysis of this value should be conducted through the prism of behavioral economics, taking into account not only the property valuation in question, but also the psychological determinants and behaviour of the buyers.

Bibliography

Analizy statystyczne GUS. Obrót nieruchomościami w 2017 roku, Główny Urząd Statystyczny, Warszawa 2018.

Biczywsko W., 2001, *Zarządzanie finansami w przedsiębiorstwie turystycznym*, Wydawnictwo Naukowe PWN, Warszawa, pp. 57-62.

Bodgas M., 2005, *Should you own a hotel room?*, BusinessWeek Online, 28 November.

Brzezińska J., Wiśniewski R., 2013, *Ekonomia behawioralna a rynek nieruchomości – teoria i praktyka*, Psychologia Ekonomiczna, no. 3, pp. 6-19.

Buczyńska-Garewicz H., 1975, *Znak, znaczenie, wartość*, Książka i Wiedza, Warszawa, pp. 10-11.

Butler J., Maisnik G., 2005, *Condo Hotels – Making Them Work Involves Challenges and Rewards*, Urban Land, Frebruary, pp. 32-35.

Diamod P., Vartiainen H., 2007, *Behavioral Economics and Its Applications*, Princeton University Press, New Jersey, pp. 10-28.

Esfahani E., 2006, *Suite deals*, Business 2.0, t. 7, no. 3.

Gallun A., 2006, *Condo Hotels Hit the Wall*, Crain's Chicago Business, vol. 29, no. 38.

Haight T.G., Singer D.D., 2005, *The real estate investment handbooks*, John Wiley & Sons, New Jersey, pp. 193-195.

Hotelarz, http://www.e-hotelarz.pl/mht/artykul/10731/co-slychac-na-rynku-condo-hoteli.html (07.05. 2017).

Jajuga K., Jajuga T., 2012, *Inwestycje. Instrumenty finansowe, aktywa niefinansowe, ryzyko finansowe, inżynieria finansowa*, Wydawnictwo Naukowe PWN, Warszawa, pp. 337-342.

Łobos K., Puciato D., 2013, *Dekalog współczesnego zarządzania*, Difin SA, Warszawa.

Marquez A.R., 2018, *La propiedad plural de los establecimientos de alojamiento turistico: la figura del condo-hotel el la legislacion autonomica*, Revista de Turismo y patrimonio cultural, vol. 16, no. 4, pp. 1005-1022.

Mayo H.B., 1997, *Wstęp do inwestowania*, LIBER, Warszawa, pp. 3-9.

Michalak A., 2007, *Finansowanie inwestycji w teorii i praktyce*, Wydawnictwo Naukowe PWN, Warszawa, pp. 66-67.

Miller R., Washington K., 2008, *Condo Hotels,* Hotels & Resorts, August.

Newman M., 2008, *Hotel-condos: A broken promise?*, National Real Estate Investor, vol. 50, no. 7.

Panasiuk A., 2013, *Marketing w turystyce i rekreacji*, Wydawnictwo Naukowe PWN, Warszawa.

Parets R., 2005, *Why condo hotels are a hot concept*?, National Real Estate Investor, vol. 47, no. 5.

Pera A., 2011, *The use of educational psychology to explain economic behavior*, Economics, Management and Financial Markets, vol. 9, no. 1, pp. 112-117.

Qian Q.K., Cahn E.H.W., Choy L.H.T, 2013, *How transaction costs affect real estate developers entering into the building energy efficiency (BEE) market*, Habitat International, no. 37, pp. 138-147.

Ramirez A., 2006, *Going Condo? What this means for financial professional hospitality*, The Bottomline, vol. 21, no. 3, pp. 3-15.

Rapacz A. (ed.), 2011, *Gospodarka turystyczna w regionie. Przedsiębiorstwo. Samorząd. Współpraca*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław, pp. 58-59.

Rapacz A. (ed.), 2013, *Gospodarka turystyczna w regionie. Rynek turystyczny – współczesnie trendy, problemy i perspektywy rozwoju*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław, pp. 19-22.

Rynek hotelarski w Polsce. Raport 2018, 2018, Świat Hoteli, July-August, pp. 6-7.

Sagan A., 2013, *Pomiar i analiza wartości dla klienta w obszarze oszczędzania i inwestowania. Aspekty metodologiczne*, Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie, Kraków.

Shailaja G., 2008, *International Finance*, Universities Press, Himayatnagar.

Sheehan P., 2005, *Goin' Condo*, Lodging Hospitality, vol. 61, no. 12.

Sierpińska M., Jachna T., 2004, *Ocena przedsiębiorstwa według standardów światowych*, Wydawnictwo Naukowe PWN, Warszawa, pp. 324-326.

Sytuacja na rynku hotelowym w Polsce. Ogólnopolski Raport Biura Informacji Gospodarczej InfoMonitor o zadłużeniu firm z sektora hotelarskiego, 2018, BIG InfoMonitor – Profitroom, Warszawa, June, pp. 3-5.

Tan C., Entrekin L., Butler D., 2018, *Exploring boundedly rational real estate investors*, Real Estate Finance, Summer 2018, pp. 26-33.

Wiśniewska M., 2011, *Inwestowanie w nieruchomości na rynkach międzynarodowych analiza komparatywna efektywności*, Wydawnictwo Naukowe PWN, Warszawa.

Wittenburg K., 2018, *Are condo hotels a smart investment?*, 7 January 2018, http://www.skyfiveproperties.com/blog/condo-hotels-smart-investment (10.01.2019).

Zastempowski M., 2010, *Uwarunkowania budowy potencjału innowacyjnego małych i średnich przedsiębiorstw*, Wydawnictwo Naukowe Uniwersytetu Mikołaja Kopernika, Toruń, pp. 122-124.