



Pro-invest Asia-Pacific Hospitality Opportunity
Q3 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 third quarter of 2023.

Australia's economy continued to grow in Q2 2023, although at a slower pace compared to the previous periods amid major global economic headwinds. New Zealand's economy was revised out of a technical recession in Q1 2023 with quarterly output growth having been flat and returned to positive economic growth in Q2 2023.

Australia has seen a fairly consistent recovery in international arrivals since the reopening in its international borders in February 2022. As of July 2023, overseas visitors to the country recovered to c. 79% 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 experience a positive recovery in international arrivals, which recovered to c. 84% of pre-pandemic levels as of July 2023.

In terms of nominal occupancy, the Sydney hotel market continued to record the highest occupancy in the YTD September 2023 period, at 76%. While Brisbane hotel market continued to lead in terms of RevPAR and ADR levels, which were 50% and 47% above 2019 levels, respectively. Over the YTD Sep-23 period, all Australian markets maintained RevPAR levels ahead of pre-pandemic levels.

Queenstown hotels market occupancy levels continued to recover strongly in the YTD Sep-23 period sitting at 91% of 2019 levels, which boosted RevPAR to trail at only 1% below 2019 levels over the period. Auckland hotel market continued to further improve over the YTD Sep-23 period, with RevPAR having exceeded pre-pandemic levels by 7% over the period.

Pro-invest APAC are delighted to announce the opening of two new hotels in H2 2023. The 216-room Hotel Indigo Melbourne on Flinders, located in Melbourne CBD, which opened on 17 August 2023 and the 105-room Hotel Indigo Sydney Potts Point, located in the renowned Sydney's suburb of Potts Point, which opened on 2 November 2023.

Pro-invest APAC expects further opportunities to materialise through 2023 and beyond, in 2024, 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. The combination of COVID-19 aftermaths, sticky inflation and higher interest rates continues to impact hotel cash flows. Single-owner hotels present a rare opportunity to secure good quality hotels in secure markets across Asia-Pacific.

Pro-invest APAC continued to record new achievements over the quarter with respect to their ESG efforts. Pro-invest have successfully increased the Pro-invest Group GRESB Real Estate Assessment scores for both Standing Investments and Developments in their seventh year of reporting to GRESB. On the Development side, score uplifts surrounded that of taking a more holistic approach to sustainability for assets under construction/redevelopment, along with the introduction of initiatives such as Pro-invest Group's RRRLR (Reuse, Reduce, Recycle, Landfill and Report) Waste Framework for repositioning projects, to reduce waste to landfill impact.

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

Q3 2023 ANZ Market Update

Australian Economy

Australia's economic growth rate fell moderately in Q2 2023 compared to the previous quarter, with growth primarily driven by rising exports and investments.¹ The Gross Domestic Product (GDP) grew by 2.1% year-on-year (YoY) this quarter, down from 2.4% YoY in Q1 2023. Meanwhile, quarter-on-quarter (QoQ) GDP growth remained stable at 0.4% in Q2 2023.²

This slowdown in growth may be attributed to a fall in household spending growth, which increased by just 0.1% QoQ or 1.5% YoY.³ While discretionary spending decreased by 0.5% this quarter, spending on hotels, cafes and restaurants was one of the few discretionary spending categories to see positive QoQ growth, at 0.2%.⁴

Australia's labour market continues to remain tight, reflected by an unchanged unemployment rate of 3.7% in August 2023.⁵ Inflation experienced further deceleration in Q2 2023, with the Consumer Price Index (CPI) growing by 6.0% YoY this quarter, compared to 7.0% last quarter.⁶ However, monthly inflation accelerated again in August 2023, growing by 5.2% YoY.⁷

As of 24 October 2023, the cash rate is at 4.10%, unchanged from the previous period.⁸ The market expects the cash rate to peak within the 4.10%-4.35% range by November 2023.⁹

New Zealand Economy

The New Zealand economy was revised out of a technical recession in Q1 2023, with quarterly economic output having been flat.¹⁰ In Q2 2023, the economy achieved a positive GDP growth of 0.9% QoQ or 3.2% YoY.¹¹

Q2 2023 saw the unemployment rate lift slightly to 3.6%.¹² Growth in CPI experienced a sharp decline to 6% YoY, though only falling marginally to 1.1% QoQ.¹³

