



Dear Investors and Friends,

It is with pleasure that Pro-invest Group presents you with our Pro-invest Australian Hospitality Quarterly Newsletter for the third quarter of 2021.

Q3 2021 saw the COVID-19 vaccination rollout accelerated in Australia and New Zealand, with 70% in Australia and 68% in New Zealand (of the eligible population) being fully vaccinated as of 20 October 2021. The high vaccination uptake followed the recent Delta strain outbreak, which has seen heightened restrictions and lockdowns implemented across key cities in Australia and New Zealand, including Sydney, Melbourne, and Auckland over Q3 2021.

Australia and New Zealand have each created a four-step roadmap to reopen international borders, with expectations to achieve widespread vaccination coverage in both countries before the end of 2021. Outbound travel has resumed for fully vaccinated Australians on 1st November 2021, alongside a new travel bubble between Australia and Singapore to start commencement in the same month. Further discussions for new travel bubbles with Japan, the United States, and United Kingdom have started.

At the time of writing this report, Sydney and Melbourne ended their lockdowns, with further easing of COVID-19 restrictions expected in Q4 2021 across Australia and New Zealand. Domestic tourism sentiment improved in Q3 2021, signifying large pent-up travel demand ahead of the Christmas school holiday peak period.

Meanwhile, tourism campaigns and government budgets have been allocated towards further stimulating domestic travel. In the longer term, Brisbane was recently awarded the opportunity to host the Olympic Games in 2032, which will help showcase the region's tourism industry onto the world stage, and transform Brisbane into a new world city.

Due to current market conditions, there lies the opportunity to capitalise on distressed hotel assets which position as long-term investment prospects well poised for strong returns.

Over the next 6-12 months, further opportunities are set to arise, which Pro-invest is well positioned to leverage through our active asset management approach and unique vertically integrated platform

creating significant value generation opportunity for our investors.

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's well-formed network, track-record and access to unique off-market opportunities, Pro-invest is positively positioned to overcome and even leverage off the hurdles presented by COVID-19.

Over the past seven years, Pro-invest has brought the Holiday Inn Express® brand to the Australian and New Zealand market and set the foundations for the brand's expansion and positioning as a market leader in the select service hotel space.

To date, Pro-invest boasts several funds, managed accounts and co-investments, resulting in approximately A\$2 billion worth of assets under management.

Meanwhile, further prospects are being assessed throughout the region which include exploring value-add hotel opportunities created by COVID-19 for the redevelopment, refurbishment or repositioning of these assets for increased returns. A special feature on this matter is included in this report.

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 and the Pro-invest Australian Hospitality Opportunity, please visit:

www.proinvestgroup.com

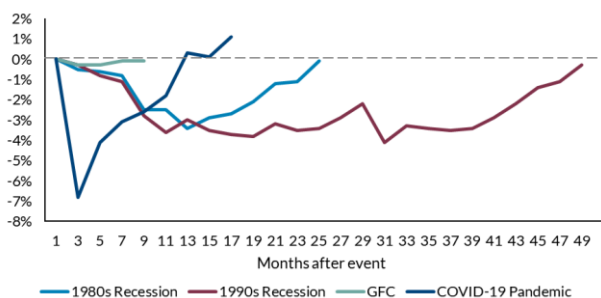
Q3 2021 ANZ Market Update

Australian Economy

The Australian economy showed strong growth momentum, as seasonally adjusted Q2 2021 Global Domestic Product (GDP) rose by 0.7% quarter-on-quarter (QoQ) and 1.9% compared to Q1 2020 GDP, when Australia’s international borders were still open.¹ The recent delta strain outbreak caused key Australian cities including Sydney and Melbourne to enter into a lockdown during Q3 2021 which would see some impact on the overall economic recovery.²

Australia’s two largest economies, Sydney and Melbourne, have lifted lockdown restrictions in October 2021, as vaccination coverage hits the 70%-80% targets. Consumer confidence and business confidence expected to improve over Q4 2021.³

Figure 1: % Change of Employment from Pre-Downturn Employment Peak



Source: OECD, Economic Surveys, 09.2021.

