



Pro-invest Asia-Pacific Hospitality Opportunity

Q4 2022 Quarterly Newsletter

Dear Investors and Friends,

It is with pleasure that Pro-invest Asia-Pacific (APAC) presents you with our Pro-invest Asia-Pacific Hospitality Quarterly Newsletter for the fourth quarter of 2022.

Australia's and New Zealand's economies continued to show good economic performances in Q3 2022, amid major macroeconomic uncertainty due to high inflation and rising interest rates.

Since the border reopening in February 2022, Australia has seen a strong growth in international arrivals. Over the quarter Q4 2022, overseas visitors recovered to 62% of 2019 levels, with major tailwinds expected in 2023 from the full reopening of key inbound markets like China and Japan. Similarly, New Zealand saw a faster than expected recovery in international arrivals as well in Q4 2022, with Queenstown Airport international passenger traffic exceeding pre-pandemic levels.

Adelaide and Canberra hotels market recorded the highest occupancy in the YTD Nov 2022 period, at 71%. While Brisbane hotels market continues to lead in terms of REVPAR and ADR levels, which increased by 29% and 42% compared to 2019 levels, respectively. Sydney and Melbourne hotels market showed strong recovery over the YTD Nov 2022 period, with ADR levels exceeding pre-pandemic figures.

Queenstown hotels market occupancy levels continued to recover in the YTD Nov 2022 period, with ADR levels being on par with 2019 figures. Auckland hotels market in the YTD Nov 2022 period saw similar REVPAR as YTD Nov 2021 period and still below the YTD Nov 2019 levels.

Pro-invest APAC acquired two hotels under Fund Hotels in Q4 2022 across the key markets of Sydney and Melbourne. Both hotels are acquired with a value-add strategy.

Pro-invest APAC expects further opportunities to materialise over 2023, with the Group standing to benefit from our active asset management approach and unrivalled fully integrated platform creating significant value generation opportunity for our investors. COVID-19 and increase in inflation and interest rates have impacted hotel cash flows. Single-owner hotels present a rare opportunity to secure

good quality hotels in strong locations across Asia-Pacific.

With a team comprised of industry veterans and specialists and unique operating structure allowing for full control of the entire value chain, coupled with Pro-invest APAC's well-formed network, track-record and access to unique off-market opportunities, Pro-invest APAC is positively positioned to overcome and even leverage off the hurdles presented by COVID-19. Currently, Pro-invest APAC is managing c. A\$2.7 billion worth of assets through several funds, co-investments, and other assets that Pro-invest APAC manages.

With regards to ESG, the Group's GRESB 2022 results were received, showing a solid performance aligned with the firm 6-year track record, across Standing Investments and Developments. Pro-invest APAC continues to being recognised for its commitment to own and manage a sustainable portfolio with key media features in the INSEAD Global Institute for Business & Sustainability case studies and in the IHG Owners Association Q3 2022 Magazine.

We wish you all health and safety. As always, welcome your comments and feedback.

With kind regards,

Ronald Stephen Barrott FRICS,
CEO Pro-invest Group

On behalf of Pro-invest Group

For more information about Pro-invest Group please visit:

www.proinvestgroup.com

Q4 2022 ANZ Market Update

Australian Economy

Australia Gross Domestic Product (GDP) posted the fifth consecutive positive growth quarter in Q3 2022, increasing by 5.9% year-on-year (YoY) or 0.6% quarter-on-quarter (QoQ).¹ The Accommodation and Food Services industry added the second highest gross value in Q3 2022.²

Household spending was particularly strong in hotels, cafes and restaurants growing by 5.5% QoQ in Q3 2022.³ Australia's unemployment rate remained at a record low of 3.5% in December 2022.⁴ In Q4 2022, the CPI Inflation increased 1.9% in the Dec 2022 quarter or 7.8% annually in CY2022.⁵

As of 23 January 2023, Australia cash rate is 3.10%, reflecting the 75bps increase effective from 30 September 2022.⁶ Major banks see the cash rate in Australia to peak at around 3.60% - 3.85% by mid-2023.⁷

Figure 1: Australia Cash Rate, 10-Year Bond Rate

Australia Rates				
	Forecast Peak Cash Rate	Cash Rate Peak Date	Dec 2024 Forecast 10 Yr Bond Rate	10 Yr Bond Date
Westpac	3.85%	Q2-23	2.50%	Q4-24
ANZ	3.85%	Q2-23	3.75%	Q4-24
ING	3.60%	Q1-23	2.70%	Q4-24

Source: Westpac, AU & NBZ Weekly, 01.2023, ANZ, Research Forecasts, 01.2023, ING Forecasts, 01.2023.