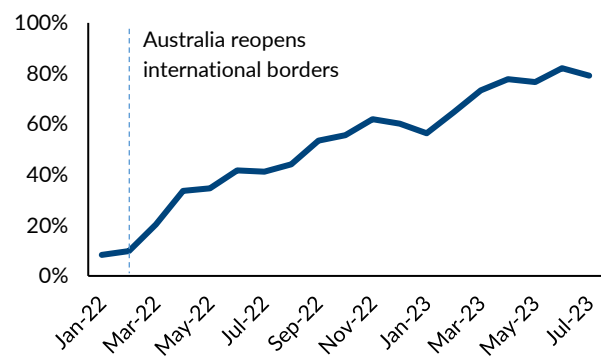
As of 24 October 2023, the NZ Official Cash Rate (OCR) is 5.5%, which is the highest level it has been in 15 years.¹⁴ The market now expects the cash rate to be either at peak or rising by 25 basis points to 5.75% in Q1 2024 before plateauing.¹⁵

Australia - New Zealand Tourism Update

International Tourism

The Australian international tourism market has seen a gradual recovery since the reopening of international borders in February 2022.¹⁶ The number of international visitor arrivals was 625,120 in July 2023, representing c. 79% of July 2019 levels.¹⁷

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



Source: ABS, Overseas Arrivals and Departures, 09.2023. Note: excludes Australian citizens and permanent residents.

As a result, traffic at Australia's major airports is now closing in on its pre-pandemic levels. Sydney Airport oversaw a 53.5% growth in international passengers in August 2023 compared to the same time last year, recovering to c. 90% of 2019 levels.¹⁸

¹ Australian Bureau of Statistics (ABS), Australian National Accounts, 09.2023.

² Australian Bureau of Statistics (ABS), Australian National Accounts, 09.2023.

³ ABS, Australian National Accounts, 09.2023.

⁴ ABS, Australian National Accounts, 09.2023.

⁵ ABS, Labour Force, 08.2023.

⁶ ABS, Consumer Price Index, 09.2023. ABS, Consumer Price Index, 06.2023.

⁷ ABS, Monthly Consumer Price Index Indicator August 2023, 09.2023.

⁸ Reserve Bank of Australia, Monetary Policy Decisions – 2023, 10.2023.

⁹ Westpac, AU & NZ Weekly, 10.2023, ANZ, ANZ Forecasts, 10.2023 & NAB, Australian Market Weekly, 09.2023.

¹⁰ Barron's, New Zealand Economy pulls away from brink of recession, 09.2023.

¹¹ StatsNZ, Gross Domestic Product, 09.2023.

¹² StatsNZ, Unemployment rate, 08.2023.

¹³ StatsNZ, Consumer Price Index, 07.2023.

¹⁴ Reuters, NZ central bank holds rates, signals higher hurdle to further hikes; kiwi tumbles, 10.2023.

¹⁵ Westpac, AU & NZ Weekly, 10.2023, ANZ, ANZ Forecasts, 10.2023 & BNZ, Market Outlook, 10.2023.

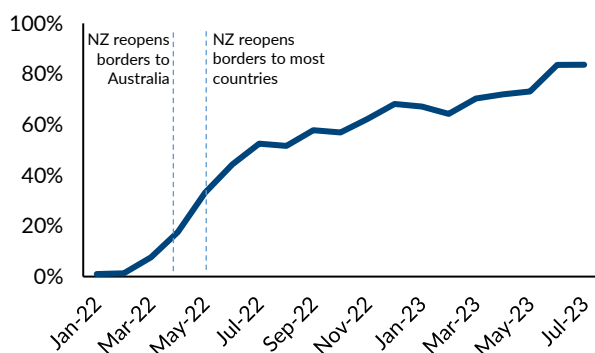
¹⁶ Reuters, Australia fully reopens borders after two years, 02.2022.

¹⁷ ABS, Overseas Arrivals and Departures, 09.2023.

¹⁸ Sydney Airport, Sydney Airport Traffic Performance, 09.2023.

The number of passengers coming from China continued to grow from last quarter as well. For the first time since the start of the pandemic in 2019, Chinese passengers ranked as the number one overseas visitor market to Sydney Airport in August 2023.¹⁹ This was highlighted by a 67% recovery rate recorded on August 2019 levels.²⁰

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



Source: StatsNZ, International Arrivals, 09.2023. Note: excludes NZ residents.

