



PRO-INVEST
GROUP

Pro-invest Asia-Pacific Hospitality Opportunity

Q2 2023 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 second quarter of 2023.

Australia's economy continued to see positive growth in Q1 2023, although at a slower pace. While New Zealand recorded its second consecutive quarter of negative economic growth, pushing the country into a technical recession. However, the severe weather events affecting the country at the start of 2023, are believed to have significantly weighed on economic growth in the first quarter.

Since the reopening of its international borders in February 2022, Australia has experienced a generally consistent recovery in international arrivals. As of April 2023, overseas visitors to the country recovered to c. 78% of pre-pandemic levels. The recovery in international arrivals continues to be supported by increasing international flight capacities as well as the returning of Chinese travellers. Similarly, New Zealand continued to see a steady recovery in international arrivals, which recovered to c. 72% of pre-pandemic levels as of April 2023.

Sydney hotel market again recorded the highest occupancy in the YTD June 2023 period, at 74%. While Brisbane hotel market continued to lead in terms of RevPAR and ADR levels, which increased by 46% and 51% when compared to 2019 levels, respectively. Over the YTD Jun-23 period, all Australian markets achieved RevPAR exceeding pre-pandemic levels.

Auckland hotel market saw YTD Jun-23 RevPAR exceeding pre-pandemic levels thanks to recovering occupancy and strong ADRs. Queenstown hotels market occupancy levels continued to recover in the YTD Jun-23 period, with ADR exceeding 2019 levels.

Pro-invest APAC is looking forward to the two new hotel openings for the remainder of 2023. The 216-room Hotel Indigo Melbourne on Flinders, located in Melbourne CBD, and the 105-room Hotel Indigo Sydney Potts Point, located in the renowned Sydney's suburb of Potts Point.

Pro-invest APAC expects further opportunities to materialise over 2023, with the Group positioned to

leverage their active asset management approach and leading fully integrated platform to create significant value generation for investors. The combination of COVID-19 aftermaths, sticky inflation and higher interest rates has impacted hotel cash flows. Single-owner hotels present the ideal opportunity to secure good quality hotels in strong locations across Asia-Pacific.

In July 2023, Pro-invest Group released its latest white paper, *"Finding the Silver Lining: A New Perspective on Hospitality as an Alternative Asset"*, authored by Dr. Sabine Schaffer, Co-Founder & CEO, Europe. Sharing the company's perspective on why current dynamics indicate now is the right time to consider hotels as a viable alternative asset class, Dr. Schaffer outlines the underlying fundamentals, long-term tailwinds and current dynamics that make this so. The white paper is available [HERE](#).

Following the release of the Pro-invest white paper, PERE's Hospitality spoke to Dr. Schaffer to learn more. Read the article [HERE](#).

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\$3 billion worth of assets through several funds, co-investments, and other assets that Pro-invest APAC manages.

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

Q2 2023 ANZ Market Update

Australian Economy

Australia's economy grew again in Q1 2023, although at a slower pace. The Gross Domestic Product (GDP) increased by 2.3% year-on-year (YoY) or 0.2% quarter-on-quarter (QoQ), driven by capital investments and a strong labour market.¹

Slowing economic activity was partly caused by continued moderation in household spending growth in Q1 2023, with an increase of 0.2% QoQ or 3.5% YoY.² Over the quarter, growth in discretionary spending turned negative at -1.0% QoQ, with hotels, cafes and restaurants being one of the few discretionary spending categories to see positive growth.³ Australia's labour market remains tight with the unemployment rate unchanged from the previous quarter at 3.5% in Q1 2023.⁴ After accelerating in April, inflation saw a significant slowdown in May 2023 with the monthly Consumer Price Index (CPI) rising 5.6% YoY, from 6.8% in the previous month.⁵

As of 5 July 2023, Australia cash rate is 4.10%, following a pause from the RBA after two consecutive 25bps hikes in May and April 2023.⁶ The market forecasts the cash rate to peak at a range of 4.35% - 4.60% by Q3 2023 and to then plateau.⁷

New Zealand Economy

New Zealand economy contracted again in Q1 2023 with the GDP falling by 0.1% QoQ, pushing the country in a technical recession. However, the GDP grew by 2.9% YoY.⁸ ANZ notes that the tighter monetary conditions appear to be causing a clear moderation in demand and consumption.⁹