New Zealand Economy

New Zealand GDP increased by 2.7% YoY or 2% QoQ in Q3 2022, driven by elevated capital

investments, buoyant exports in goods and travel services and high construction output.⁸

As of 23 January 2023, The NZ Official Cash Rate (OCR) is 4.25%, reflecting the 125bps increase effective from 30 September 2022.⁹ New Zealand saw inflation increasing by 7.2% YoY or 2.2% QoQ in Q3 2022.¹⁰ The market expects New Zealand OCR to peak at 5.50%-5.75% by mid-2023.¹¹ In Q3 2022, NZ's labour market remained tight with the unemployment rate at 3.3%, unchanged from the previous quarter.¹² Nominal wages posted another strong increase of 3.9% YoY in Q3 2022.¹³

Figure 2: NZ Cash Rate, 10-Year Bond Rate

NZ Rates				
	Forecast Peak Cash Rate	Cash Rate Peak Date	Dec 2024 Forecast 10 Yr Bond Rate	10 Yr Bond Date
Westpac	5.50%	Q2-23	3.50%	Q4-24
BNZ	5.50%	Q2-23	3.55%	Q4-24
ANZ	5.75%	Q2-23	3.85%	Q4-24

Source: Westpac, AU & NBZ Weekly, 01.2023, BNZ Quarterly Review, 12.2022, ANZ Data Wrap, 01.2023.

Australia - New Zealand Tourism Update

International Tourism

Australia fully reopened its international borders on 21 February 2022¹⁴ and dropped all travel restrictions from 6 July 2022.¹⁵

Over Q4 2022, overseas arrivals into Australia continued their path to recovery, with November 2022 arrivals recorded at the highest level since the start of the pandemic in early 2020 and recovering to c. 62% of 2019 levels.¹⁶

¹ Australian Bureau of Statistics (ABS), Australian National Accounts, 12.2022.

² ABS, Australian National Accounts, 12.2022.

³ ABS, Australian National Accounts, 12.2022.

⁴ ABS, Labour Force, 01.2023.

⁵ ABS, Consumer Price Index, 01.2023.

⁶ Reserve Bank of Australia (RBA), Cash Rate Target, 12.2022

⁷ Westpac, AU & NBZ Weekly, 01.2023, ANZ, Research Forecasts, 01.2023, ING Forecasts, 01.2023.

⁸ StatsNZ, Gross Domestic Product, 12.2022.

⁹ Reserve bank of New Zealand (RBNZ), Monetary Policy/OCR Decisions, 01.2023.

¹⁰ StatsNZ, Consumer Price Index, 10.2022.

¹¹ Westpac, AU & NBZ Weekly, 01.2023, BNZ Quarterly Review, 12.2022, ANZ Data Wrap, 01.2023.

¹² Reserve Bank of New Zealand (RBNZ), Monetary Policy Statement, 11.2022.

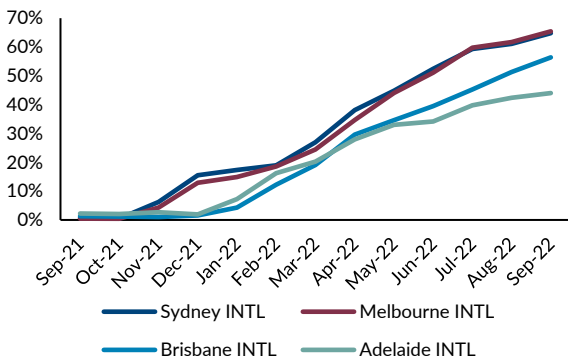
¹³ Reserve Bank of New Zealand (RBNZ), Monetary Policy Statement, 11.2022.

¹⁴ Reuters, Australia fully reopens borders after two years, 02.2022.

¹⁵ Department of Health and Aged Care, Changes to requirements for international arrivals, 07.2022.

¹⁶ ABS, Overseas Arrivals and Departures, 01.2023.

Figure 3: Airport International Traffic Data for Key Australian Hubs as percentage of 2019 levels (%)



Source: Bureau of Infrastructure and Transport Research Economics, Airport Traffic, 01.2023.