New Zealand's international arrivals have also rebounded substantially since the country fully reopened its borders in August 2022.²¹ In July 2023, the number of international arrivals reached 213,800, representing 84% of its pre-pandemic level in July 2019.²²

In June 2023, Tourism New Zealand, together with China Southern Airlines, announced the reinstatement of the Guangzhou - Christchurch route.²³ Commencing November 2023, the expansion of international capacity between New Zealand and China will include the addition of three flights a week between Guangzhou and Auckland.²⁴ Given that China was New Zealand's second largest international visitor market prior to the pandemic²⁵ (only after Australia), these announcements are conducive of a positive outlook for this important inbound market.²⁶

Domestic Tourism

In Q2 2023, Australia's domestic tourism market appeared to have remained fairly stable compared to Q2 2022. While overnight spending on domestic trips increased by 1% to \$25.5b, on Q2 2022 results, the number of overnight trips and the number of nights spent on a trip softened by 2% and 5% YoY, respectively.²⁷ Across the country, only NSW, VIC and WA saw positive gains in both overnight trips and nights, while the other states and territories either saw decreases or mixed results.²⁸ However, passenger traffic at Australia's largest domestic airports continue to recover towards pre-pandemic levels. In July 2023, Australia's domestic commercial aviation industry carried 5.34m passengers, representing a 4.7% growth compared to July 2022 figures.²⁹

In New Zealand, domestic airport passenger traffic was seen at robust levels, with Auckland Airport reporting domestic traffic in September 2023 at 92% of September 2019 levels.³⁰ Queenstown Airport domestic traffic slightly exceeded Sep-19 levels by 1%.³¹ In terms of domestic tourism spending, tourism electronic card transactions (TECT) totaled NZ\$943m in July 2023, which represents a 21% increase compared to July 2019.³²

Australian & New Zealand Tourism Support & Campaigns

China's decision to lift bans on group tours to Australia, effective from 10 August 2023, is expected to significantly boost the tourism economy.³³ Before the pandemic, China was Australia's number one foreign tourist source in 2019.³⁴ However, in March 2023, this figure only reached 26,000.³⁵ TRA forecasts Chinese visitor arrivals to reach 2019 levels by 2026.³⁶

¹⁹ Sydney Airport, Sydney Airport Traffic Performance, 09.2023.

²⁰ Sydney Airport, Sydney Airport Traffic Performance, 08.2023.

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

²² StatsNZ, International Arrivals, 09.2023.

²³ Tourism New Zealand, New Zealand showcased in China, 06.2023.

²⁴ Tourism New Zealand, New Zealand showcased in China, 06.2023.

²⁵ StatsNZ, International Arrivals, 12.2019.

²⁶ Tourism New Zealand, Markets overview, 10.2023.

²⁷ Tourism Research Australia, National Visitor Survey Results, 09.2023.

²⁸ Tourism Research Australia, National Visitor Survey Results, 09.2023.

²⁹ BITRE, Domestic aviation activity, 09.2023.

³⁰ Auckland Airport, Monthly Traffics Updates, 10.2023.

³¹ Queenstown Airport, Facts & Figures, 10.2023.

³² New Zealand Ministry of Business, Innovation & Employment, Domestic Tourism Electronic Card Transaction Expenditure, 10.2023.

³³ Australian Financial Review, 'Welcome back': China scraps ban on group tours to Australia, 08.2023.

³⁴ ABS, Overseas Arrivals and Departures, 12.2019.

³⁵ ABS, Overseas Arrivals and Departures, 09.2023.

³⁶ Australian Financial Review, 'Welcome back': China scraps ban on group tours to Australia, 08.2023.

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) has become the first operational Hotel Indigo in Melbourne after repositioning, having opened on 17 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. 5 of the hotels in Fund II have opened for trading as of 2023 and have been well received across their respective markets.



Voco and HIE Auckland City Centre

By the end of Q3 2023, Tourism Australia’s global flagship campaign, Come and Say G’day, was close to achieve its first 12 active months from the launch. The campaign appeared to have had a positive impact in key markets so far as the consideration for an Australian holiday from overseas visitors increased over the past year, and the number of international travellers searching flights to Australia was up by 10 per cent globally, compared to 2019.³⁷

In August 2023, Tourism New Zealand, Tātaki Auckland Unlimited and industry operators secured the Amway Distributor Seminar, an annual business event programme.³⁸ The event, running from October to December 2023, will host almost 10,000 of China’s top achievers and is expected to deliver \$40m to the New Zealand economy.³⁹ In October 2023, Tourism New Zealand launched a new campaign starring director and actor Taika Waititi with the aim of enticing visitors to the country.⁴⁰

Tourism New Zealand (TNZ) has recently released their Statement of Performance Expectations 2023-2024 setting the target to increase international visitor spend to NZ\$9.7b in FY24, compared to NZ\$3.4b in the previous financial year. Additionally, TNZ also aims at boosting the equivalent advertising value (EAV) to NZ\$82m in FY24, being a c. 14% increase from the previous period.⁴¹