In Q1 2023, NZ's employment rate remained unchanged from the previous quarter at 3.4%.¹⁰ New Zealand saw inflation slowing down in Q1 2023, with CPI increasing by 6.7% YoY or 1.2% QoQ.¹¹ However, spending remains elevated driven by a

tight labour market, positive real wage growth and a surge in tourist arrivals as well as net migration.¹²

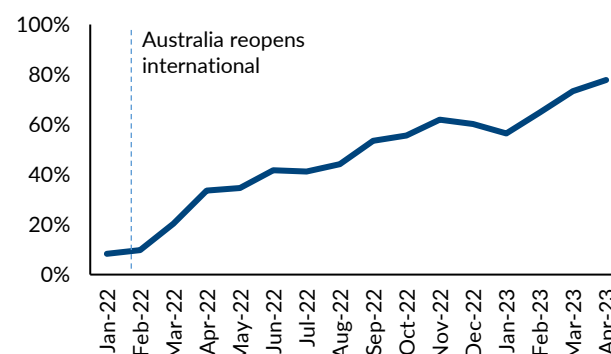
As of 5 July 2023, the NZ Official Cash Rate (OCR) is 5.50%, reflecting a 25bps increase effective from 24 May 2023.¹³ The market expects the OCR to be at or close to the peak at the current level. However, the possibility remains of an additional 25bps hike to 5.75% by Q4 2023.¹⁴

Australia - New Zealand Tourism Update

International Tourism

Since the reopening of its international borders in February 2022¹⁵, Australia has experienced a generally consistent recovery in international arrivals. In the YTD April 2023 period, Australia welcomed a total of c. 2.2m overseas visitors to recover to c. 78% of pre-pandemic levels as of April 2023.¹⁶ Within the 2019 top 10 inbound source markets, India stands out with inbound international arrivals into Australia having exceeded pre-pandemic levels over the YTD Apr-23 period.¹⁷

Figure 1: Monthly International Arrivals to Australia Compared to 2019 Levels



Source: ABS, Overseas Arrivals and Departures, 06.2023. Note: excludes Australian citizens and permanent residents.

As a result, major Australian airports have seen the gap in international passenger traffic to 2019 narrow. Melbourne Airport international passenger traffic improved to as much as 88% of 2019 levels in

¹ Australian Bureau of Statistics (ABS), Australian National Accounts, 06.2023.

² ABS, Australian National Accounts, 06.2023.

³ ABS, Australian National Accounts, 06.2023.

⁴ ABS, Labour Force, 04.2023.

⁵ ABS, Monthly Consumer Price Index Indicator, 06.2023.

⁶ RBA, Cash Rate Target, 07.2023.

⁷ Westpac, AU & NBZ Weekly, 07.2023, ANZ, Research Forecasts, 07.2023, NAB Australian Market Weekly, 07.2023.

⁸ StatsNZ, Gross Domestic Product, 06.2023.

⁹ ANZ, ANZ Research Quarterly Q3 2023, 06.2023.

¹⁰ StatsNZ, Unemployment rate, 05.2023.

¹¹ StatsNZ, Consumer Price Index, 04.2023.

¹² ANZ, ANZ Research Quarterly Q3 2023, 06.2023.

¹³ RBNZ, Monetary Policy Decisions, 07.2023.

¹⁴ Westpac, AU & NBZ Weekly, 07.2023, BNZ Market Outlooks, 07.2023, ANZ Data Wrap, 07.2023.

¹⁵ Reuters, Australia fully reopens borders after two years, 02.2022.

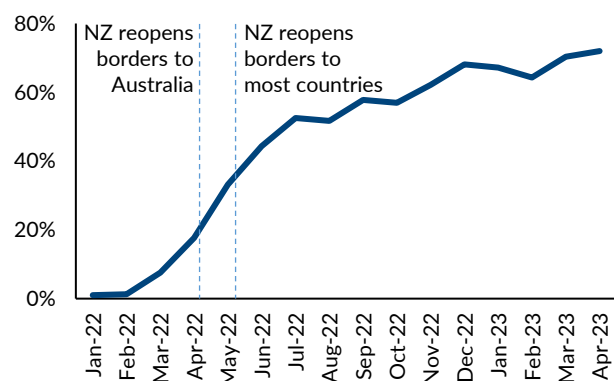
¹⁶ Australian Bureau of Statistics, Overseas Arrivals and Departures, 06.2023.