The major Australian international airports have seen a strong pick up in international passenger traffic. Sydney Airport international passenger traffic further improved in December 2022, tracking at c. 72% of pre-pandemic levels by the end of CY2022.¹⁷

Over H2 2022, several key inbound markets announced their borders reopening. Japan, Hong Kong and China have dropped part of their travel pandemic rules over H2 2022 and early 2023.¹⁸

In a major policy shift, China announced that it would re-open its borders to international travellers on 8 January 2023.¹⁹ In light of the reopening, major Chinese airlines, such as China Southern Airlines, China Eastern and Air China, are boosting flight capacity to both Sydney and Melbourne, with plans for up to one flight a day by end of Q1 2023.²⁰

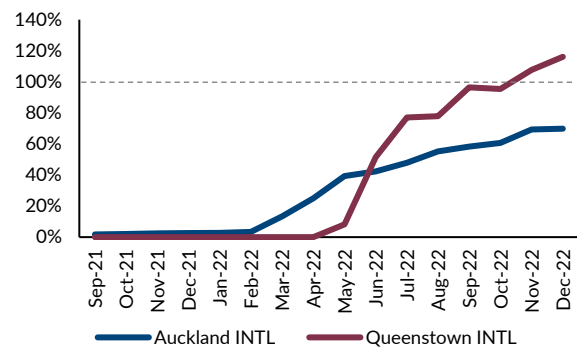
New Zealand re-opened its international borders in August 2022²¹, and later dropped nearly all travel restrictions in September 2022.²² The first two months of Q4 2022 saw strong growth in international arrivals with a 53% increase compared to Q3 2022.

Although Auckland international arrivals are still behind the 2019 levels, Queenstown Airport

international arrivals exceeded the pre-pandemic 2019 levels in November and December 2022 by 8% and 16%, respectively.²³

On the back of China’s re-opening in Jan 2023, Air New Zealand has announced the increase in seat capacity between China and New Zealand to about 1,200 direct seats per week over Q1 2023.²⁴ In addition, strongly increasing international flight capacities from Australia are also expected to act as tailwinds for New Zealand tourism market.

Figure 4: Airport International Traffic Data for Key NZ Hubs as percentage of 2019 levels (%)



Source: Auckland Airport, Monthly Traffic Updates, 02.2023 & Queenstown Airport, Airport Passenger Statistics, 01.2023.

Domestic Tourism

The Australian domestic tourism sector saw its strong performance momentum extending into Q4 2022, driven by increased spending across all major expenditure items, higher average spend per trip and increased travel for holiday purposes.²⁵ In October 2022, Overnight spend was recorded at a staggering \$11.0 billion, up 42% compared to October 2019.²⁶

Q3 2022 domestic tourism results show a strong increase in overnight spend, which jumped 34% compared to Q3 2019. Overnight trips in Q3 2022 were at a similar level to pre-pandemic Q3 2019. Notably, Q3 2022 saw business travel spend exceed

¹⁷ Sydney Airport, SYD Traffic Performance December 2022, 01.2023.

¹⁸ Ministry of Foreign Affairs of Japan, Measures for Resuming Cross-Border Travel, 09.2022.

¹⁹ IATA, China to reopen border to international travelers, 01.2023.

²⁰ Simple Flying, Executive Traveller, Asian Aviation, Various Articles, 01.2023.

²¹ Reuters, New Zealand’s borders fully reopen after long pandemic closure, 08.2022.

²² Ministry of Health, COVID-19: Travellers, 09.2022.

²³ Auckland Airport, Monthly Traffic Updates, 02.2023 & Queenstown Airport, Airport Passenger Statistics, 01.2023.

²⁴ Simple Flying, Air New Zealand to increase flight to China, 01.2023.

²⁵ Tourism Research Australia, Monthly Snapshot, 12.2022.

²⁶ Tourism Research Australia, Monthly Snapshot, 12.2022.

Pro-invest APAC Hospitality Funds

Pro-invest Asia-Pacific Hospitality Opportunity Fund III (Fund III)

Pro-invest APAC is pleased to announce having launched its third hotel fund, the Pro-invest Asia-Pacific Hospitality Opportunity Fund III (Fund III).

Fund III has acquired its first two assets in Canberra and Melbourne. The Sebel Canberra Campbell (FKA C5 Hotel Canberra) has opened for trading in September 2022 and has been well received by the hotel guests. The Melbourne CBD Hotel was acquired in Q4 2022 with a value-add strategy.