New Zealand Economy

In New Zealand, Q2 2021 GDP rose by 2.8% QoQ, a significant improvement following Q1 2021 1.4% QoQ GDP growth, and exceeding expectations of the Reserve Bank of New Zealand (RBNZ).⁴ Retail trade and accommodation led the growth, given fewer COVID-19 restrictions than previous quarters.⁵ However, Q3 2021 economic recovery will be affected by the recent delta outbreak in New Zealand.⁶

As of 7 October 2021, New Zealand raised the Official Cash Rate for the first time in 7 years to

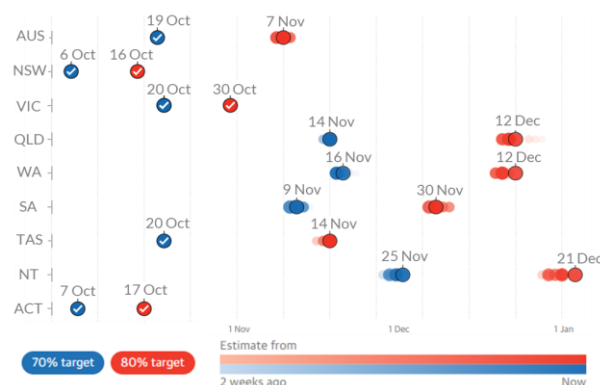
¹ ABS, Australian National Accounts, 09.2021.
² RBA, Statement on Monetary Policy, 08.2021.
³ RBA, Statement on Monetary Policy, 11.2021, ANZ-Roy Morgan Australian Consumer Confidence, 10.2021, Roy Morgan Business Confidence, 10.2021.
⁴ Focus Economics, 09.2021, Stats NZ, 09.2021.
⁵ Stats NZ, GDP, 09.2021, Newshub, 09.2021.
⁶ RBNZ Media Release, 10.2021.

0.5%, making it one of the first developed economies to reverse rate cuts during the pandemic.⁷ The RBNZ expects further removal of monetary policy stimulus, as global economic activity recovers, rising COVID-19 vaccination rates in many countries, and relaxation of mobility restrictions.⁸

AU & NZ COVID-19 Vaccination Rollout

Australia’s vaccination rollout accelerated during Q3 2021, and is expected to achieve widespread coverage by November 2021.⁹ As of 20 October 2021, over 85% of the eligible population has received the first dose, meanwhile more than 70% of its eligible population is fully vaccinated.¹⁰ The vaccination uptake greatly increased following the Delta strain outbreak, which has seen heightened restrictions and lockdowns implemented across states and territories in Australia for most of Q3 2021. Sydney, Melbourne and Canberra ended their lockdowns in October 2021.¹¹

Figure 2: Australia COVID-19 Vaccination Forecast, as of October 2021



Source: The Guardian, 10.2021.

In New Zealand, the vaccination rollout has also progressed well, with 68% of its eligible population being fully vaccinated as of 20 October 2021.¹² Meanwhile, c. 86% of the country’s eligible population having received the first dose, compared to the end of Q2 2021, where only 15% had one

⁷ Reuters, 10.2021, BBC News, 10.2021.
⁸ RBNZ Media Release, 10.2021.
⁹ The Guardian, 10.2021.
¹⁰ Australian Government Health, Australia’s COVID-19 Vaccine Roll-out, 21.10.2021.
¹¹ NSW Government, 10.2021, ACT Government, COVID-19, 10.2021, The Canberra Times, 10.2021.
¹² Ministry of Health NZ, COVID-19 Vaccinations, 10.2021.

vaccine dose.¹³ New Zealand is expected to achieve 90% double vaccination levels by end of December 2021.

Auckland is in “Alert level 3” (as of October 2021), where outdoor recreational activities and social gatherings are allowed with social distancing rules. Meanwhile, the rest of New Zealand including Queenstown, is in “Alert level 2”, permitting for indoor activities including dining, entertainment, and conferences.¹⁴

New Zealand is transitioning from zero-tolerance to a containment approach to the virus.¹⁵ The country plans to exit the strict lockdowns once it achieves 90% double dose vaccination coverage before this year’s Christmas holidays.¹⁶

Australia - New Zealand Tourism Update

International Travel Update

International borders continue to remain shut during the quarter, as the Delta strain outbreak and lockdown restrictions impacted tourism and the hotel business in Australia and New Zealand.

By early November 2021, Australia was in Phase 3 of the recovery plan, as the country reaches 80% vaccination coverage of its eligible population.¹⁷ This led to opening of international border for Australian citizens and permanent residents, though states have put their own restrictions on international travel.