¹⁷ Australian Bureau of Statistics, Overseas Arrivals and Departures, 06.2023.

May 2023.¹⁸ Australia’s flag carrier, Qantas, expects to see its international seat capacity recover to 100% of pre-pandemic levels by March 2024, up from c. 84% as of May 2023.¹⁹

The return of Chinese travellers to Australia has gathered significant pace in Q2 2023. The flow of Chinese passengers through Sydney Airport in May 2023 increased seven-fold since the start of the year. As a result, China became the top third nationality by number of passengers travelling for the month, after Australia and New Zealand.²⁰ This is one of the strongest recoveries in Chinese travellers of any international airport globally, according to Sydney Airport’s CEO.²¹

Figure 2: Monthly International Arrivals to New Zealand Compared to 2019 Levels



Source: StatsNZ, International Arrivals, 06.2023. Note: excludes NZ residents.

Since the complete border reopening in August 2022²², international arrivals into New Zealand have increased significantly. Over the YTD April 2023 period, New Zealand recorded circa 1m overseas visitors to recover to c. 72% of 2019 levels as of April 2023.²³

The start of Q2 2023, saw the pace of the overall international travel recovery continuing with an increase in the number of Chinese visitors.²⁴ As a result, the major airports of Auckland and Queenstown saw international passenger traffic in May 2023 at 85%²⁵ and 95%²⁶ of 2019 levels, respectively.

The recovery in international visitors into New Zealand continues to be supported by an increasing inbound international flight capacity. The country’s flag carrier, Air New Zealand, has now increased the flight capacity on its Asia network to 117% of pre-COVID levels. Meanwhile, capacity across the trans-Tasman routes is nearing pre-COVID levels.²⁷

Domestic Tourism

In Q1 2023, Australia saw the momentum in the domestic tourism market recovery continue. Over the quarter, nights spent on trips fully recovered to 2019 levels for the first time since the start of the pandemic.²⁸ ACT, WA and VIC recorded positive growth in number of nights over the period.²⁹ Australia-wide overnight spend in Q1 2023 was also elevated at c. \$27b, representing a c. 37% surge compared to Q1 2019 levels.³⁰ QLD saw the biggest increase of c. 53%, followed by Victoria with an increase of c. 43%.³¹ Passenger traffic at major Australian domestic airports has recovered to as much as 93% of pre-pandemic activity as of January 2023.³² Domestic seat capacity in April 2023 was recorded at 6m seats being the highest level since May 2022. However, this still represents c. 95% of pre-pandemic levels.³³

¹⁸ Melbourne Airport, MEL Traffic Performance May 2023, 06.2023.

¹⁹ Qantas, Press Release, 05.2023.

²⁰ Sydney Airport, SYD Traffic Performance May 2023, 06.2023.

²¹ Sydney Airport, SYD Traffic Performance May 2023, 06.2023.

²² Reuters, New Zealand’s borders fully reopen after long pandemic closure, 08.2022.

²³ StatsNZ, International Arrivals, 06.2023.

²⁴ HTL Horwath, NZ Hotel Performance Focus April 2023, 05.2023.

²⁵ Auckland Airport, Monthly Traffic Update, 06.2023.

²⁶ Queenstown Airport, Facts & Figures, 06.2023.

²⁷ Air New Zealand, Press Release, 05.2023.

²⁸ Tourism Research Australia, Monthly Snapshot, 06.2023.

²⁹ Tourism Research Australia, Monthly Snapshot, 06.2023.

³⁰ Tourism Research Australia, Monthly Snapshot, 06.2023.

³¹ Tourism Research Australia, Monthly Snapshot, 06.2023.

³² Bureau of Infrastructure and Transport Research Economics, Airport Traffic, 06.2023.

³³ ACCC, Airline Competition in Australia, 06.2023.

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 Hotel Indigo Melbourne on Flinders (FKA Holiday Inn on Flinders) will become the first Hotel Indigo in Melbourne after repositioning, with a target opening in August 2023.

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 c. A\$3 billion in real estate assets, including commercial assets as well as the roll out of the European pipeline.

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 have been well received across their respective markets.



