

— Exclusive

Hotels a better investment bet than logistics: Pro-invest

Larry Schlesinger Reporter



Apr 6, 2022 - 5.28pm

Fund manager Pro-invest has tipped the hotel sector to outperform the booming logistics market over the coming years on the back of a resurgence in accommodation take-up, after securing up to \$200 million from institutional investors for its latest hotel fund.

Pro-invest co-founder Sabine Schaffer said there were few real estate sectors for institutional investors to put their money into that offered the growth prospects and strong returns of hotels.

“If you look at logistics, it feels like a lot of money has already been put into those assets,” Ms Schaffer told *The Australian Financial Review*.



Primed for growth: Sabine Schaffer and Jan Smits in the foyer of the Kimpton Hotel in Sydney. **Janie Barrett**

“[And] if you look at the price tag of other real estate alternatives, there is a question mark about the risk-return profile.”

She said hospitality assets, on the other hand, still had “runway to get to the mature phase” after a resetting of hotel values during the pandemic.

Pro-invest, which owns and manages a portfolio of over 4500 rooms spread across 22 mid-scale and lifestyle hotels in Australia and New Zealand, is targeting a 20 per cent annual internal rate of return for its third hotel fund, which will focus on

acquiring existing hotels from “motivated sellers” and undertaking repositioning or rebranding programs.

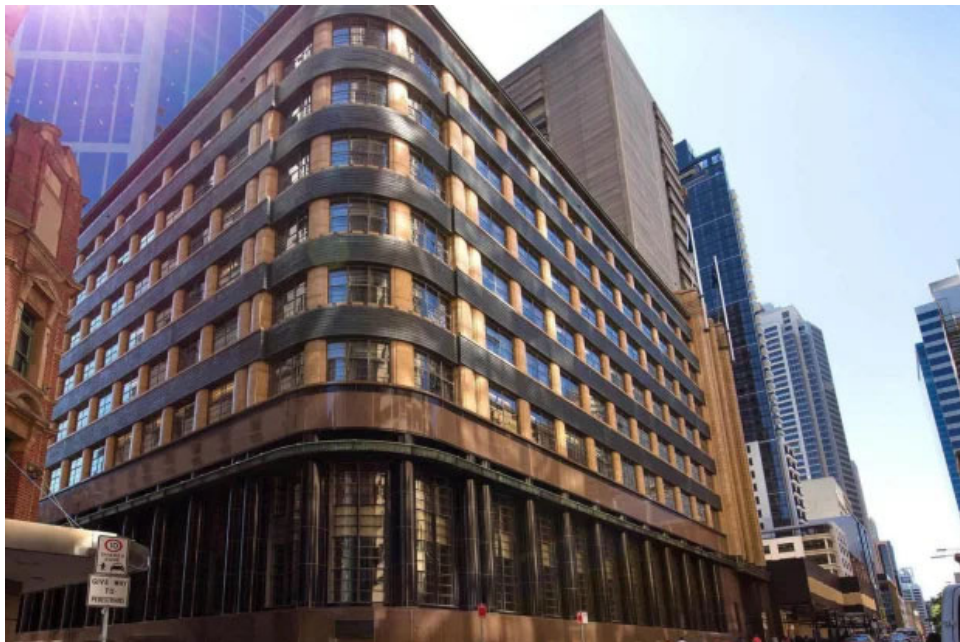
This marks a departure from Pro-invest’s first two funds, which raised over \$600 million to fund the development of new Holiday Inn Express hotels when it was “cheaper to build than buy”.

However, the pandemic’s resetting of values and the pressures placed on some owners has now made buying existing properties more attractive, Ms Schaffer said, fuelling acquisitions such as the \$132 million Primus Hotel deal in the Sydney CBD last year [<https://www.afr.com/link/follow-20180101-p57p40>], which Pro-invest has rebranded as the country’s first Kimpton Hotel.

Pro-invest is targeting a \$500 million total raise for its third hotel fund, giving it the capacity to acquire between eight and 10 assets.

It already has its foot on a hotel in Canberra, and is in negotiations on a number of other hotels in capital cities.

“We’ll have our first official close of the fund towards the end of second quarter, which will be between \$150-\$200 million, and expect to close out the [\$500 million] fund by the end of the year,” Ms Schaffer said.



Pro-invest rebranded the Primus hotel in Sydney as the Kimpton.

Alongside acquisitions of existing hotels, Pro-invest will open five new hotels in Australia and New Zealand this quarter, including a Hotel Indigo in Brisbane and a Holiday Inn Express on the Sunshine Coast.

It has also strengthened its hotel management platform, forming a joint venture with operator Next Story Group seeded with 1500 rooms across brands such as Sage, Voco, Sebel and Indigo.

Ms Schaffer added that hotel investors had their sights firmly on Australia, which was playing catch-up with the likes of the US and Europe after sealing its borders for two years.



RELATED

Return of China, NZ travellers key to hotel rebound: Event

<https://www.afr.com/property/commercial/return-of-china-nz-travellers-key-to-hotel-rebound-event-20220221-p59y8j>



RELATED

Labour shortages weigh on hotel recovery: Marriott

<https://www.afr.com/property/commercial/labour-shortages-weigh-on-hotel-recovery-marriott-20220323-p5a72l>

Pro-invest co-CEO Jan Smits said that while occupancy rates across the group's hotels varied from the high 70s and low 80s for some regional hotels to 30-40 per cent for its airport hotels, forward bookings were very encouraging.

The return of major events such as this weekend's Grand Prix in Melbourne – STR analysis shows an 89 per cent occupancy rate across Melbourne from Thursday to Sunday peaking at 94 per cent on Saturday night – was driving a return to normality, Mr Smits said.

“There isn't a ticket available for the F1. The demand is there. Sydney and Melbourne are starting to build up their event calendars, which is driving more and more demand, which is very positive,” he said.

Larry Schlesinger writes on real estate, specialising in commercial and residential property. Larry is based in our Melbourne newsroom. *Connect with Larry on [Twitter](#). Email Larry at larry.schlesinger@afr.com*