ANZ Hotel Market Performance

Australia

Over the YTD September 2023 period, Australia recorded the second highest increase in ADR and RevPAR compared to 2019 levels within the APAC region.⁴² Indeed, all Australian major markets saw trading momentum to extend over the YTD Sep-23 period. Over the period, ADR levels remained stable at substantially higher levels than the same period in 2019 across all markets. Nationally, YTD Sep-23 ADR was 29% higher than pre-pandemic.⁴³ As ADRs remain elevated, Occupancy also continued to recover further over the period, with key markets like Sydney now sitting a 94% of 2019 levels.⁴⁴ While

the Brisbane and Perth market have already slightly exceeded pre-pandemic levels over the period.⁴⁵

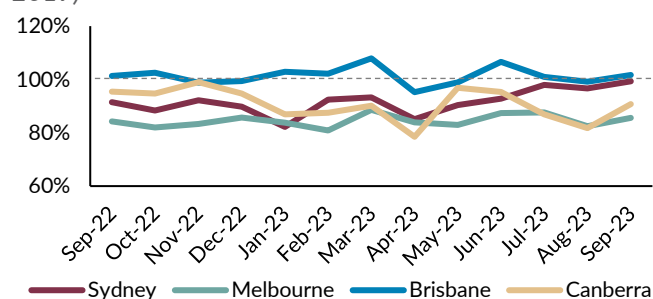
The YTD Sep-23 period also continued to see strong levels of RevPAR nationally. All key Australian markets maintained RevPAR at above pre-pandemic levels over the period, with Brisbane again leading at 50% above 2019 levels.⁴⁶

Figure 3: Australian Hotel KPI YTD September 2023

Market	Occ (%)	ADR (A\$)	RevPAR Change (vs YTD Sep 2022)	RevPAR Change (vs YTD Sep 2019)
Australia	69%	235	15%	22%
Sydney	76%	260	38%	12%
Melbourne	67%	220	25%	2%
Brisbane	73%	228	21%	50%
Adelaide	70%	208	12%	22%
Canberra	68%	200	-3%	6%

Source: STR, ANZ Performance Update, 10.2023.

Figure 4: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 10.2023.

³⁷ Minister for Trade and Tourism, Come and Say G’day one year anniversary, 10.2023.

³⁸ New Zealand Tourism, Amway event win will deliver \$40 million for New Zealand, 08.2023.

³⁹ New Zealand Tourism, Amway event win will deliver \$40 million for New Zealand, 08.2023.

⁴⁰ Reuters, New Zealand starts new tourism campaign as post-COVID visits lag, 10.2023.

⁴¹ Tourism New Zealand, Statement of Performance Expectations 2023-2024, 06.2023.

⁴² CBRE, 2023 Asia Pacific Hotels & Hospitality, 10.2023.

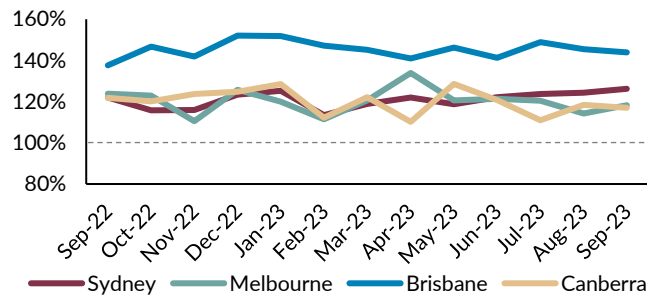
⁴³ STR, ANZ Performance Update, 10.2023.

⁴⁴ STR, ANZ Performance Update, 10.2023.

⁴⁵ STR, ANZ Performance Update, 10.2023.

⁴⁶ STR, ANZ Performance Update, 10.2023.

Figure 5: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 10.2023.

New Zealand

Over the YTD Sep-23 period, the hotel market in New Zealand saw further improvements. In particular, ADRs across key markets remain at levels substantially higher than the same period in 2019. Auckland and Queenstown YTD Sep-23 ADR was at 23% and 14% above than pre-pandemic levels, respectively.⁴⁷ Occupancy slightly improved from the Q2 2023 with YTD Sep-23 Occupancy sitting at c. 89%-90% of pre-pandemic levels for both Auckland and Queenstown.⁴⁸