Voco and HIE Auckland City Centre

Over Q2 2023, New Zealand saw a recovery in the domestic tourism market as the disruptions caused by the Cyclone Gabrielle subsided. This was reflected in domestic airport passenger traffic at major hubs, with Auckland and Queenstown airports domestic activity tracking at c. 85%³⁴ and 95%³⁵ of 2019 levels, respectively. Domestic tourism spend was recorded at strong levels entering in Q2 2023, with April 2023 tourism electronic card transactions (TECT) totalling c. NZ\$973m being c. 14% higher than April 2019.³⁶ With a strong domestic tourism demand, Air New Zealand domestic seat capacity has now fully recovered to pre-pandemic levels.³⁷

Australian & New Zealand Tourism Support & Campaigns

The 2023-24 Federal Budget included key investments into the tourism industry, like the increase in funding to Tourism Australia to \$169.1m in 2023-24 and 370.8 million over four years to expand the Pacific Australia Mobility Scheme providing seasonal working visas for people from Pacific countries.³⁸ On 31 May 2023, a new free trade agreement between Australia and the UK entered into force. This is expected to boost working holiday makers arrivals to Australia, thus providing further relief to labour shortages.³⁹

In New Zealand, the country's flag carrier, Air New Zealand, has recently announced a total investment of NZ\$3.5b in 14 new aircrafts and the retrofitting of the existing fleet. This is expected to drive an increase in offshore visitors as the carrier expands its international and trans-Tasman seat capacity.⁴⁰ Air New Zealand has also committed \$30m in marketing campaigns to target key high-quality travellers.⁴¹

Tourism New Zealand (TNZ) plans to ramp up its efforts to secure key business events in FY24 to boost the recovery of business travel and events, with a target bid pipeline of 90 international conferences worth NZ\$135m.⁴²

ANZ Hotel Market Performance

Australia

With the ANZ region having recorded the highest occupancy level in the APAC region in Q1 2023⁴³, hotel performances continued to see growth momentum across all Australian major markets in the YTD June 2023 period.⁴⁴ Over the period, all major cities saw RevPAR being above pre-pandemic levels with Brisbane leading the pack at 50% above 2019 levels.⁴⁵ Sydney and Melbourne saw key activations taking place in Q2 2023, the Australian F1 Grand Prix in Melbourne and Vivid Festival in Sydney, with both events breaking attendance records in this year's editions.^{46 47}

In the YTD Jun-23 period, ADR was recorded at substantially higher levels than the same period in 2019 across all markets. Occupancy continued to improve over the YTD Jun-23 period, with Australia-wide occupancy sitting at only 4% below pre-pandemic.⁴⁸ Brisbane and Perth are currently leading with occupancy slightly above 2019 levels.⁴⁹

Figure 3: Australian Hotel KPI YTD June 2023

Market	Occ (%)	ADR (A\$)	RevPAR Change (vs YTD Jun 2022)	RevPAR Change (vs YTD Jun 2019)
Australia	68%	236	21%	20%
Sydney	74%	262	49%	7%
Melbourne	68%	226	37%	2%
Brisbane	70%	225	27%	51%
Adelaide	70%	215	20%	26%
Canberra	67%	200	4%	8%

Source: STR, ANZ Performance Update, 07.2023.

³⁴ Auckland Airport, Monthly Traffic Update, 06.2023.

³⁵ Queenstown Airport, Facts & Figures, 06.2023.

³⁶ Tourism New Zealand, Tourism Data, 07.2023.

³⁷ Air New Zealand, Press Release, 05.2023

³⁸ Queensland Tourism Industry Council, 2023-24 Federal Budget, 05.2023.

³⁹ Hotel Management, Hoteliers hopeful of more WHM as Aus-UK trade agreement commences, 05.2023.

⁴⁰ Air New Zealand, Press Release, 05.2023.

⁴¹ Air New Zealand, Press Release, 05.2023.

⁴² Tourism New Zealand, News Article, 06.2023.

⁴³ Hotel Management, Australia and New Zealand lead APAC occupancy levels, Amadeus reports, 05.2023.

⁴⁴ STR, ANZ Performance Update, 07.2023.

⁴⁵ STR, ANZ Performance Update, 07.2023.