Pro-invest APAC is actively looking at other opportunities which are in the pipeline for Fund III across the key markets of Japan, Singapore, Korea and Thailand, in addition to Australasia. Unprecedented market conditions created by COVID-19 and increase in interest rates and inflation have established an opportunity to make value-add investments into standing and income producing assets primarily in luxury, upper-upscale and upscale full-service hotels in Australia & New Zealand, as well as other secure markets in Asia.

Fund III is structured to capitalise on the current opportunity, presenting a platform that allows investors to participate in the travel recovery. Pro-invest APAC is targeting to raise A\$500 million from institutional investors, sovereign wealth funds and established family offices among other investors.

Pro-invest APAC Overview

Pro-invest APAC is currently managing more than c. A\$2.7 billion in real estate assets, including commercial assets as well as hotels under operations management.

In early 2000, Pro-invest's CEO, Ronald Barrott brought one of the largest and most renowned hotel brands, Holiday Inn Express® (HIE), to the European market. At the time, he developed a portfolio of HIE hotels across the UK, which he grew to become one of the largest franchised hotel portfolios outside of the US. **Over a period of 6 years, 15 HIE assets were developed and the portfolio was exited as a trade sale achieving an IRR in excess of 30%.**

In 2013, given his successful relationship with InterContinental Hotels Group (IHG) and a substantial market opportunity, Ronald launched the Pro-invest Australian Hospitality Fund I (Fund I) to develop, own and operate a new portfolio of HIE hotels across Australia and New Zealand (ANZ). Fund I is a widely held Managed Investment Scheme, allowing for a final withholding tax rate of 15%. Its portfolio now counts 8 hotels and c. 2,000 rooms, being rolled out under a Master Development Agreement with IHG.

By 2017, Pro-invest APAC launched the Pro-invest Australian Hospitality Fund II (Fund II), which successfully completed equity raising in 2020. Fund II continues Pro-invest APAC's strong track record of rolling out its Select Service and Lifestyle hotels throughout the Australasian market. 4 of the hotels in Fund II have opened for trading in 2022, and has been well received across their respective markets.



Voco and HIE Auckland City Centre

pre-pandemic levels as noted by Tourism Research Australia.²⁷

The start of Q4 2022 saw strong domestic airport traffic, with over 4.7 million passengers flying in October 2022, which is 86% of the same period in 2019 levels.²⁸ At the time of writing this report, a new low-cost airline, Bonza, has launched its first flight in February 2023 in Australia.

Auckland Airport and Queenstown Airport saw domestic passengers in October 2022 at 84% and 106% of October 2019 levels, respectively.²⁹

October 2022 also saw Auckland and Queenstown MICE demand exceeding October 2019 levels.³⁰

Australian & New Zealand Tourism Support & Campaigns

The Australian Government recently extended the exemption for Working Holiday Maker until June 2023, allowing for an extended same-employer work relationship.³¹ This along with changes to Work Bonus (for pensioners) are expected to help the tight labour market in Australia.³²

Tourism Australia launched the “Come and Say G’day” campaign in October 2022 targeting 15 key international markets.³³ Qantas, from Dec 2022, will start conducting a range of joint activities including a series of newly co-created ads and social assets in a multi-market partnerships.³⁴ Further, in December 2022, Tourism Australia partnered with eDream/Odigeo with the aim of targeting the German, French and Italian markets via a dedicated multi-platform initiative.³⁵

In New Zealand, early data from the August 22 “If You seek” campaign suggest that the campaign is being successful considering the encouraging bookings beyond summer into 2023.³⁶

ANZ Hotel Market Performance

Australia

Australian hotels market has shown strong trading performance in the two months to November 2022 period, with YTD Nov-22 RevPAR levels for the Australian market recording double digit growth compared to 2021 levels. Remarkably, Sydney and Melbourne YTD Nov-22 RevPAR doubled compared to YTD Nov-2021.³⁷

The Australian markets are reporting YTD Nov-22 ADRs above pre-pandemic levels. Sydney reached a near record-high ADR of \$273 in November 2022, second only to September 2000 when the city hosted the Olympics Games.³⁸

Brisbane, Adelaide and Canberra markets REVPAR for YTD Nov-22 period is more than the pre-pandemic YTD Nov-19 period which the Brisbane market REVPAR being 29% higher from pre-pandemic levels. Sydney and Melbourne markets REVPAR for YTD Nov-22 period are about 15% below the YTD Nov-19 period, though has shown considerable improvement from YTD Nov-21 period.