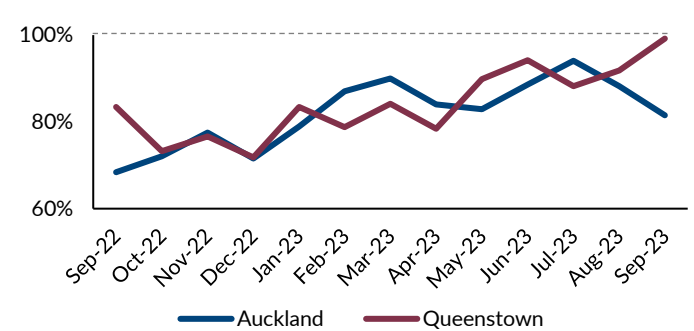
Compared to the ending of Q2 2023, in the YTD Sep-23 period New Zealand saw a sensible improvement in RevPAR across all key markets. Auckland YTD Sep-23 RevPAR remains above YTD Sep-19 levels by 7%. While, Queenstown has further recovered trailing at only 1% below pre-pandemic RevPAR levels over the YTD Sep-23 period.⁴⁹

Figure 6: New Zealand Hotel KPI YTD September 2023

Market	Occ (%)	ADR (NZ\$)	RevPAR Change (vs YTD Sep 2022)	RevPAR Change (vs YTD Sep 2019)
New Zealand	67%	229	57%	7%
Auckland	69%	237	62%	7%
Queenstown	70%	271	91%	-1%

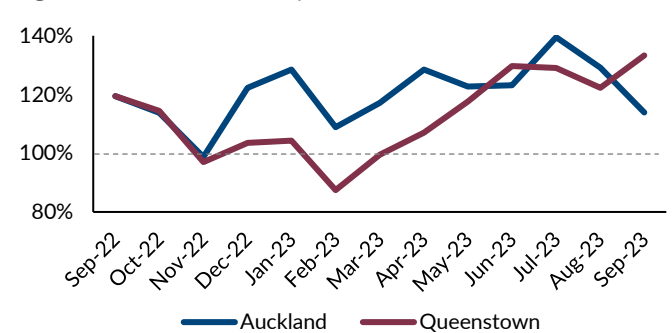
Source: STR, ANZ Performance Update, 10.2023.

Figure 7: Markets Monthly Occupancy (indexed to 2019)



Source: STR, ANZ Performance Update, 10.2023.

Figure 8: Markets Monthly ADR (indexed to 2019)



Source: STR, ANZ Performance Update, 10.2023.

Hotel Investment Market

Notable hotel transactions that occurred in Q3 2023 include the sale of the Novotel and ibis Melbourne Central Hotels for \$170m⁵⁰ and of the Sofitel Adelaide for \$154m.⁵¹

⁴⁷ STR, ANZ Performance Update, 10.2023.

⁴⁸ STR, ANZ Performance Update, 10.2023.

⁴⁹ STR, ANZ Performance Update, 10.2023.

⁵⁰ The Hotel Conversation, CBRE advises on Melbourne's largest hotel transaction in over five years, 07.2023.

⁵¹ AFR, Salter Brothers nab Sofitel Adelaide for \$154m, 07.2023.

ESG: Positive Performance

GRESB Real Estate Results 2023

We are pleased to announce that we have successfully increased the Pro-invest Group GRESB Real Estate Assessment scores for both Standing Investments and Developments in our seventh year of reporting to GRESB (see Figure 9).

Standing Investments scores for Pro-invest Group increased by 3+ points to 73/100, while Developments increased by 14+ points to 90/100. For Standing Investments, key performance drivers include the adoption of the Greenview sustainability management system, coupled with increased data completeness and management, along with initiatives such as the adoption of GreenPower, and increased NABERS Energy and Water assessment projects.

On the Development side, score uplifts surrounded that of taking a more wholistic approach to sustainability for assets under construction/redevelopment, along with the introduction of initiatives such as Pro-invest Group’s RRRLR (Reuse, Reduce, Recycle, Landfill and Report) Waste Framework for repositioning projects, to reduce waste to landfill impact.

Looking to 2024’s GRESB Assessment, Pro-invest Group has commenced deploying score improvement strategies for the fund hotels. A core focus will surround third-party sustainability certification and third-party assurance efforts.

Communicating the Value of ESG

Pro-invest Group has been active in sharing its knowledge within the space of ESG. Pro-invest Group has participated in several opportunities to raise awareness not only of the value that ESG has to real estate assets but of the importance it holds to Pro-invest Group’s portfolios and business operations. During the quarter, Pro-invest Group representatives spoke on ESG at the following conferences and events:

- **HICAP ANZ Conference:** ESG Developments Panel
- **NoVacancy Expo - Trash Talk:** Top Tips to Reduce and Reimagine Waste Panel
- **HOFTEL Conference:** ESG Panel
- **ESG Executive Course by the Energy & Environment Alliance:** Content contribution and knowledge sharing for course guidance
- **Holiday Inn Express Newcastle UN World Tourism Day Event:** Tourism & Green Investments.

Figure 9: Pro-invest Group GRESB Real Estate Assessment Results 2023