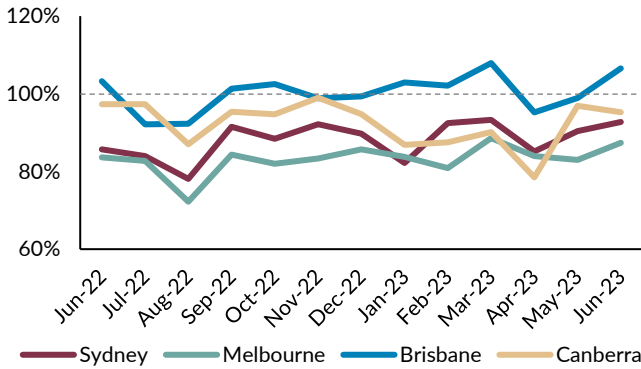
⁴⁶ Premier of Victoria, Crowds Go Full Throttle for Melbourne's Grand Prix, 04.2023.

⁴⁷ Destination NSW, Vivid Sydney biggest on record, 06.2023.

⁴⁸ STR, ANZ Performance Update, 07.2023.

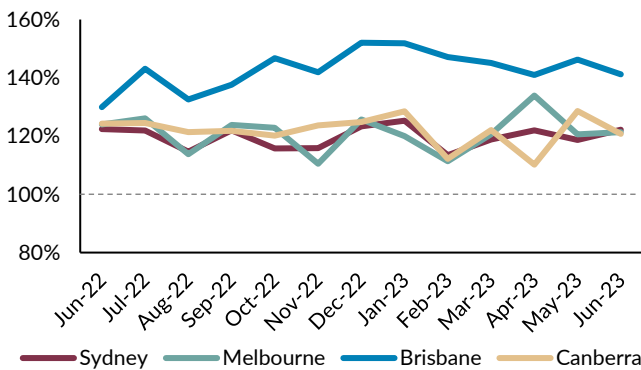
⁴⁹ STR, ANZ Performance Update, 07.2023.

Figure 4: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 07.2023

Figure 5: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 07.2023

New Zealand

Over the YTD Jun-23 period, the New Zealand's hotel market continued to improve. Over the period, both Auckland and Queenstown recorded higher ADR levels compared to pre-pandemic. In particular, Auckland YTD Jun-23 ADR was 21% higher than 2019 levels.⁵⁰ Occupancy improved slightly compared to the previous period. However, occupancy over the YTD Jun-23 period remained below pre-pandemic levels.⁵¹

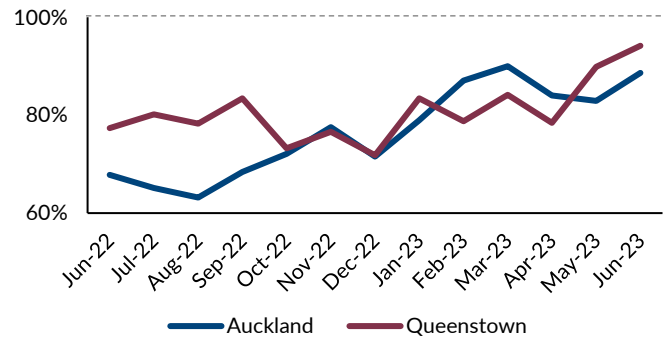
In terms of RevPAR, the YTD Jun-23 period, continued to see a bifurcation between Auckland and Queenstown. The former saw the YTD Jun-23 RevPAR exceeding 2019 levels by 5% thanks to strong ADR growth. Instead, Queenstown's RevPAR was still recorded at below pre-pandemic levels, but improving.⁵²

Figure 6: New Zealand Hotel KPI YTD June 2023

Market	Occ (%)	ADR (NZ\$)	RevPAR Change (vs YTD Jun 2022)	RevPAR Change (vs YTD Jun 2019)
New Zealand	67%	229	83%	2%
Auckland	69%	243	77%	5%
Queenstown	67%	263	197%	-11%

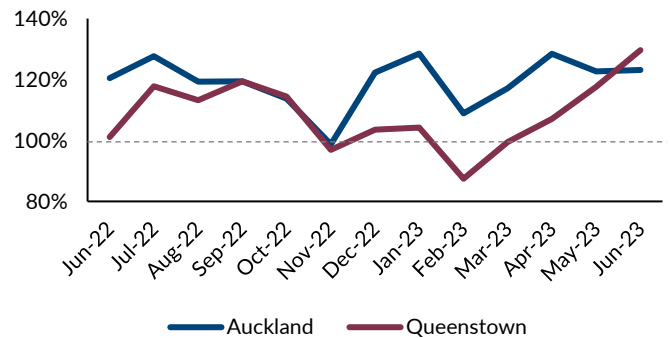
Source: STR, ANZ Performance Update, 07.2023.