Figure 5: Australian Hotel KPI YTD Nov 2022

Market	Occ (%)	ADR (A\$)	RevPAR Change (vs YTD Nov 2021)	RevPAR Change (vs YTD Nov 2019)
Australia	65%	225	74%	8%
Sydney	64%	245	126%	-14%
Melbourne	59%	214	135%	-15%
Brisbane	69%	212	81%	29%
Adelaide	71%	192	56%	9%
Canberra	71%	206	106%	11%

Source: STR, ANZ Performance Update, 12.2022

²⁷ Tourism Research Australia, National Visitor Survey results, 12.2022.

²⁸ ACCC, Airline Competition in Australia, 12.2022.

²⁹ Auckland Airport, Monthly Traffic Update, 01.2023 & Queenstown Airport, Airport Passenger Statistics, 01.2023.

³⁰ HTL Horwath, NZ Hotel Performance Focus November 2022, 01.2023.

³¹ Department of Home Affairs, WHM program, 01.2023.

³² AUSTRADE, News Article, 01.2023.

³³ Tourism Australia, Come and Say G’Day, 10.2022.

³⁴ Tourism Australia, Essentials 23 November 2022, 11.2022.

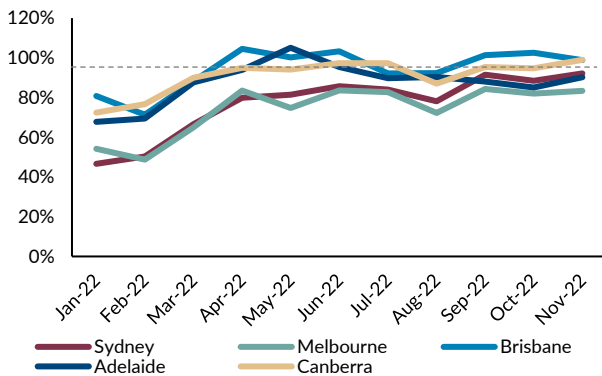
³⁵ Tourism Australia, Essentials 7 December 2022, 12.2022.

³⁶ Tourism New Zealand, News Article, 12.2022.

³⁷ STR, ANZ Performance Update, 12.2022.

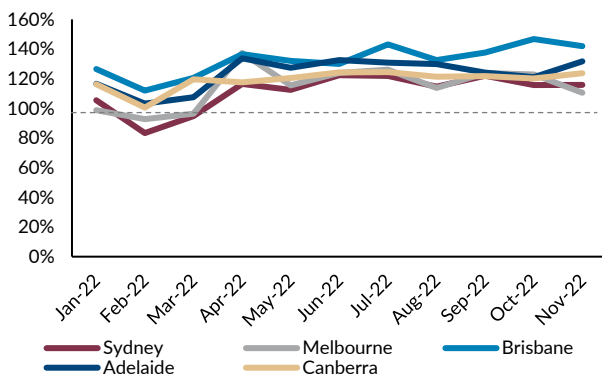
³⁸ Hotel Management, Media Release, 12.2022.

Figure 6: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 12.2022

Figure 7: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 12.2022

New Zealand

NZ's hotel market continued to improve in the two months to November 2022.³⁹ Queenstown hotels market for YTD Nov-22 period is +74% ahead of YTD Nov-21 period and is about -44% below the YTD Nov-19 period. YTD Nov-22 includes the impact of slower trading in the Queenstown market over H1 2022 with H2 2022 seeing much stronger trading with international borders opening around this time. This is primarily from Occupancy which is showing recovery over H2 2022 period.

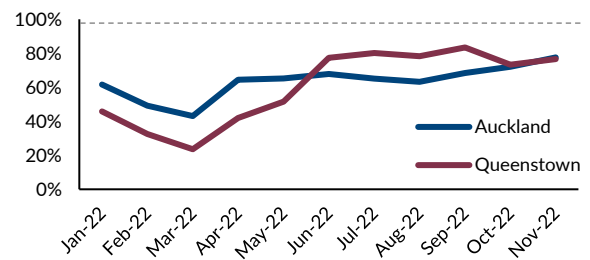
Auckland hotels market for YTD Nov-22 period is tracking very close to the YTD Nov-21 period and is about -31% below the YTD Nov-19 period. YTD Nov-22 includes the impact of slower trading in the Auckland market over H1 2022 with international borders opening in H2 2022 period.