Australia and Singapore established a new travel bubble, where fully vaccinated Singaporeans can enter Australia without undergoing quarantine from 21 November 2021.¹⁸ Other countries identified by Australia’s Minister for Trade, Tourism and Investment for potential travel bubbles included Japan, the United States, and the United Kingdom.¹⁹

Outbound international travel has also recently commenced for Australian citizens, with Qantas

planning to resume flights to selected travel destinations including the United States, Japan, Singapore, and Canada.²⁰

In New Zealand, the government announced a 4-step roadmap in August 2021 to reopen the country’s international borders, as the country moves away from a zero-tolerance to a containment approach of COVID-19.²¹ New Zealand is currently in “Step 2” of the roadmap, and targets to reach “Step 3” by early 2022, allowing for quarantine-free travel from selected countries.²² These include Australia, Cook Islands, Niue, Samoa, Tonga, and Vanuatu, which have established a travel bubble with New Zealand earlier this year but was paused due to the recent Delta strain outbreak in New Zealand.²³

The two-way travel bubble between Australia and New Zealand commenced on 19 April 2021, but remains paused since July 2021.²⁴ By 1 November 2021, quarantine-free travel resumed for fully vaccinated travellers from New Zealand to Australia, although no targeted date has been set for quarantine-free travel from Australia to New Zealand.²⁵ But with both countries targeting to achieve widespread vaccination coverage by the end of the year, international borders are expected to gradually reopen from 2022.²⁶

Domestic Tourism

Australia’s domestic tourism continued to recover during Q2 2021 as domestic overnight spending improved 9% QoQ, and the number of domestic trips remained stable.²⁷

However, Q3 2021 domestic tourism is expected to be impacted by the Delta strain outbreak and subsequent lockdowns and restrictions by various states and territories.

¹³ Ministry of Health NZ, COVID-19 Vaccinations, 10.2021, Our World in Data, 10.2021.

¹⁴ New Zealand Government, COVID-19, 10.2021.

¹⁵ OECD Economic Surveys, 09.2021.

¹⁶ NZ Herald, 10.2021, ABC News, 10.2021.

¹⁷ Prime Minister of Australia, National Cabinet Statement, 08.2021.

¹⁸ The Guardian, Australia to lift quarantine upon entry for Covid vaccinated Singaporeans, 11.2021.

¹⁹ Sky news, 08.2021.

²⁰ ABC News, 09.2021, Qantas News Room, 08.2021, Business Traveller, 10.2021.

²¹ New Zealand Government, Unite Against COVID-19, 08.2021, Lonely Planet, 10.2021, Traveling Lifestyle, 10.2021.

²² Lonely Planet, 10.2021, Traveling Lifestyle, 10.2021

²³ Immigration New Zealand, 10.2021.

²⁴ SBS News, 09.2021.

²⁵ Australia Aviation, 11.2021.

²⁶ Prime Minister of AUS, National Cabinet Statement, 08.2021, New Zealand Government, Unite Against COVID-19, 08.2021.

²⁷ Tourism Research Australia, 10.2021.

Pro-invest Australian Hospitality Funds

Overview

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 has laid the foundations for the HIE brand's expansion in the market, in which c. 50 prime target areas have been identified. 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 launched the Pro-invest Australian Hospitality Fund II (Fund II), which successfully completed equity raising in 2020. Fund II continues Pro-invest's strong track record of rolling

out its Select Service and Lifestyle hotels throughout the Australasian market.

Following the successful capital raise of Fund II, Pro-invest Group is currently managing more than \$2 billion in real estate assets, including commercial assets as well as hotels operating under globally renowned brands such as Holiday Inn Express, Hotel Indigo, Kimpton and voco™.

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

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

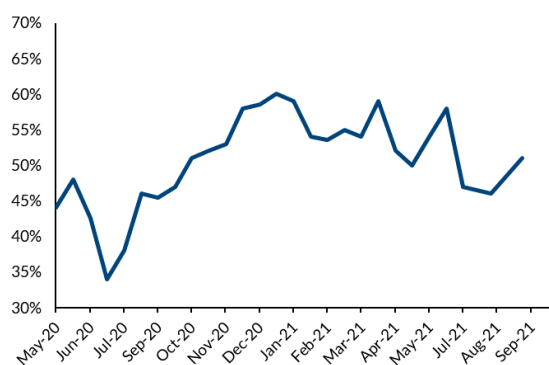
Unprecedented market conditions created by COVID-19 have established an opportunity to make value-add investments into standing and income producing assets primarily in luxury, upper-upscale and upscale full-service hotels in Australia & New Zealand, as well as other secure markets in Asia.