Figure 7: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 07.2023

Figure 8: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 07.2023

Hotel Investment Market

In Australia, key hotel transactions in Q2 2023 saw the sale of the Sheraton Grand Mirage Gold Coast for \$192m⁵³ and the sale of a 237-room hotel portfolio of 5 NSW luxury boutique hotels.⁵⁴

⁵⁰ STR, ANZ Performance Update, 07.2023.
⁵¹ STR, ANZ Performance Update, 07.2023.
⁵² STR, ANZ Performance Update, 07.2023.

⁵³ AFR, Star seals \$192m sale of Sheraton Grand resort, 06.2023.
⁵⁴ Hotel Management, Salter Brothers acquires five luxury boutique hotels in NSW, 05.2023

ESG: Mid-year Milestones

Property Council of Australia Award Finalist

The Pro-invest Group team is pleased to report that the Kimpton Margot Sydney hotel has been listed as a Finalist for the 2023 Property Council of Australia and Rider Levett Bucknall's **Award for Best Tourism & Leisure Development**.

As part of the hotel's submission, the application greatly focused on the heritage listed hotel's ongoing dedication to sustainability, together with its repositioning works, interior design and excellent service offerings. Kimpton Margot Sydney is one of only four Finalists for this award category in the prestigious Innovation & Excellence Awards. The Award Winner will be announced in Q3 2023.



GRESB Real Estate Assessment 2023 Lodgement

We are pleased to announce that Pro-invest has successfully submitted the annual GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment for the sixth consecutive year. This accomplishment highlights our ongoing commitment to sustainable practices and responsible real estate management.



GRESB is a globally recognized and widely respected assessment framework that evaluates the environmental, social, and governance (ESG) performance of real estate portfolios. By participating in the assessment, we demonstrate our dedication to transparency, accountability, and continuous improvement in sustainability.

Our consistent participation in the GRESB Real Estate Assessment showcases our long-term commitment to sustainable development, as we strive to meet and exceed industry benchmarks. Through this rigorous evaluation process, we evaluate and report on various aspects of our real estate operations and development activities, including energy efficiency, carbon emissions, waste management, and stakeholder engagement.

NABERS Energy & Water Ratings

We are proud to share that our properties under management have also successfully renewed their NABERS (National Australian Built Environment Rating System) ratings across Energy and Water. NABERS is a leading sustainability rating system in Australia, assessing the environmental performance of buildings.

The hotel portfolio recorded an average NABERS Energy and Water of c. 4.5-stars in 2023, marking a slight decrease relative to the 5-star averages recorded in 2022. This can be attributed to factors such as a rise in occupancy which led to a loss of utility efficiencies. Pro-invest Group is deploying a NABERS gap analysis and uplift roadmap and conducting further strategy finetuning efforts to support the hotels in improving their energy and water consumption efficiencies. The hotels will continue targeting 5-star NABERS ratings.

NABERS Energy & Water 2023 Rating Results

Fund	Hotel	NABERS Energy	NABERS Water
I	HIEX Sydney Macquarie Park	4-stars	4.5-stars
I	HIEX Brisbane Central	4.5-stars	4.5-stars
I	HIEX Adelaide City Centre	4.5-stars	4.5-stars
I	HIEX Newcastle	5-stars	4.5-stars
I	HIEX Melbourne Southbank	5-stars	5.5-stars
I	HIEX Melbourne Little Collins	4-stars	4.5-stars
I	HIEX Sydney Airport	4.5-stars	4.5-stars
II	Kimpton Margot Sydney	3.5-stars	4-stars

Notably, for the Kimpton Margot Sydney, the results followed the hotel's first full year of trading post the asset's refurbishment in 2021/2022. External consultants have been engaged to support in refining the asset's gap analysis and NABERS improvement roadmap to support the asset to achieve its targeted 5-star NABERS Energy rating.

Overall, our achievements in Q2 2023 validate our efforts to align with best practice sustainability standards. We will continue to prioritize sustainability, pursue innovative solutions, and contribute to a more sustainable future for our stakeholders and the communities we serve.

Pro-invest Group

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