

For Immediate Release
29 December 2023

Phoenix Property Investors Announces Three Exits: A Logistics Site in Sendai, Japan, a Hotel in Sapporo, Japan, and the Remaining Office Unit in our Hong Kong Office Portfolio

We are pleased to announce the dispositions of three investments for the firm's sixth opportunistic fund, Phoenix Asia Real Estate Investments VI, L.P. ("Fund VI").

The majority of the investments were acquired pre-COVID and endured COVID-generated downturn of the real estate industry, then the subsequent increase in interest rate and construction cost. Despite these impacts, we still managed to turn a profit for these three deals combined. We believe this is a testament of our firm's strength in buying low and adding value to our assets, and the agility in changing exit strategies to fit the challenge of times.

Sendai Logistics, Sendai, Japan



On 31 July 2023, we sold 8,063 tsubo land site as-is near the centre of Sendai to a JREIT for US\$23.6 million¹. Phoenix's initial investment strategy was to construct a 4-story Grade A modern logistics facility after a 19-month leaseback period with the seller and a 12-month soil remediation. Prior to the start of construction, Fund VI already received an unsolicited LOI. Phoenix decided to pivot from the initial strategy and sell the land as-is without incurring unpredictable and rising construction costs.

In February 2022, Phoenix acquired the land because of its attractive location in the Tohoku region and the lack of modern logistics facilities in Sendai. At the time of acquisition, modern logistics stock in Sendai was only 1.9% of the total supply vs. 9.4% in Greater Tokyo². The location of the subject site meets the growing demand of the e-commerce industry and serves manufacturers tied to large corporations such as Toyota and Tokyo Electron with nearby factories. Of the four major distribution centers in the Tohoku region (Sendai, Kitakami, Morioka, and Koriyama), Sendai is located at the center and has the largest population, and Phoenix believed it would continue to function as a core logistics hub for the area.

Quintessa Hotel Sapporo Susukino, Sapporo, Japan



On 10 November 2023, we signed a binding purchase sale and agreement for Quintessa Hotel Sapporo Susukino, and closed the deal on 30 November 2023. In May 2018, before the global COVID-19 outbreak, Phoenix forward purchased a brand-new turn-key budget-type hotel (the "Property") in the Susukino area of Sapporo, a major tourist destination in Japan. The Property with 155 guest rooms was delivered to Phoenix by a reputable domestic developer in the middle of the pandemic in July 2020. After enduring three years of COVID-19-related policies such as prolonged border closures and a slow economic recovery, Phoenix managed to source a credible buyer.

The accepted offer of US\$30.7 million³ is higher than our original underwriting exit price and our most recent underwriting exit assumptions in 2Q 2023. An experienced management company established in 2007, was contracted to operate the Property under a 15-year lease agreement. The lease agreement consisted of a fixed annual rent and a variable rent charged.

Due to COVID-19, the tourism industry and overall hotel sector in Japan was severely impacted from 2020 to the beginning of 2023, a timeframe which principally overlapped with Phoenix's holding period of the Property. Despite the enforcement of Force Majeure clause by the hotel operator because of decreased occupancy rates and rental revenue,

Phoenix managed the asset patiently throughout the pandemic by utilizing our strong relationships with the operator, the lender, and the asset manager.

Hong Kong Office Portfolio, Wong Chuk Hang, Hong Kong



On 15 June 2023, Phoenix sold the remaining strata-titled office unit of the Fund's Hong Kong Office Portfolio at Global Trade Square in Wong Chuk Hang US\$3.9 million⁴, or HK\$12,800 psf. Following this exit, Hong Kong's Office Portfolio is now fully realized.

Due to the three back-to-back unprecedented challenges affecting Hong Kong since 2018 –the US-China trade war, social unrest, and COVID-19, we prolonged our holding period by 33 months until the market stabilized. While other office property owners remain challenged, our team eliminated any further leasing and financing risks and successfully exited the last office unit of the portfolio.

This unit was acquired on a vacant basis in April 2018 below market at the time. The investment strategy was to take advantage of the market efficiencies in the fragmented strata-titled market to acquire mispriced units during a period where a wave of CBD tenants was relocating to an up-and-coming office sub-market in Wong Chuk Hang to reduce costs. The Office Portfolio consists of four office units on the 12th and 27th floor (ranging from a gross floor area of 1,014 to 2,393 square feet) and the whole floor of 33/F (9,736 square feet), located in a 36-storey Grade-A office building just 9 minutes away from the Wong Chuk Hang MTR station, built in 2013 by a major listed local developer, Henderson Land (SEHK:12).

Despite the border with China re-opening in January 2023, the Hong Kong office market and overall investment sentiment have been slow to recover. The vacancy rate of the Hong Kong office market was at 13.4% in 1Q 2023 compared to 2.0% at acquisition in April 2018. It is anticipated that the office market will remain weak for the next 18-24 months with over 6 million square feet of additional office space by 2024, weighing down office prices. As a result, our team is delighted to share that we managed to find an end-user buyer through our extensive sales network and limit the Fund's exposure to market volatility.

Footnotes:

1. Based on the exchange rate of USD1=JPY136.00
2. Source: CBRE
3. Based on the exchange rate of USD1=JPY150.00
4. Based on the exchange rate of USD1=HK\$7.80

About Phoenix Property Investors

Phoenix Property Investors is an experienced, independently-owned and managed private equity real estate investment group. Founded in 2002, Phoenix has a successful track record of creating value and delivering attractive results for its investors and stakeholders by developing exceptional real estate investment opportunities in the office, residential, retail, commercial, logistics, hospitality and non-discretionary retail sectors across over 20 first-tier Asia-Pacific cities. By keeping all of the vital investments, project management, asset management, portfolio management, research, finance, legal, risk, compliance and investor relations functions in-house, Phoenix has ensured the best possible levels of collaboration to maintain efficiency and quality.

Phoenix invests on behalf of global institutional investors; including sovereign wealth funds, public and corporate pension plans, foundations, university endowments, insurance companies and important family offices.

For more details, please visit www.ppinvestors.com.