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



The outlook for Q4 2021 and beyond though, remains positive as Sydney and Melbourne exit lockdowns in October 2021 after achieving widespread vaccination coverage. Travel intention and booking intention have also increased, as more Australians feel “safe to travel within Australia”.²⁸

Figure 3: Travel Intention (0-6 months) within Australia (% of Australians)



Source: Tourism Australia, Travel Sentiment Tracker, 09.2021.

Meanwhile, the government continues to support the tourism industry – Increased permanent and seasonal flight capacity to Gold Coast and Sunshine Coast from December 2021, the “COVID-19 Consumer Travel Support” grant payments towards local tourism and hospitality businesses across Australia, and grants towards South Australia’s regional tourism developments, amongst others.²⁹ The NSW government also recently announced additional \$530 million towards reviving tourism and events across the state, including \$50 accommodation vouchers to all NSW residents, \$150 million towards major events and festivals, and \$60 million to incentivize international airlines to recommence flights to Sydney.³⁰

Australian & New Zealand Tourism Market & Campaigns

Australia

In July 2021, Brisbane was awarded the opportunity to host the Olympic Games in 2032, which will help showcase the region’s tourism industry onto the world stage.³¹ 27 new sporting venues will be

constructed across Brisbane, Gold Coast, and Sunshine Coast, further supported by various existing infrastructure projects that will transform Brisbane into a new world city.³² These include \$5.4 billion Cross River Rail to increase rail network capacity, and the \$3.6 billion Queen’s Wharf redevelopment, which will create an entertainment and hotel precinct within Brisbane’s CBD.³³

In the shorter term, Tourism Australia will host the annual Destination Australia Conference in March 2022 in Melbourne. The conference will focus on building a “bigger and better” tourism industry, with high profile speakers discussing past challenges and sharing future trends and emerging opportunities.³⁴

Meanwhile, as various Australian cities exit lockdowns in Q4 2021, the “It’s Our Best Shot for Travel” campaign will help continue encouraging Australians to be fully vaccinated and ready to support the tourism industry.³⁵ Further, the “Give the Gift of Travel” campaign targets to promote domestic travel by highlighting the depth and breadth of Australian tourism experiences that can be easily given as gifts.³⁶

New Zealand

In November 2021, New Zealand will be hosting the country’s largest national annual event, Tourism Industry Aotearoa 2021. Additionally, Tourism New Zealand’s Hui Kaihāpai trade show will be held in the following month, where tourism specialists will connect with Australian travel sellers to establish business relationships and educate on New Zealand’s tourism industry.³⁷

ANZ Hotel Market Performance

Australia

Q3 2021 hotel occupancy rates in Australia and New Zealand were impacted by the recent lockdowns and the pausing of the Trans-Tasman travel bubble.³⁸ However, the strong rebound of the hotel market during H1 2021 saw overall trading performance improved relative to YTD September 2020,

²⁸ Tourism Australia, Travel Sentiment Tracker, 09.2021.

²⁹ Queensland Government Media Statement, 10.2021, Australian Government COVID-19 Consumer Travel Support, 10.2021, Mirage News, 10.2021.

³⁰ NSW Government, Media Release, 20.10.2021.

³¹ ABC News, 07.2021.

³² Live Wire, 09.2021.

³³ Live Wire, 09.2021.

³⁴ Tourism Australia, Newsletter, 13.10.2021.

³⁵ Tourism Australia Newsletter, 15.09.2021.

³⁶ Tourism Australia Newsletter, 13.10.2021.

³⁷ Tourism New Zealand, 10.2021.

³⁸ STR, ANZ Performance Update, 10.2021.

particularly for cities more dependent on domestic tourism like Adelaide and Brisbane.³⁹

Figure 4: Australian Hotel KPI Year to Date Sep 2021

| Market | Occ (%) | ADR (A\$) | RevPAR Change (vs YTD Sep 2020) | RevPAR Change (vs YTD Sep 2019) |
|-----------|---------|-----------|---------------------------------|---------------------------------|
| Australia | 48% | 180 | 23% | -35% |
| Adelaide | 58% | 151 | 34% | -25% |
| Brisbane | 50% | 162 | 40% | -26% |
| Melbourne | 37% | 151 | -19% | -62% |
| Sydney | 38% | 184 | -9% | -60% |

Source: STR, ANZ Performance Update, 10.2021.