Figure 8: New Zealand Hotel KPI YTD Nov 2022

Market	Occ (%)	ADR (NZ\$)	RevPAR Change (vs YTD Nov 2021)	RevPAR Change (vs YTD Nov 2019)
New Zealand	52%	204	15%	-28%
Auckland	51%	218	-2%	-31%
Queenstown	48%	223	74%	-44%

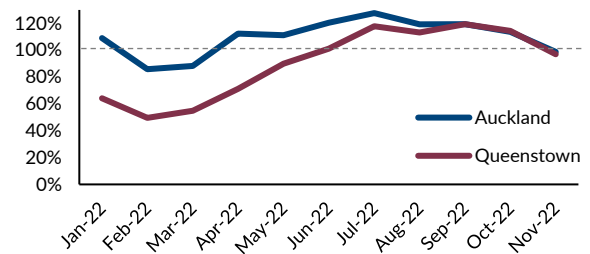
Source: STR, ANZ Performance Update, 12.2022

Figure 9: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 12.2022

Figure 10: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 12.2022

³⁹ Reserve Bank of New Zealand (RBNZ), Monetary Policy Statement, 11.2022.

ESG: GRESB Assessment 2022 Scores Released

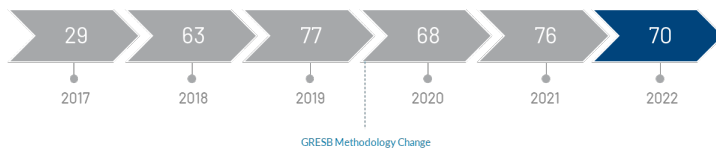
Marking its sixth year of reporting to the GRESB Real Estate Assessment, Pro-invest Group’s GRESB 2022 results were received in Q4 2022. Pro-invest Group performed well compared to its 6-year track record, across Standing Investments (operational hotels) and Developments (under design/construction). For both Standing Investments & Developments, minor score reductions were noted. These were identified to surround three core areas: 1) Like-for-like performance impacted by hotels’ positive rising occupancy & correlated consumption levels post 2020/21’s COVID-19 implications; 2) Data

completeness as a result of prior system syncing issues, which has since been resolved by transitioning to a new and improved system, Greenview; and 3) Third-party certification coverage beyond NABERS efficiency ratings – which is within consideration/implementation phases.



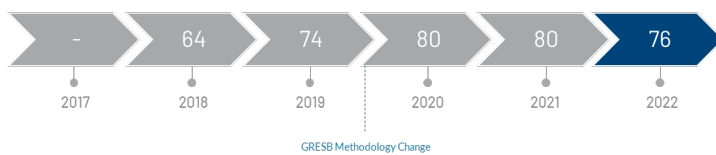
With the above considerations, Pro-invest Group has adopted a gap improvement matrix and has already begun deploying efforts and resources to bridge the aforementioned areas of improvement and maintenance. Further efforts are also underway for performance and score maximisation for the upcoming GRESB 2023 reporting season.

STANDING INVESTMENT SCORE:



Aspect	2022 Pro-invest Score	2021 Pro-invest Score	Pro-invest 2022 Score Uplift	2022 GRESB Average	2022 Peer Average
Overall Score	70 (out of 100)	76 (out of 100)	-6	73 (out of 100)	71 (out of 100)
Mgmt. Score	27 (out of 30)	28 (out of 30)	-1	27 (out of 30)	27 (out of 30)
Perf. Score	43 (out of 70)	48 (out of 70)	-5	46 (out of 70)	45 (out of 70)
Enviro.	35 (out of 62)	40 (out of 62)	-5	40 (out of 62)	39 (out of 62)
Social	18 (out of 18)	18 (out of 18)	+0	16 (out of 18)	16 (out of 18)
Govern.	18 (out of 20)	18 (out of 20)	+0	17 (out of 20)	17 (out of 20)

DEVELOPMENT SCORE:



Aspect	2022 Pro-invest Score	2021 Pro-invest Score	Pro-invest 2022 Score Uplift	2022 GRESB Average	2022 Peer Average
Overall Score	76 (out of 100)	80 (out of 100)	-4	81 (out of 100)	77 (out of 100)
Mgmt. Score	49 (out of 70)	52 (out of 70)	-3	54 (out of 70)	52 (out of 70)
Perf. Score	27 (out of 30)	28 (out of 30)	-1	27 (out of 30)	27 (out of 30)
Enviro.	31 (out of 51)	35 (out of 51)	-4	38 (out of 51)	38 (out of 51)
Social	24 (out of 26)	24 (out of 26)	+0	22 (out of 26)	21 (out of 26)
Govern.	20 (out of 24)	21 (out of 24)	-1	20 (out of 24)	18 (out of 24)

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