Colliers in their report dated July 2021 expects a strong summer holiday period, and a bounce back of the Australian hotel market towards the end of the year (2021).⁴⁰ With Sydney and Melbourne exiting lockdowns in October, and other Australian cities targeting to reopen interstate borders in the next 2 months, the hotel market is expected to improve over Q4 2021 and beyond.

New Zealand

Occupancy rates over Q3 2021 dropped across the country with Queenstown bearing the brunt of the impact as the pausing of the Trans-Tasman travel bubble reduced Australian travellers to the international tourism dependent hotel market.⁴¹

Queenstown was positioned well before the lockdowns to have a strong ski season trading though the lockdowns saw significant cancellations.

Colliers in their report dated July 2021 forecasts the hotel sector to start recovering from early 2022, when New Zealand would have achieved the 90% vaccination coverage target, and international travel limitations start to ease.⁴²

Figure 5: New Zealand Hotel KPI Year to Date Sep 2021

| Market | Occ (%) | ADR (NZ\$) | RevPAR Change (vs YTD Sep 2020) | RevPAR Change (vs YTD Sep 2019) |
|-------------|---------|------------|---------------------------------|---------------------------------|
| New Zealand | 53% | 184 | 3% | -33% |
| Auckland | 59% | 202 | 6% | -23% |
| Queenstown | 38% | 175 | -37% | -66% |

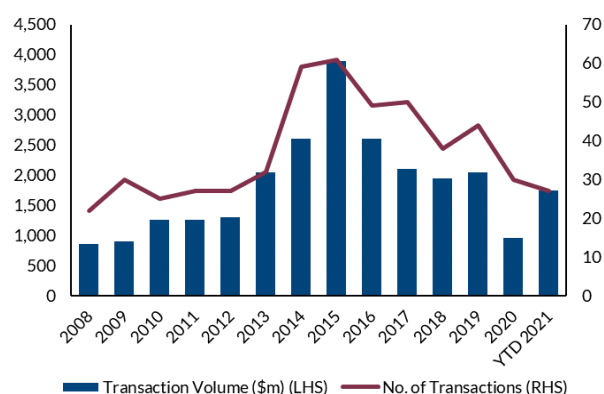
Source: STR, ANZ Performance Update, 10.2021.

Hotel Investment Market

Australia's hotel market experienced robust investment activity throughout 2021, with strong interests from both onshore and offshore purchasers.⁴³ YTD 2021 transaction volumes doubled YE 2020 volumes, and sitting very close to 2019 levels.⁴⁴

Key sales during Q3 2021 included the All Seasons International Bendigo in VIC (A\$54.5m), Bayview on the Park in NSW (A\$70m), and Oakwood Hotel & Apartments in Brisbane (A\$41.5m).⁴⁵ More recently, the Sofitel Sydney Wentworth was sold for A\$315m to a joint venture between two Sydney based firms and KKR.⁴⁶ This is one of the largest single-hotel sale in Australia since 2015, highlighting the strong investor confidence for the Australian hotel market.⁴⁷

Figure 6: Australia Hotel Investment Trends (2000 to YTD July 2021)



Source: Colliers, Hotel Report 2021 Mid Year Wrap Up, 07.2021.

³⁹ STR, ANZ Performance Update, 10.2021.

⁴⁰ Colliers and Ashurst, Australian Hotel Market Update, 09.2021.

⁴¹ STR, 09.2021.

⁴² Colliers, New Zealand Hotel Market Snapshot, 10.2021.

⁴³ Colliers, Hotel Report 2021 Mid Year Wrap Up, 07.2021.

⁴⁴ Colliers, Hotel Report 2021 Mid Year Wrap Up, 07.2021.

⁴⁵ Urban Developer, 09.2021, Colliers, Hotel Report 2021 Mid Year Wrap Up, 07.2021.

⁴⁶ The Hotel Conversation, Deals, 10.2021.

⁴⁷ The Hotel Conversation, Deals, 10.2021.

In-Focus Feature: Pro-invest announces first NABERS Carbon Neutral Hotel

Holiday Inn Express Newcastle, developed by Pro-invest Group, has officially become the first hotel in Australia to obtain Carbon Neutral certification under the NABERS Climate Active pathway; a testament to the hotel's efficient design, operations and management, led by Pro-invest Group.

With sustainability a core pillar and priority across Pro-invest Group's hotels and new developments, Pro-invest, together with the support of Ecosave Pty Ltd, commenced the ground works for the Group's carbon net zero journey in 2020. This followed Pro-invest Group working closely with the Clean Energy Finance Corporation (CEFC) to commit to devising and rolling out a strategy to make the Australian Hospitality Opportunity Fund II Carbon Net Zero by 2030.

The Carbon Neutral certification project serves part of Pro-invest Group's broader agenda to target Net Zero by 2030 across the hotel portfolio. Holiday Inn Express Newcastle served as a trial for this portfolio-wide strategy and has been considered a success.

"As a hotel developer, operator and asset manager, Pro-invest Group has the ability to challenge

conventional thinking, benefitting from the ability to adapt to change, try new things and build and manage its hotels to target high sustainability standards." – Mr. Jan Smits, Deputy Chair & Co-CEO APAC of Pro-invest Group

The Newcastle-based hotel has been issued new NABERS Energy and Water ratings and the Carbon Neutral status is publicly available on the NABERS website's Rating Register.

Some of the initiatives that Pro-invest Group embedded into Holiday Inn Express Newcastle's design include strong LED coverage, an energy management system per guest room with occupancy sensors, a light setting program and air conditioning management, coupled with water conservation measures via efficient fittings and fixtures. These initiatives have been adopted across Pro-invest Group's Holiday Inn Express hotels.

"We work with many clients to support their sustainability journey, and the Pro-invest Group team are one of the most progressive and most forward-thinking we have worked with to date." – Mr. Simon Johnston, Head of Advisory Services, Ecosave, ANZ

Click [here](#) to read the press release.



Special Feature: Pro-invest Group Settles In at its London Office, as the Group Expands across the UK & Europe

Pro-invest Group is already one of the largest investment and operating platforms in Australasia, with a strong presence in the Middle East, and now has entered the UK and Europe.

The European and UK hotel investment market is poised for growth with the expectation of compelling returns, as Pro-invest Group begins operating across the UK and Europe.

As the recovery takes hold, the Pro-invest team is actively engaging with investment partners and asset allocators as the conduit to enable successful investments throughout the region, particularly focused on Britain and Germany.

For CEO & Chairman Ronald Stephen Barrott, the launch of Pro-invest Group in the UK and Europe is akin to a “coming home” move. Ronald previously created thriving hotel, retail and commercial property investment business Stannifer Group in the European region.

“We are delighted to be returning to the European region and can bring all our combined expertise to bear in acquiring and re-positioning, re-branding and managing assets going forward. We want to do this at scale, bringing our active style of management into play.” – Mr. Ronald Stephen Barrott, CEO & Chairman, Pro-invest Group

Pro-invest UK & Europe draws upon the combined experience of highly skilled professionals at its core, each with a proven record in building scalable hotel investment strategies, including industry figures from ADIA and hospitality group IHG, creating a unique powerhouse led by lauded industry veteran, CEO & Chairman Mr. Ronald Stephen Barrott.

Co-CEO & Managing Partner Dr. Sabine Schaffer, Managing Director for Hospitality & Asset Management Alex Garrod, previously a portfolio manager at ADIA responsible for hospitality investments, and Chief Financial Officer Andrew Johnston bring a wealth of individual skills and industry knowledge, as the UK and Europe team

currently seeks out hotel and commercial investments.



The core leadership team is completed with Head of Hotels Keith Griffiths, formerly MD of Atlas Hotels, Head of Architecture & Technical Services Norman Forsyth and Scott Wolfe as Pro-invest Group UK and Europe’s Director of Investments.

“We are taking the vertically integrated model that we successfully used over the past three decades and relaunching this into the UK and European marketplace. Our intention is to become a leading private equity real estate firm in Europe with particular specialty in the hospitality sector.”
– Dr. Sabine Schaffer, Co-CEO & Managing Partner Europe, Pro-invest Group

The style of investment will be where Pro-invest can run the properties operationally, where the team can use its real estate expertise to enhance the physical building and then leverage the team’s three decades of experience as a franchisee of international hotel brands.

Pro-invest Group UK & Europe operates a fully integrated business, combining active asset management, property development and operational capabilities across a range of assets classes, including commercial and retail as well as hotels, where the focus is on opportunities within gateway cities and the aggregation of a UK wide select service hotel platform.

Please [click here](#) to read the full announcement & access the newly launched Pro-invest Group website.

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